

**valiant**

**2020  
annual  
report**

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# Valiant in 2020

## **There for our clients**

We delivered on our performance promise even in an extraordinary situation. We kept our branches open and continued to provide all of our services both online and in person thanks to our innovative branch concept. In addition, we brought in additional measures to support companies and organisations in 2020, including liquidity support, loan repayment holidays, COVID-19 loans and temporary rent waivers for SMEs that rent premises from Valiant.

## **16 April: We strengthened our investment and pension business**

One of the goals of Strategy 2020–2024 is to strengthen our investment and pension business. We aim to significantly increase commission income, and last year we began laying the foundations for how we will achieve this – including by bringing in 40 additional investment and pension specialists.

## **13 May: 23rd Annual General Meeting**

Shareholders approved all of the Board of Directors' recommendations by a substantial margin. The dividend was increased by CHF 0.60 to CHF 5.00 per share – the fifth increase in as many years. Shareholders elected Markus Gygax as the new Chairman and Ronald Trächsel as a new member of the Board of Directors.

## **16 November: Valiant continued to expand, opening a new branch in Rapperswil**

Valiant is one of the few Swiss banks that is expanding its branch network. On 16 November 2020, we opened our most recent branch in Rapperswil. At the new branch, which is equipped with an innovative welcome screen and self-service facilities, we combine personalised advice with digital services.

# **121.9m**

**Net profit was up by 0.7% in 2020.**

# **16.1%**

**With a total capital ratio of 16.1%, Valiant has a very solid capital base and exceeds FINMA requirements by a considerable margin.**

# **CHF 5**

**Our shareholders will receive an unchanged dividend of CHF 5.00 per share this year.**

# **105 bp**

**Despite the difficult conditions, we once again achieved a high net interest margin.**

# **+4.3%**

**Client loans increased by 4.3% to CHF 25.9 billion.**



# Key figures

	2020	2019	2018	2017	2016
<b>Balance sheet</b>					
Total assets	in CHF thousands	33,184,237	29,905,977	27,382,675	27,563,587
Due from customers and mortgage loans <sup>1</sup>	in CHF thousands	25,867,970	24,803,037	24,021,398	23,520,525
Client deposits	in CHF thousands	21,028,487	19,194,858	18,290,909	18,722,952
Equity capital	in CHF thousands	2,361,107	2,318,261	2,266,681	2,202,582
Client assets	in CHF thousands	30,282,957	28,295,338	26,377,559	27,750,317
<b>Income statement</b>					
Net interest income before value adjustments for credit risk, and loan losses	in CHF thousands	330,411	314,697	307,305	296,017
Operating income	in CHF thousands	413,122	405,312	401,778	387,383
Operating expenses	in CHF thousands	-241,604	-234,205	-226,019	-226,050
Operating profit	in CHF thousands	147,030	142,899	151,882	136,225
Group profit	in CHF thousands	121,869	121,059	120,328	119,236
Cost/income ratio <sup>2</sup>	as %	56.5	57.0	55.9	58.3
<b>Profitability</b>					
RorE (return on required equity)	as %	10.9	11.2	11.4	11.3
RoE (return on equity)	as %	5.2	5.3	5.4	5.5
<b>Equity capital</b>					
Risk-weighted assets	in CHF thousands	14,037,317	13,475,177	13,221,662	13,176,503
Eligible capital	in CHF thousands	2,261,455	2,217,836	2,181,738	2,273,055
Core capital ratio Tier1 + Tier2	as %	16.1	16.5	16.5	17.2
Leverage ratio	as %	7.0	7.0	7.5	7.2
<b>Headcount</b>					
Number of employees		1,061	1,045	1,013	1,000
Full-time equivalents		937	918	890	873
<b>Share data</b>					
Book value per share	in CHF	149.51	146.80	143.53	139.47
Net profit per share	in CHF	7.72	7.67	7.62	7.55
Dividend	in CHF	5.00 <sup>3</sup>	5.00	4.40	4.00
Payout ratio	as %	64.8	65.2	57.7	53.0
Year-end share price	in CHF	86.50	98.40	108.00	105.40
Market capitalisation	in CHF millions	1,366	1,554	1,706	1,665
<b>Moody's rating</b>					
Short-term deposits		Prime-1	Prime-1	Prime-1	Prime-1
Long-term deposits		A1	A1	A1	A1
Baseline Credit Assessment		a3	a3	a3	a3

<sup>1</sup> From 2017 includes value adjustments for credit risk. Restatement of 2016

<sup>2</sup> Before value adjustments for credit risk, and loan losses

<sup>3</sup> Proposed

# 2020 annual report



# Report by the Chairman and the CEO

Dear Shareholders,

Last year was a successful one for Valiant. We exceeded our targets across the board and remained on track with the implementation of Strategy 2020–2024. We recorded consolidated net profit of CHF 121.9 million, an increase of 0.7% compared with the previous year. Operating income came in at CHF 413.1 million, up 1.9% on the previous year. Operating profit stood at CHF 147.0 million, up 2.9% year on year. Thanks to our clients' strong trust in us and our employees' outstanding work, we successfully navigated the coronavirus pandemic in 2020. We also advanced rapidly on our growth trajectory.

## **Strong operating performance in our core business**

Interest income, a key driver of Valiant's business performance, rose sharply in 2020. Net interest income before value adjustments climbed by a solid 5.0% to CHF 330.4 million. At the same time, interest expense declined, thanks in part to the bank's covered bond issues. We recognised CHF 14.3 million in value adjustments for credit risks, in keeping with the bank's cautious lending policy. Even during the coronavirus pandemic, Valiant's loan portfolio remained robust and of a high quality. Net interest income came in at CHF 316.1 million, an increase of 2.3% on the previous year.

Commission income from securities trading and investment activities climbed by 5.9%, and net trading income rose 11.8%. Other operating income declined by 0.6%, primarily as a result of lower income from holdings.

## **Growth targets exceeded**

Client loans increased by 4.3% to CHF 25.9 billion at the end of 2020. COVID-19 loans accounted for 1.2 percentage points of that growth.

Client deposits climbed by 9.6% to CHF 21.0 billion. Once again, this increase reflects the strong trust placed in Valiant by our customers. Our successful implementation of our growth strategy was also reflected in the cost/income ratio, which fell from 57.0% to 56.5% before value adjustments for credit risks, even though we invested in the expansion and created 19.9 additional FTEs. Our active cost and business process management paid off, with operating expenses increasing by only 3.2% as a result of the expansion.

## **Innovative branches**

We continue to provide our clients with simple, personalised services despite the coronavirus pandemic. They can still obtain advice in person at Valiant branches. Alternatively, clients can meet with an advisor by video, either from one of our innovative branches or from home.

Most of our branches are equipped with innovative welcome screens, where clients are greeted via video and given advice based on their needs. They can handle straightforward transactions on their own in a separate room. However, advisors are always available on site to assist clients on all financial matters. In 2020, we equipped a further 17 branches with these modern front-office areas and client service facilities. Over 60 branches have now been fitted out in this way.

### New website and mobile app

We will continue to enhance our digital channels in 2021. We are revamping our website, making the design more client-friendly and improving the navigation. The mobile app will be updated at the end of 2021. In addition, we will release our own Twint app to replace the current prepaid solution. We want our services to be as easy as possible for our clients to use, so we are constantly improving our digital channels.

### Commitment to sustainability

As a bank with local roots, Valiant has been committed to sustainability for many years. In 2021, we will be taking that commitment a step further by integrating sustainability into our core business even more comprehensively. We are also in the process of developing our own sustainability approach for our investment business – one that is tailored to our own specific needs. In addition to launching new sustainability-oriented products, we are also training client advisors in this area. Going forward, clients will be able to obtain more comprehensive advice on sustainability-related matters.

### More branches to be opened

Valiant wants to leverage economies of scale and is expanding from Lake Geneva to Lake Constance. In November 2020, we opened a branch in Rapperswil. After temporarily slowing down our geographical expansion last year because of the coronavirus pandemic, we are now picking up the pace once again. We will open a branch in Zurich Oerlikon on 31 May 2021 and another in Liestal on 21 June. Premises have already been found for the new branches in Bülach, Frauenfeld, Wohlen AG and Wädenswil, which will open in late 2021 or early 2022. Under our expansion strategy, we will open a total of 14 additional branches by 2024, creating 170 FTEs, including 140 positions for client advisors.

### Stable business trend expected

We forecast a steady business trend for this year. Valiant has a solid liquidity and capital base and a stable business model. We expect 2021 consolidated net profit to be in line with the 2020 figure.

### Proposal for unchanged dividend

The Board of Directors will ask shareholders at the Annual General Meeting to approve an unchanged dividend of CHF 5.00 per share. Given the uncertainty caused by the coronavirus pandemic and in accordance with COVID-19 Ordinance 3, the Board of Directors has decided that shareholders will not be able to physically attend the Annual General Meeting on 19 May 2021.

### **Changes to the Board of Directors**

The Annual General Meeting on 13 May 2020 marked the end of Jürg Bucher's time at Valiant. He had served as Chairman of the Board of Directors for almost seven and a half years. Under his leadership, Valiant became a stable bank of choice for Swiss private clients and SMEs. We have an enormous amount to thank Jürg Bucher for. Valiant's current success is in large part down to him.

Franziska von Weissenfluh, who has been a member of the Board of Directors since 2011, will not be standing for re-election at the upcoming Annual General Meeting. The Board of Directors wishes to take this opportunity to thank her for her many years of valuable service to Valiant. Roger Harlacher, a highly experienced company manager, has been recommended as a new member. Mr Harlacher, 55, holds a degree in business administration and has been with Zweifel Pomy-Chips for 25 years. He served as CEO of the company from 2015 until June 2020 and then joined the Board of Directors. In addition, he holds a number of positions in the communications and advertising industry, including as Chairman of the Association of Swiss Advertisers.

We would like to thank you, our shareholders, for your continued trust in Valiant.



A handwritten signature in black ink, appearing to read "Gygax".

**Markus Gygax**  
President of the  
Board of Directors



A handwritten signature in black ink, appearing to read "Burgener".

**Ewald Burgener**  
CEO

# “We have proven our resilience in times of crisis and are pushing ahead with the expansion”

Valiant did some outstanding work in 2020, a challenging year. We significantly increased both our interest and trading income. We also pressed ahead with our strategy of adding 14 new locations to our branch network. We are well positioned to tap into market potential as part of Strategy 2020–2024.

## Expansion and a pandemic – how did these two things go together in 2020?

**EWALD BURGENER:** A great deal changed as a result of the coronavirus pandemic. The lockdown and other restrictions affecting our everyday lives came suddenly and without any warning. In light of these developments, we temporarily slowed the pace of our expansion somewhat.

## Did you begin to question the strategy?

**MARKUS GYGAX:** No. It was always clear to us that we wanted to stick to our strategy and stay on track, and that included expanding and opening new branches. We are once again pressing ahead with the expansion at a rapid pace.

## What did Valiant learn from COVID-19 in terms of risk management?

**MG:** Our cautious risk policy has paid off again during the coronavirus pandemic. We have proven our resilience in times of crisis and can continue on our chosen course with confidence. Valiant has a high-quality loan portfolio and a solid liquidity and capital base. The coronavirus pandemic has done nothing to change that.

**EB:** We have been employing a cautious approach to credit risks for a long time. Our cautious lending policy has proven its merits and our risk appetite remains moderate. This is also reflected in our low exposure to high-risk sectors such as hospitality, tourism and the events industry. In addition, around 94% of our loan portfolio is secured by mortgages – that's a high proportion. That also means that the stability of the real estate market is important to us.

## How high were value adjustments due to loan defaults in 2020?

**EB:** They amounted to CHF 14.3 million, an increase of CHF 8.6 million on the previous year.

**Which factors had the biggest impact on operating income in 2020?**

**EB:** We did very well on the operating front. Our performance in the interest business in particular was outstanding. Despite the difficult environment, net interest income before value adjustments increased by 5.0%. We also succeeded in reducing interest expense, thanks in part to the bank's covered bond issues.

**And in the securities trading and investment business?**

**EB:** We were able to make gains here, too. Our increased manpower and expertise in these areas have already paid off. We also recorded solid growth of 11.8% in trading income.

**How much did client deposits and loans grow?**

**EB:** Client deposits grew by 9.6%. We are happy with this figure because it shows that our clients still have a great deal of trust in us. We also recorded a 4.3% increase in our lending portfolio.

**That was no doubt due, in part, to the COVID-19 loans?**

**EB:** These loans accounted for 1.2 percentage points of that growth. We therefore exceeded our annual growth target of 3% even without the COVID-19 loans.

**Valiant's covered bond issues rose to over CHF 2 billion in 2020. Why are they so important to the bank?**

**EB:** Alongside client deposits and central mortgage institution loans, covered bonds are the third component of our funding strategy. Interest expense fell considerably, mainly thanks to our covered bonds, which enable us to borrow money on the capital market at negative rates and on triple-A conditions. This is one of the reasons why we did so well in terms of interest income.

**How much progress did you make in terms of strengthening the investment and pension business as announced in April 2020?**

**EB:** A lot. We managed to expand our investment advisory services and boost our expertise by adding some outstanding specialists. The progress we are making is reflected in the annual ratings awarded by business magazine BILANZ in the private banking sector. Once again, Valiant was named "long-standing quality leader" in 2020.

**What does Valiant offer smaller private investors who want to generate a return on their investment without taking on high risks?**

**EB:** As a retail bank, it is hugely important for us to be able to offer attractive products and services to clients with lower assets. With our Valiant Fondsinvest product, clients can already begin investing from as little as CHF 100. They can build up their assets over the long term but still have access to their money at all times. How much they pay in and how often is up to them.

**Clients regularly criticise their financial institutions for placing too much emphasis on selling products. How does Valiant deal with this criticism?**

**MG:** We always look at things from our clients' perspective. For them, it is not about buying a product but about obtaining simple solutions for their finances. Because we don't set our client advisors targets for individual products, they can suggest solutions that really meet their clients' needs.

**How did the strategy of opening new branches go in 2020?**

**EB:** The expansion process is going very well. The new sites have accounted for 43% of lending growth since 2017. In November 2020, we opened a branch in Rapperswil.

## Which institutions is Valiant taking clients away from at the new sites?

**MG:** When choosing new sites, we do not primarily look at our competitors; instead, we focus on our strengths. We try to find new locations where we can leverage our business as effectively as possible. This is particularly the case in growth hotspots and urban areas. Here, we can score points with our branch concept by combining personalised advice with digital services in an innovative way. Our simplicity is also a major advantage. Compared with other financial institutions, our decision-making processes are very streamlined. We can make financing decisions very quickly, for example. Which institutions our clients were with before they came to us is irrelevant.

## Why do clients switch to Valiant at the new sites?

**EB:** Personal relationships remain the key factor. Valiant is a bank with an excellent workforce and strong local roots. All of our employees live very close to the branches in which they work.

## Is physical proximity so important given the advances in digitisation?

**EB:** It's the combination that counts. Valiant has excellent digital skills and infrastructure and is present across all major channels. Our clients appreciate our friendly and easygoing manner and the fact that we offer personalised, high-quality advice on all financial matters.

## New competitors are arriving on the market. Where will Valiant be in 10 years?

**MG:** Valiant will still be a successful financial services provider in 10 years' time. We have a good business model and a strong brand, so we have nothing to fear from additional competitors.

## How do you expect the competitive environment to change?

**MG:** The Swiss financial market is already highly competitive and will become even more so as a result of new competitors such as fintechs. In addition, state-supported PostFinance plans to enter the lending business – a core business for banks.

## Would you like to keep PostFinance out of the market?

**MG:** That is not what this is about. We are in favour of open markets and fair competition. But it is essential that the competitors remain on a level playing field. Anything else would be counter-productive for Switzerland as a financial centre. In specific terms, this means that the federal government would have to give up its stake in PostFinance and privatise it.

## How has the pandemic changed client behaviour?

**MG:** The pandemic has strengthened certain tendencies in client behaviour that already existed before the pandemic and accelerated various trends. Contactless payment, video consultations and live-streaming events have rapidly become more important. For banks, it is essential to be up to date technologically.

## According to the 2020 Banking Barometer of the Swiss Bankers Association, 47.6% of assets managed by Swiss banks originate from abroad. How high is the percentage at Valiant?

**MG:** Valiant is first and foremost a financial services provider for Swiss clients. We have local roots and strong ties with Switzerland. Our roots date back to 1824, the year in which Ersparniskasse Murten was founded. We have client assets of around CHF 30 billion, and 98% of that amount is held by clients residing in Switzerland.

**Cantonal and regional banks enjoy a high level of trust among foreign investors.**

**Why don't you actively pursue such clients?**

MG: We are committed to simplicity. What sets us apart are our streamlined structures, minimal bureaucracy and flat hierarchies. We keep our administration costs as low as possible so that we can focus all of our energy on serving our clients and investors. Furthermore, we focus exclusively on the Swiss market – which, by the way, is very attractive. We do cooperate actively with foreign institutional investors in the area of treasury management, though.

**Valiant introduced multi-banking for SMEs in 2020, making it one of the first Swiss banks to do so. This ensures the standardised, secure exchange of data in accordance with the Swiss Bankers Association's open banking model. What are the advantages of multi-banking for Valiant and for your clients?**

EB: With multi-banking, companies can link their accounts from other banks and carry out transactions through our e-banking system. They have a full overview of their liquidity at all times, which makes it easier for our SME clients to manage their finances. Since Valiant runs the client interface, it always remains the first port of call for financial questions.

**How did your SME clients react?**

EB: Many SME clients were excited about this innovation and are very happy with our multi-banking service.

**The Valiant share price has fallen. What is the Board of Directors doing to make the share more attractive?**

MG: Our business model is designed with long-term success in mind. We are investing in our expansion strategy and in digital solutions today to ensure that we will be in a good position tomorrow. What's more, our costs are under control. Our growth trajectory and the improvement in the cost/income ratio prove that we are on the right track. Valiant offers an attractive dividend that promises a comparatively high return given the current share price. Of course the Board of Directors constantly assesses whether our strategy remains the right one and keeps an eye on the share price, but there's no need to overreact at this point.

**To what extent will the earnings trend in 2021 depend on the course of the pandemic? Does the public health situation even have an impact on a bank that is as well positioned as Valiant?**

EB: Although banks are not directly affected, they are feeling the economic impact of the pandemic. In particular, it has shown how important it is to link personal and digital channels. In this respect, we are very well positioned. Thanks to our innovative branch concept, we have been able to offer our services both in person and digitally without any restrictions during the coronavirus pandemic.



### What does this mean for business trends in 2021?

**EB:** We forecast a steady business trend for this year. Valiant has a strong liquidity and capital base and a stable business model. We expect 2021 consolidated net profit to be in line with the 2020 figure.

**MG:** We think our market environment is promising. With net immigration forecast to be in the region of 50,000 this year, demographic growth is increasing the need for financial services. Conditions in the real estate market remain encouraging. There is growing demand for convenient solutions. At the same time, the need for digital financial services is also rising, with mobile apps rapidly becoming more important. Given all these developments, we are optimistic about the future. We will also tap into market potential through our Strategy 2020–2024.

↑  
**Markus Gygax, Chairman of the Board of Directors**

Markus Gygax was CEO of Valiant from November 2013 to May 2019. In May 2019, he was elected to the Board of Directors. He has served as Chairman of the Board of Directors since 13 May 2020. He likes to spend his free time with his family and enjoys outdoor sports.

←  
**Ewald Burgener, CEO**  
Ewald Burgener became CEO of Valiant on 17 May 2019, after more than six years as CFO. Before joining Valiant, Mr Burgener, who comes from the canton of Valais, worked at Entris Holding AG. He likes to spend his free time with his family. He plays squash and enjoys going to the mountains.

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# 2020 management report

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# Strategy and goals

Valiant is an independent Swiss financial services provider that operates exclusively in Switzerland and offers private clients and small and medium-sized businesses a comprehensive range of easy-to-understand products and services covering all financial needs. We have a strong local presence, with over 90 branch offices in 13 Swiss cantons, and through our innovative digital services, we are available to clients throughout Switzerland. We have total assets of CHF 33.2 billion and employ more than 1,000 people, including almost 80 trainees.

## Our vision

"Valiant makes it the easiest for individuals and SMEs in Switzerland to manage their financial affairs."

## Our mission statement

### **Partnership and respect**

We foster an open, value-based culture both within the bank and towards the outside world. We work in partnership with our clients, partners and employees and treat them with respect.

### **Making financial lives easier**

We take care of the financial needs of individuals and SMEs. We make our clients' financial lives easier, with comprehensive advice and solutions in the areas of payments, savings, investments, financing and retirement planning, and also offer other financial services.

Many private individuals and SMEs find financial matters complicated and unpleasant. Valiant resolves financial concerns in a more straight forward, understandable way than any of its competitors, enabling clients to manage their money conveniently and without stress.

### **Simple business model**

At Valiant, we earn our shareholders' trust by having a solid capital base, a simple, understandable business model and a business policy geared towards long-term stability.

### **Balanced risk profile**

We increase our profitability by striking the right balance between risk, return and growth.

### **Employee development**

A committed workforce is the key to the success of our company. We attach a great deal of importance to promoting and developing our workforce.

### **Strong partners**

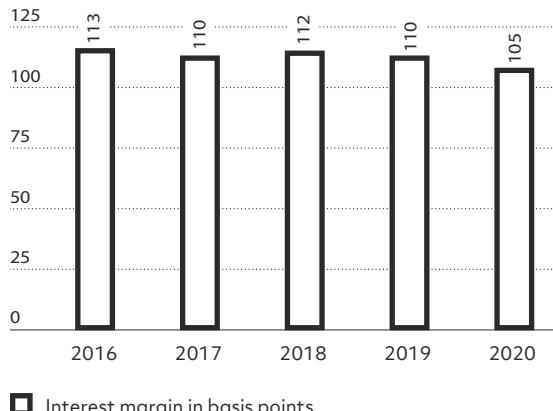
We work with strong partners, freeing up resources so that we can focus fully on our clients.

# Strategy

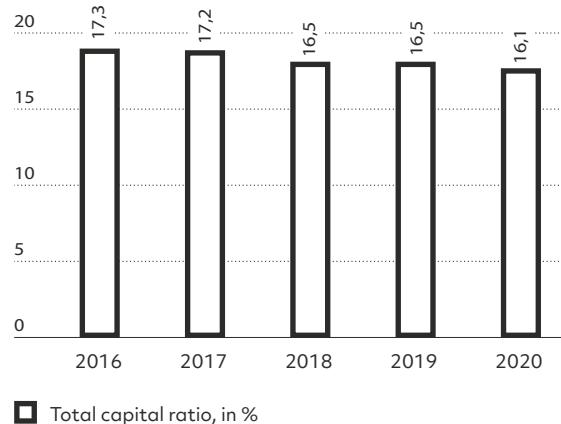
## 2016–2020

Valiant achieved a lot in the 2016–2020 strategic period: we streamlined our business model and focused on our core retail and SME businesses. Furthermore, we also opened additional branches in new markets and many of our existing branches were modernised and adapted to reflect changing client needs. Valiant has become a modern bank. Instead of traditional bank counters, digital services and video receptions have been combined with personalised advice in new, client-friendly branches. Clients are able to take care of minor matters themselves, but the client advisors remain available in person for more extensive personalised advice. This innovative model will ensure that our branch network remains cost-efficient and continues to meet our clients' needs, both now and in the future. Furthermore, we have significantly improved our key indicators and will be able to recommend an annual increase in our dividend to our shareholders.

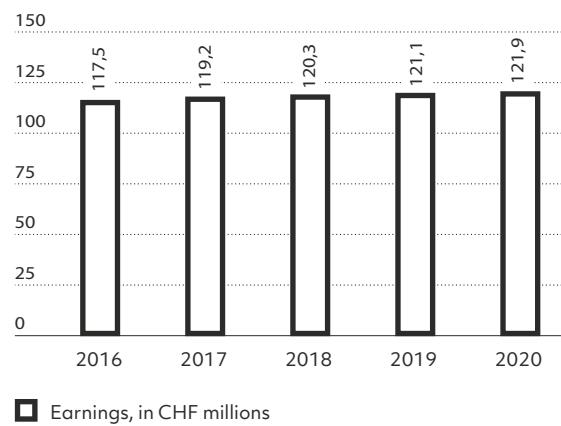
### Interest margin at a high level



### Long-term solid capital base



### Continuous improvement in net profit

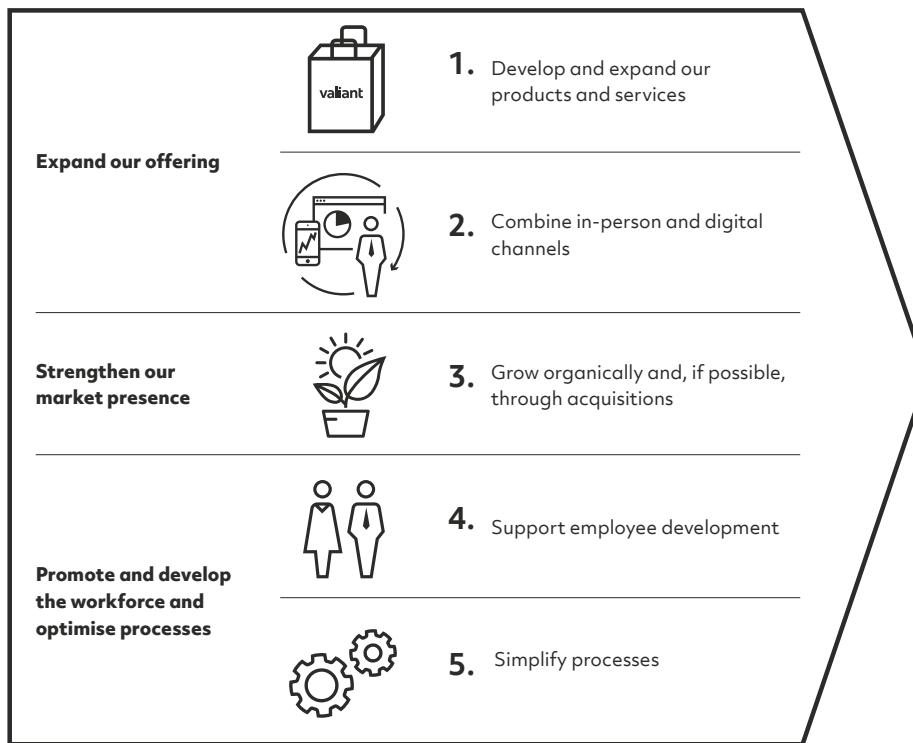


# Strategy 2020–2024

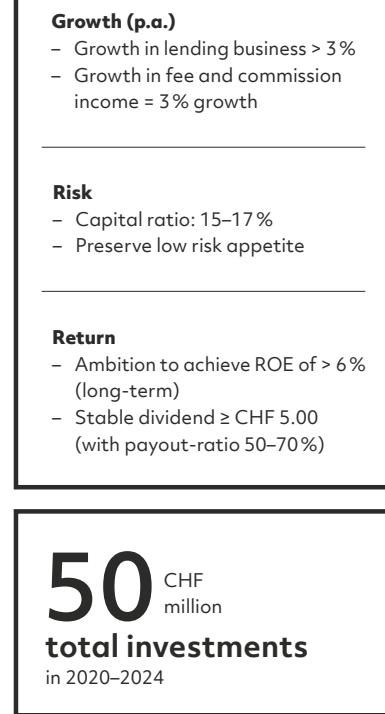
When drawing up the strategy for the period 2020–2024, the Board of Directors and the Executive Board were guided by the vision for Valiant. Our employees were also actively involved in this process and contributed their ideas. The result is a joint effort that has broad-based internal support and is intended to lead Valiant into a successful future. With our strategy for 2020–2024, we are continuing on the same successful track and intend to further strengthen our position within the Swiss financial sector. The strategy is based on simplicity and accelerated expansion. This involves, for instance, opening additional branches, with more client advisors and an extended range of services. Valiant plans to open seven new branches in the canton of Zurich and increase investment in digitisation.

Our strategy 2020–2024 consists of five strategic initiatives. We are further developing our products, combining in-person and digital channels, aiming to grow organically and, where possible, through acquisitions, promoting and developing our employees and simplifying processes. We made progress in 2020, with achievements in all five strategic initiatives.

## Five strategic initiatives



## Financial goals up to 2024



# Our strategic initiatives up to 2024

## 1. Develop and expand our products and services

Going forward, we see ourselves ever more as a financial services provider that offers more than a conventional bank. We will continue to develop and expand our core skills in the areas of financing, investments, retirement planning and savings in line with the needs of our clients. We want to provide our clients with professional, comprehensive advice and convenient solutions that fully meet their needs. We also intend to generate additional income by launching services that enable clients to compare different products and by expanding our offering to cover clients' entire value chains.



### Targets up to 2024

- Further develop and expand our offering
- Offer financing process as a product to other companies (B2B)

### At 31/12/2020

- Strengthened our investment and pension business
- Acquired a majority stake in real estate platform AgentSelly AG
- Rolled out our mortgage brokerage service
- Introduced ESG criteria

## 2. Combine in-person and digital channels

In-person or digital channels – our clients can choose whichever option works best for them. By going further in combining personalised advice with an enhanced digital offering, we will be able to offer clients an outstanding and comprehensive banking experience and make their financial lives even easier. Personalised service and advice continue to take priority when it comes to both our in-person and our digital channels. We are consolidating our innovative position in the Swiss financial market and investing further in digitalisation to that end.



### Targets up to 2024

- Combine in-person and digital channels
- Develop website into a client-centred platform
- Launch new mobile app

### At 31/12/2020

- Coronavirus pandemic: branches remained open
- Comprehensive video advice introduced
- Over 60 branches fitted out with our world-leading branch concept

## 3. Grow organically and, where possible, through acquisitions

Following a temporary slowdown in growth due to the coronavirus pandemic, we once again picked up the pace of the expansion we began in 2016. In the coming years, we will gradually establish or expand our presence in the canton of Zurich, in French-speaking Switzerland, and in north-western and eastern Switzerland. To this end, we are recruiting new client advisors and pension specialists. We are also reinforcing our current branches with additional client advisors and pension and investment specialists. In addition, we wish to ensure the presence of every type of specialist across all our markets to provide ever more convenient services for our affluent private clients, for example. The SME segment, which has seen encouraging growth in recent years, will also be further expanded. This additional sales force will help us to continue to expand our core financing business. We do, however, also want to

significantly increase our earnings from our non-interest business. In addition to the planned new branches in growth hotspots and prime locations, Valiant remains ready to acquire other banks. We have the potential to make better use of our resources and infrastructure and achieve economies of scale. However, acquisitions must fit with our corporate culture and our business model.



#### **Target up to 2024**

- Open 14 new branches
- Create 170 full-time jobs

#### **At 31/12/2020**

- One new branch opened
- 20 full-time jobs created

### **4. Support employee development**

People are the key to our success in building close client relationships. For our planned expansion, we are looking to recruit locally based, committed client advisors with strong ties to their region. These are our best ambassadors in the urban areas and communities in which Valiant is establishing a presence. In addition to acquiring new employees, it is important to further promote and develop the skills of our existing employees. Through our employee training and development, we aim to equip our staff with the skills they need to advise clients holistically, comprehensively and on all their financial needs.



#### **Targets up to 2024**

- Promote and develop employees' skills
- Recruit the necessary human resources
- Further increase attractiveness as an employer

#### **At 31/12/2020**

- Demonstrated flexibility throughout the pandemic
- Safeguarded employees
- Developed a more professional approach to the recruitment and training of new employees
- Launched a mentoring programme for women

### **5. Simplify processes**

Valiant is focusing on efficiency and effectiveness by rigorously simplifying processes. We started off by simplifying the highly complex lending process and are now looking closely at whether we can make the process of opening accounts and making modifications, such as changes of address, fully digital. Simplifying our internal processes will also benefit our clients. We need simple internal processes if we are to convince clients of our straightforward approach and build a positive client experience.



#### **Targets up to 2024**

- Increase efficiency
- Analyse and optimise 1–2 business processes per year

#### **At 31/12/2020**

Credit highway for the standardised and automated processing of lending transactions introduced company-wide.

## Our financial goals up to 2024

We are implementing our Strategy 2020-2024 to further strengthen our position in the Swiss financial sector. Through our strategy, we aim to reach the following financial targets.



### Growth

We aim to achieve annual lending growth of more than 3%. We will achieve this by strengthening our presence in existing markets and by expanding into new regions. At the same time, we will continue to ensure that our loan book remains of a high quality and that we stick to our cautious risk policy. We will continue to focus on the interest margin, as we have successfully done in recent years. In addition to growing our lending business, we are also aiming for annual growth of 3% in fee and commission income. By expanding our investment and pension business and launching other new services, we hope to drive a considerable increase in this revenue stream.



### Return

We aim to increase consolidated net profit in the long term and are seeking to achieve a return on equity of over 6%, which is above the cost of capital. The dividend will be at least CHF 5 per share and the payout ratio will be 50-70%.



### Risk

Valiant maintains its cautious risk policy. As a reflection of Valiant's financial resilience, the total capital ratio should always remain between 15-17%, thus ensuring that it exceeds the minimum FINMA requirements by a significant margin.

### Track record of our financial targets up to 2024

Metric	Target	At 31/12/2020
Lending growth	> 3 % per year	4.3 %
Growth in fee and commission income	> 3 % per year	-0.9 %
Return on equity	Ambition > 6 % (long-term)	5.2 %
Payout ratio	50-70 %	64.8 %
Capital ratio	15-17 %	16.1 %

# Our client segments

Whether they are private individuals or entrepreneurs, all of our clients receive easy-to-understand products, excellent service and expert advice on all aspects of payments, savings, investments, retirement planning and financing. We make managing financial affairs easier for our clients and focus on the following retail and SME segments:

## Retail clients

- › **Close ties with our clients: each client has a personal client advisor**

Valiant stands out thanks to the simplicity of our products, services and processes. Our clients increasingly enjoy a combination of personal contact and an expanded range of digital services.

## Affluent clients

- › **High-quality, personalised management and advisory services**

We work to build banking relationships with retail and affluent clients by providing convenient and, personalised services and solutions.

## Self-employed individuals and small companies

- › **Comprehensive advice from a single source**

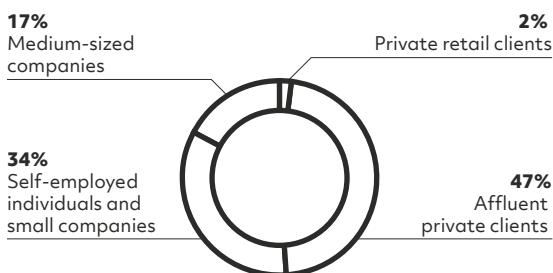
In this segment, we stand out from the competition by having one individual contact person responsible for serving the client's private and business banking needs.

## Medium-sized companies

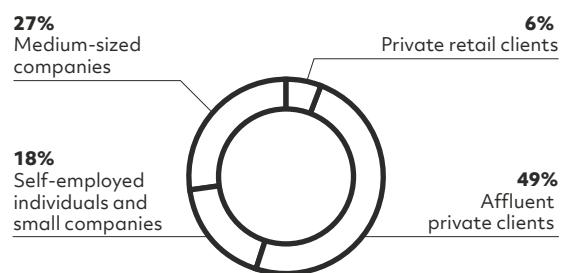
- › **Specialist knowledge for flexible and convenient solutions**

Valiant offers medium-sized companies and institutional clients specialist knowledge as an alternative to the internationally focused big banks and cantonal banks.

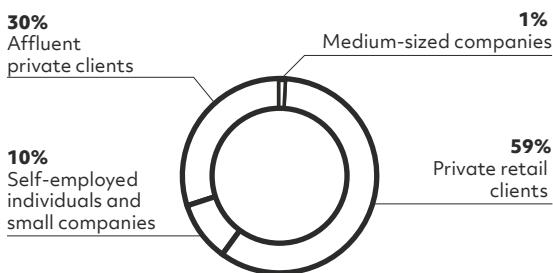
## CHF 417.1 million in interest and commission income by segment



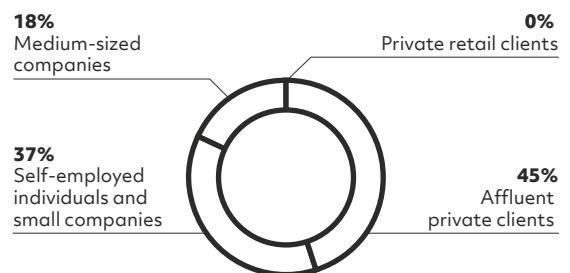
## CHF 30.3 billion in client assets by segment



## Clients count by segment



## CHF 25.9 billion in loans by segment



# Our products and services

Our more than 500 SAQ-certified client advisors expertly provide comprehensive advice, individual support and flexible solutions to retail and affluent clients, the self-employed and SMEs. We offer clients a full range of simple and understandable banking services from a single source.

## **Payments**

We make our clients' day-to-day lives easier through our payment services. Clients increasingly wish to make cash-free payments and carry out banking transactions at any time. We meet this demand with products such as our mobile banking app.

We offer our private and business clients a selection of different product sets. Together, we can then select the set that matches the particular client's individual needs – especially in terms of ensuring simple and worry-free payment transactions.

## **Savings**

We offer our clients simple savings products that are tailored exactly to their needs.

In addition to selecting from our range of savings products, our clients can make use of a savings calculator and budget planner free of charge on our website. In just a few steps, the tools calculate and illustrate how they can reach their savings goals or the best way to budget for regular expenses.

## **Retirement planning**

It is becoming increasingly important for clients to play an active role in their retirement planning, given rising life expectancy. This applies equally to retail clients who wish to prepare for their retirement or protect their family or home and to business clients seeking the optimum pension fund and personal insurance solutions. Needs vary depending on each client's individual or business situation. Existing solutions must be reviewed and,

where necessary, adjusted. Together with our clients, we customise their retirement planning to their individual needs. In addition, our clients benefit from the comprehensive services offered by our retirement specialists.

## **Financing**

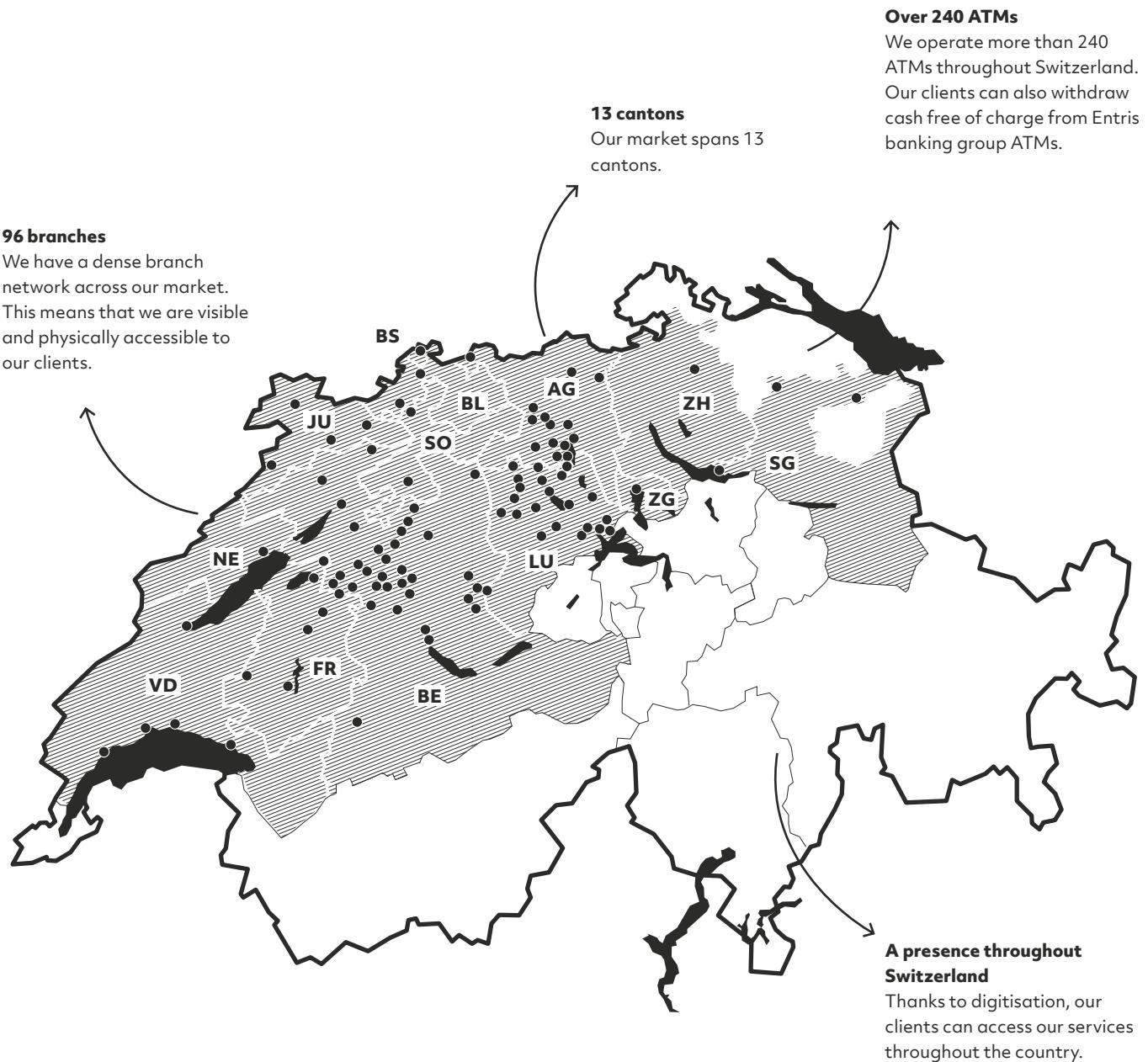
Finding the best financing product, calculating the borrower's ability to service debt or choosing the right duration for a fixed-rate mortgage: these are all needs and issues that concern both private and corporate clients. Through our products and personal advisory services, we aim to provide our clients with targeted support in meeting these needs while also offering them comprehensive advice. Our strengths in this area are our local knowledge and market-oriented lending conditions. Whenever we offer financing, we remain true to our cautious lending policy, despite the fiercely competitive market environment. We know the properties that we finance. We also know the tradespeople and industrial companies that finance their investment needs with our business loans. To take due account of our understanding of sustainability, we apply binding exclusion criteria in our financing business for business and corporate clients.

## **Investing**

Valiant's investment solutions are flexible and individual. We have the right offering for all our clients' personal and financial circumstances. We draw up customised, needs-based investment proposals in accordance with the personal investor profile that we define jointly with the client. We also continue to provide our investment clients with assistance and support in the implementation of the chosen investment strategy and in the long-term attainment of the goals that we have set together with them. In doing so, we take due consideration of changes in their personal and financial circumstances. In addition to exclusion criteria, we have also incorporated ESG (environmental, social and governance) criteria into the analysis, selection and valuation of our various investment products.

## Our market

Valiant has strong regional ties. With a total of 96 branches, we have a solid regional presence right across our market, which spans 13 cantons from Lake Geneva to Lake Constance. This allows us to be close to our clients and have short decision-making chains. Thanks to digitisation, we can also offer our services throughout Switzerland.



# Business performance

We continued to successfully pursue our growth strategy. We generated consolidated net profit of CHF 121.9 million in 2020, an increase of 0.7 %. The Board of Directors will recommend an unchanged dividend of CHF 5 per share at the Annual General Meeting.

## **Expansion – new branch in Rapperswil**

We want to leverage economies of scale and are expanding from Lake Geneva to Lake Constance. We opened a branch in Rapperswil in November 2020, further expanding our market presence in the canton of St. Gallen. The expansion brought with it an additional 19.9 FTEs. Even though we temporarily slowed the pace of our growth slightly last year due to the coronavirus pandemic, our expansion remains the focus of our strategy.

## **Innovative branch concept**

We continued to make rapid progress on the refurbishment of our branch network. In the year under review, Valiant converted another 17 branches and over 60 branches have now been fitted out in this way. The innovative branch design has proven its worth. Even under challenging circumstances, clients have been able to rely on Valiant and use our services at all times.

## **Increased efficiency through streamlined processes**

We are constantly streamlining our processes in order to devote as much time as possible to serving our clients. For example, we completed the credit highway project in 2020. The project involved digitalising, automating and accelerating the processes for checking and granting loans.

## **AgentSelly AG and our mortgage brokerage service**

In line with our strategy, we intend to further expand our offering to cover clients' entire value chains. Our holding in the digital real estate broker AgentSelly AG is one example of this. This holding was increased from 38 % to almost 70 % in 2020, thus strengthening our core business, particularly with regard to mortgages for retail and affluent clients. Our innovative mortgage brokerage service was launched in our St. Gallen and Wil branches in 2019. AgentSelly AG is now also offering the brokerage service.

## **Change of leadership and new member of the Board of Directors**

Having reached the statutory age limit, Jürg Bucher, Chairman of the Board of Directors, did not stand for re-election at the Annual General Meeting on 13 May 2020 and stood down from the Board of Directors with effect from that date. At the Annual General Meeting, shareholders elected Markus Gygax, previously a member of the Board of Directors, as the new Chairman and Ronald Trächsel as a new member.

# Financial performance

Valiant successfully continued its growth trajectory in 2020, generating consolidated net profit of CHF 121.9 million, an increase of 0.7%. Lending went up by CHF 1.1 billion to CHF 25.9 billion (+4.3%), while our net interest margin remained high at 1.05%. Operating profit rose 2.9% despite the expansion, reflecting our operational progress.

Despite solid lending growth and a corresponding increase in risk-weighted assets, the CET1 ratio remained high at 16.1% (-0.4 percentage points). We thus remain at the upper end of our self-imposed target range of 15%–17%.

## Interest business

Our interest business was the driving force behind our solid financial performance in 2020. Net interest income, the most important source of revenue, increased by 5.0% to CHF 330.4 million. Interest expense once again helped to drive up interest income, falling to CHF 26.9 million, half the prior-year figure. Our covered bonds again offered a steady source of funding with an excellent rating, helping us to finance our ambitious expansion on favourable terms. In August, Valiant issued a one-year covered bond with a coupon of 0%.

Value adjustments for credit risk, and loan losses went up from CHF 5.7 million to CHF 14.3 million. While this may seem like a considerable increase, it should be noted that value adjustments remained very low in relation to total loans. Despite this increase, the quality of our loan book did not deteriorate.

We recorded solid interest income despite a small duration gap of 0.46%. The present value sensitivity of equity was at a low level of 1.94%, representing a reduction of 0.51 percentage points compared to the previous year.

## Fee and commission, and trading income

Net trading income increased by CHF 1.4 million (+11.8%) to CHF 13.2 million. The decrease in foreign exchange business was offset by relatively higher income from hedging instruments.

Fee and commission income came in at CHF 62.7 million, 0.9% less than in the previous year. Commission income from securities trading and investment activities rose by a solid 5.9% (+CHF 2.5 million), mainly as a result of increased client activity. Commission expense was up due to guarantee fees for covered bond issues. Transactions at ATMs halved in the wake of the coronavirus crisis, which led to a CHF 2.3 million reduction in ATM income.

## Income from other business

Other operating income, which is attributable to various holdings, amounted to CHF 21.2 million, down just 0.6%.

## Operating expenses and efficiency gains

Our expansion strategy and the higher headcount led to an increase in operating expenses, which were 3.2% higher than in the previous year, at CHF 241.6 million. Personnel expenses rose by 3.5%, slightly more than general and administrative expenses, which increased by 2.8%. Alongside our increased spending on the expansion strategy, we are making efficiency gains and streamlining processes. The conversion of the front-office areas in our branches, which is now almost complete, was a key driver of these efficiency gains. We are budgeting for cost savings of CHF 4–5 million per year as a result, starting in 2022.

In line with the increase in operating profit, the cost/income ratio before depreciation went up by 0.5 percentage points year on year to 56.5%.

### Depreciation, value adjustments and provisions

There was a welcome fall in depreciation of fixed and intangible assets, and impairments on holdings, which were down 3.1% to CHF 21.1 million. Other provisions and losses also improved by CHF 3.0 million to CHF 3.4 million.

### Extraordinary income and taxes

Extraordinary income went down by CHF 1.6 million to CHF 3.6 million in 2020. This decrease was primarily due to a reduction in real estate sales compared with the previous year.

### Loans

Mortgage lending increased by 3.8% to CHF 24.2 billion, while other amounts due from customers fell by 12.6% to CHF 1.7 billion, due in part to the coronavirus crisis.

The quality of the loan book once again remained very high despite the growth in volumes. At the end of 2020, 98% of loans were secured. The share of first mortgages remained high at 93% (previous year: 94%). The average remaining term of the mortgages increased by 0.2 years to 4.1 years. The net loan-to-value ratio was 63.2% (previous year: 63.4%). Non-performing assets in 2020 amounted to a low 0.11% (previous year: 0.09%) of loans or CHF 29.4 million. At 0.23% (2019: 0.21%) of loans or CHF 59.4 million, value adjustments and provisions for credit risks were only slightly higher than in the previous year.

### Funding and client assets

Valiant recorded a significant increase in client deposits in 2020. The coverage ratio of client loans to client deposits was 81.3%, a rise of 3.9 percentage points.

Due to the further increase in covered bond issues relative to total outstanding loans, the overall funding ratio (client deposits + bond issues and central mortgage institution loans relative to net loans) rose by 2.3 percentage points to 109.0%.

Despite the increase in covered bonds, client deposits remain the largest source of funding in percentage terms.

### Balance sheet

Total assets expanded by 11.0%, or CHF 3.3 billion, to CHF 33.2 billion in the reporting year. The increase was mainly attributable to the rise in cash and cash equivalents (+CHF 1.4 billion) and in outstanding mortgages (+CHF 0.9 billion). On the liabilities side, the main increases were in client deposits (+CHF 1.8 billion) and due to banks (+CHF 1.5 billion).

### Book value and equity capital

The book value and equity capital increased by 1.8% to CHF 2.4 billion, which means that Valiant once again managed to increase its net asset value and equity capital (annual rise of more than 3% since 2007). This increase in equity capital slightly reduced the return on equity from 5.3% to 5.2%.

Thanks to our solid business performance, eligible capital increased by 2.0% to CHF 2.3 billion in the year under review. All eligible capital consists exclusively of the highest quality of equity.

## Stable growth expected

Valiant forecasts a steady business trend for this year. We have a strong liquidity and capital base and a stable business model and expect consolidated net profit in 2021 to be in line with the 2020 figure.

# Risk assessment

We strive to achieve a balanced risk/return ratio in all of our business transactions and are sticking to our cautious risk policy.

## Risk situation

In managing risk, Valiant addresses all the relevant risk categories and risks. The risks are regularly assessed by the Executive Board, the Audit and Risk Committee and the Board of Directors. Where necessary, measures are initiated and implemented without delay.

### Risk categories

- **Overarching risks**
  - Systemic risks
  - Strategic risks
  - Reputational risks
  - Equity risks

- **Primary risks**
  - Credit risks
  - Interest rate risk
  - Liquidity/funding risks
  - Other market risks

- **Operational risk**
  - Legal risks
  - Compliance risks
  - Settlement risks

## Risk management

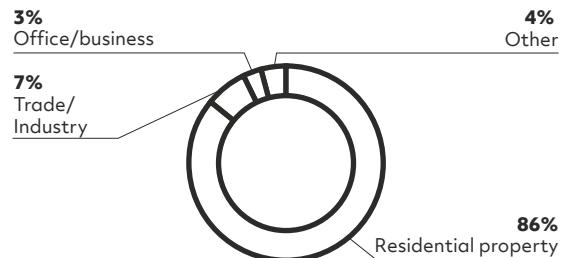
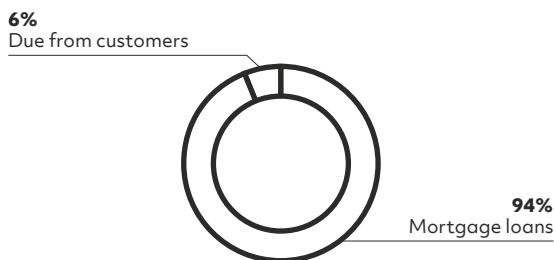
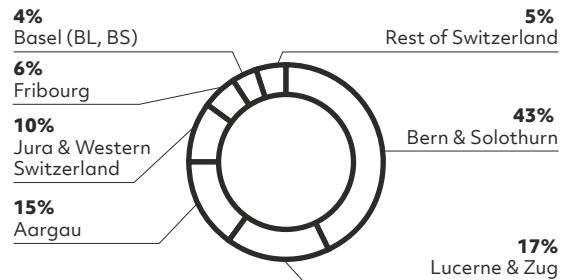
The Board of Directors pays constant attention to the company's risk situation and has adopted a risk policy. This policy is aimed at maintaining a balanced risk, growth and return trade-off, managing risks proactively and setting limits in line with our risk tolerance. This involves measuring, mitigating and monitoring all material risks. When establishing processes and organisational structures, appropriate consideration is given to risk management, which involves the identification, measurement, assessment, control and reporting of both individual and aggregated risks. At least once a year, the Board of Directors carries out a risk assessment and reviews the risk policy. This includes assessing the appropriateness of the risk-mitigation measures taken and the limits set.

Appropriate risk-mitigation measures are taken to ensure compliance with the risk tolerance level set by the Board of Directors. These include a bank-wide internal control system, collateral and quality requirements for loans, hedging as part of asset and liability management, a comprehensive limit system, optimised processes with adequate segregation of functions, contingency plans as part of business continuity management, insurance protection and independent control bodies (Risk Control and Compliance).

The risk situation with respect to the key types of risk for Valiant is set out below. General information on risk management can be found in the notes on risk management in the notes to the consolidated financial statements on pages 128-137.

**Credit risks**

In view of our careful lending policy, Valiant has a diversified, high-quality lending portfolio. The portfolio does not contain either cluster risks subject to a disclosure obligation or heightened sector concentrations in the corporate client business. Despite COVID-19 and its associated macroeconomic effects, the need for value adjustments remained low.

**CHF 24.2 billion in mortgage loans by type of property****CHF 25.9 billion in loans****CHF 24.2 billion in mortgage loans by canton**

First mortgages as a share of all mortgage loans, as %	
Average loan-to-value ratio of mortgage loans as %	
Value adjustments and provisions for credit risk to total loans, as %	
Value adjustments and provisions for credit risk, in CHF thousands	

	2020	2019	2018
First mortgages as a share of all mortgage loans, as %	92.8	93.8	94.0
Average loan-to-value ratio of mortgage loans as %	63.2	63.4	63.1
Value adjustments and provisions for credit risk to total loans, as %	0.23	0.21	0.21
Value adjustments and provisions for credit risk, in CHF thousands	59,377	51,052	50,009

<sup>1</sup> Valuation of properties according to historical values

**Interest rate risk**

In view of Valiant's business activities, interest rate risk is the most significant market risk. Accordingly, interest rate risk is actively managed, limited, measured and reported. The limits are aligned with Valiant's risk capacity and also allow for future lending growth. The most important figures are set out below:

<b>Key indicators of balance sheet structure</b>	<b>31/12/2020</b>	<b>31/12/2019</b>	<b>31/12/2018</b>
Effective asset duration, as %	3.17	3.09	3.19
Effective liability duration, as %	2.71	3.08	2.93
Present value sensitivity of equity capital, as % +100bp	-1.94	-2.45	-3.49
Present value of equity capital, in CHF millions	3,268	3,207	3,126
Value at Risk 99% / weeks (hedged), in CHF millions	16.25	16.12	24.81
Swap volume, in CHF millions	5,127	3,500	2,340
Hedging costs, in CHF millions	7.4	10.4	10.4

**Liquidity and funding risks**

At 31 December 2020, Valiant had client deposits of CHF 21.03 billion. Valiant can also cover its financing needs via third-party banks and on the capital market by means of central mortgage institution loans and covered bonds. Valiant also holds securities recognised under financial investments that are eligible for repo transactions totalling CHF 1.61 billion. This provides funding at any time.

The required minimum level for the short-term liquidity coverage ratio (LCR) is complied with at all times. More information on the LCR is available on page 164.

**Other market risk**

The securities recognised under financial investments totalling CHF 1.61 billion (previous year: CHF 0.77 billion) largely comprise high-quality fixed interest securities. The credit ratings of these securities, along with the interest rate risk associated with them, are monitored as part of the management of Valiant's overall interest rate risks.

All other market risks play a minor role for Valiant. Accordingly, the open limits are low and do not expose Valiant to any major risks.

**Operational risks (including legal and compliance risks)**

Valiant has a bank-wide internal control system to manage operational risks in line with the risk tolerance set by the Board of Directors.

The security and reliability of electronic data processing are of crucial importance for a financial services provider. Valiant outsources its IT to first-class external providers (in particular Swisscom and Econis). Due to greater digitisation and interconnections, banks have increasingly been the subject of cyber attacks in recent times. Comprehensive measures have been taken to mitigate risk in conjunction with the outsourcing providers.

In the year under review, there were no significant operational incidents at Valiant, nor did any material provisions have to be created for legal cases.

# Investors

We have a broad shareholder base, with a free float of 100%. We pursue a sustainable dividend policy. Various credit ratings confirm our good credit quality.

## Investment in Valiant

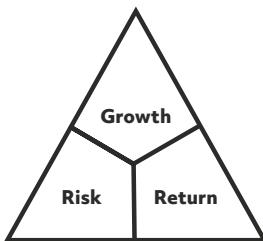
We strike the right balance between risk, return and growth. Our business model, which focuses on the Swiss market, is characterised by low risks that are backed by a solid equity base. The fact that a stable or rising dividend has been distributed for over 20 years is evidence of the high quality of our earnings. Our focus on organic growth and digitalisation also creates potential for further growth.

### Risk: low-risk business model, high capital base and quality

- **Low credit risks**, thanks to a prudent lending policy
- **Low interest-rate risk**, thanks to effective hedges
- **Low operational risk**, thanks to a purely Swiss focus and streamlined services

### Growth: focus on organic growth and digitalisation

- Expansion and digitalisation result in efficiency gains
- Focus on commission & fee income by increasing share of wallet
- Strong strategic track record on BoD and implementation skills at EB level



### Return: solid earnings and high quality

- **High earnings quality**, more than 90 % of income is recurring
- **Commitment to shareholder return**, 23 years of stable or increasing dividends
- **Ambition to increase return on equity >6 %**, and above cost of capital

## Shareholders

Of around 31,100 shareholders, over 97% are private individuals, who together hold 46.8% of our share capital. This contrasts with the 34.1% of share capital held by 844 institutional investors. The remaining 19.1% of shares are not recorded in the share register.

Changes in shareholder structure	Proportion 31/12/2020	Proportion 31/12/2019	Proportion 31/12/2018
Private shareholders	46.8%	45.9%	44.8%
Institutional investors in Switzerland	27.2%	27.3%	28.9%
Institutional investors abroad	6.9%	8.7%	11.0%
Non-registered shares	19.1%	18.1%	15.3%

At the balance sheet date, Valiant's largest shareholders were UBS Fund Management (Switzerland) AG, Swisscanto Fondsleitung AG and Credit Suisse Funds AG. At year-end, 0.6% of the share capital was held by employees, with members of Valiant's Executive Board holding 0.1%. The Board of Directors also held around 0.1% of the share capital.

## The Valiant share

The Valiant share has been listed on SIX Swiss Exchange since Valiant Holding AG was founded in 1997.

### Valiant Holding AG share

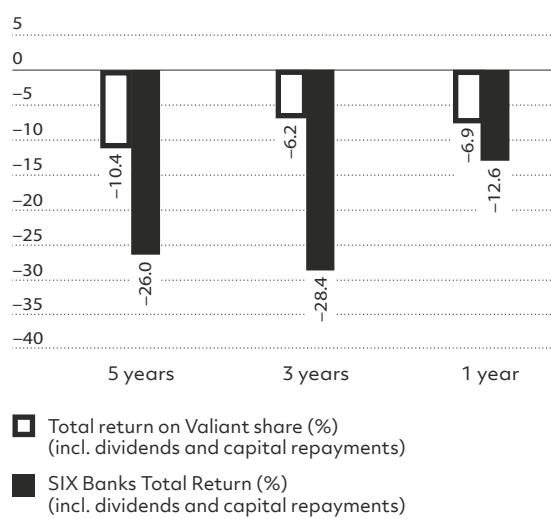
Swiss security number	1478650
ISIN	CH0014786500
Ticker symbol	VATN
Par value	CHF 0.50
Number of shares outstanding	15,792,461

### Share price

In 2020, the Valiant share traded in a range of between CHF 71.10 and CHF 106.60. The share price was CHF 86.50 at year-end, versus the end-2019 figure of CHF 98.40. The average daily trading volume of the Valiant share was CHF 2.1 million in 2020, which represents a year-on-year increase of around 10%.

The following chart shows the total return (capital gains, dividends and capital distributions) on an investment in Valiant shares. The benchmark is the SIX Banks Total Return Index calculated by SIX Swiss Exchange.

### Total return on Valiant share



Source: Bloomberg

## Dividend policy

Valiant pursues a stable dividend policy that targets a payout ratio of 50–70% of consolidated net profit. Our shareholders have consistently been paid a stable or rising dividend since Valiant Holding AG was founded in 1997.

At the Annual General Meeting, the Board of Directors will recommend a stable dividend of CHF 5.00 per share for the 2020 financial year.

### Dividend information

Dividend per share	CHF 5.00 <sup>1</sup>
Ex-dividend date	21/05/2021
Payout date	25/05/2021

<sup>1</sup> Recommendation

The latest information for investors in Valiant shares can be found at [valiant.ch/investors](http://valiant.ch/investors).

**Indicator**

<b>Key figures per share</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Book value (CHF)	149.51	146.80	143.53	139.47	134.73
Net profit (CHF)	7.72	7.67	7.62	7.55	7.44
Price/earnings ratio	11.2	12.8	14.2	14.0	13.6
Dividend (CHF)	5.00 <sup>1</sup>	5.00	4.40	4.00	3.80
Dividend yield (%)	5.8	5.1	4.1	3.8	3.7
Payout ratio (%)	64.8	65.2	57.7	53.0	51.1
Share price at year-end (CHF)	86.50	98.40	108.00	105.40	101.40
Full-year high (CHF)	106.60	117.00	119.20	120.50	117.20
Full-year low (CHF)	71.10	93.00	103.00	100.10	87.20
Market capitalisation at 31 December, in CHF millions	1,366	1,554	1,706	1,665	1,601

<sup>1</sup> Recommendation

## Credit ratings and bonds

Valiant holds various credit ratings.

### Moody's rating

Valiant Bank AG has been rated by the world's leading rating agency since 2001. On 20 November 2020, Moody's reaffirmed its rating for long-term and short-term deposits of "A1/P-1", with a stable outlook, and its Baseline Credit Assessment (BCA) of "a3".

### Zürcher Kantonalbank (ZKB)

Valiant Bank AG has been rated by ZKB since 2012. The A rating did not change in the year under review. The rating was most recently reaffirmed on 12 February 2021.

### Rating of Gesellschaft für Bonitätsbewertung (GBB)

Valiant Bank AG has been rated by GBB since 2016. GBB reaffirmed its A rating (stable) on 3 September 2020.

### Covered bonds

The following bonds issued by Valiant Bank AG were outstanding at 31 December 2020:

<b>Outstanding bond issues</b>	<b>Interest rate</b>	<b>Amount</b>	<b>Maturity</b>
Valiant Bank AG, private placement	0.000%	CHF 115 million	2020 / 08/2021
Valiant Bank AG	0.125%	CHF 500 million	2018 / 04/2024
Valiant Bank AG	0.000%	CHF 190 million	2019 / 10/2025
Valiant Bank AG	0.200%	CHF 303 million	2019 / 01/2027
Valiant Bank AG	0.375%	CHF 250 million	2017 / 12/2027
Valiant Bank AG	0.000%	CHF 400 million	2019 / 07/2029
Valiant Bank AG	0.125%	CHF 310 million	2019 / 12/2034

In November 2017, we issued our first mortgage-backed covered bond under our bond programme. The first Valiant covered bond with a negative yield was issued in 2020. The total volume of outstanding covered bonds stands at CHF 2,068 million as of 31 December 2020. All of the bonds listed on the SIX Swiss Exchange have been assigned the best possible rating of Aaa by Moody's.

You can find the latest information about our bonds and ratings on the Investor Relations page of our website under [valiant.ch/debt](http://valiant.ch/debt).

# 2020 corporate responsibility report



**Corporate responsibility**

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# Foreword

Dear Readers,

The 2020 financial year was dominated by the coronavirus and, as such, was a very demanding and challenging year for us all. We took our responsibilities very seriously. To protect our employees, we ordered as many of them as possible to work from home in March 2020. Thanks to our modern e-banking system, mobile banking app and branch concept featuring video receptions and self-service rooms, clients could continue to rely on our services even in these difficult circumstances and without any risk to their health.

**"It is a matter of course for us to support our SME clients in these exceptional circumstances. This too is a sign of our close ties to our clients, our solidarity and partnership-based approach."**

In our capacity as an SME bank, we also assumed our corporate responsibility towards our SME clients. As an addition to the federal government's COVID-19 loan programme, we introduced a package of emergency aid measures in March 2020. We supported various SMEs with substantial sums of money, the amount of which depended on each individual company's specific needs. Support was also provided in the form of loan repayment holidays and liquidity relief. As a further support measure for entrepreneurs, we granted rental waivers to SMEs renting offices and commercial space from us.

In addition to the measures detailed above, we assume our corporate responsibility in a wide variety of other ways and fields.

In this report, we give you an informative overview of our activities and progress in the area of corporate responsibility.

We hope you find it an exciting read.



**Markus Gygax**  
Chairman of the  
Board of Directors



**Ewald Burgener**  
CEO

## Our priorities at a glance



### **Exclusion criteria for financing**

We have introduced exclusion criteria in our financing business. Financing projects for corporate and business clients are checked for controversial environmental and social issues. Projects that do not meet our standards are rejected.

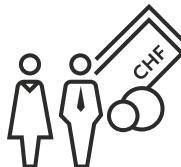
→ For more information, see page 54.



### **Exclusion criteria and ESG integration in our investment business**

In addition to exclusion criteria, we also apply ESG (environmental, social and governance) criteria to the analysis and selection of securities and the valuation of our various investment products. To do so, we rely on the expertise of MSCI, a specialist provider that is well established on the market. MSCI has awarded our own equity funds and our bond fund the minimum ESG rating we set ourselves of "A".

→ For more information, see page 45.



### **Equal pay for women and men**

Valiant ensures equal pay for women and men using the federal government's equal pay instrument. Equal pay is regularly monitored and measures are implemented where necessary.

→ For more information, see page 49.



### **Environmentally friendly promotional items**

We also assume our corporate responsibility when procuring promotional items. Our popular sports bags and rucksacks are manufactured from recycled PET, which is also known as rPET. Our balloons are made from natural rubber. Both the balloon and the band and clasp are 100% biodegradable.

→ For more information, see page 53.



### **Locally purchased goods and services**

We contribute to value creation across our markets, for instance by paying tax, dividends and wages, and by using local products and services. Over 90% of our purchased goods and services come from our market areas.

→ For more information, see page 48.

## Simply focused on sustainability

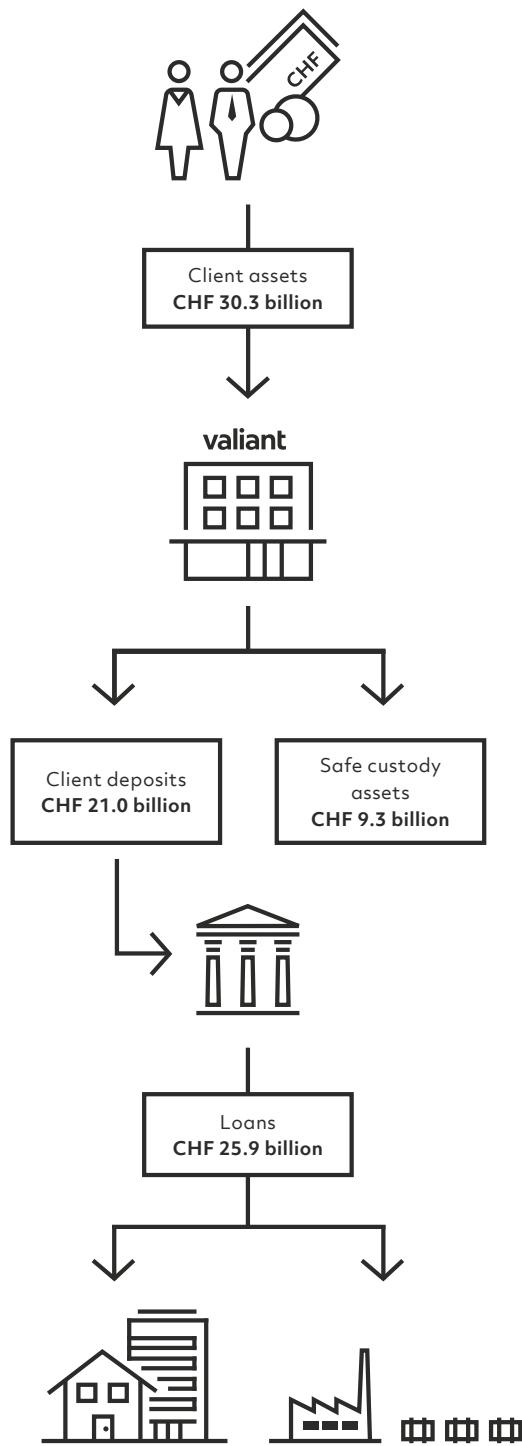
Clients, employees, investors and business partners are placing ever-greater expectations on Valiant. These expectations go beyond traditional business relationships as we knew them in the past. And what they have in common is that they all relate to conducting our business responsibly and sustainably. Valiant assumes this responsibility by cultivating responsible and sustainable business practices, and it will continue to do so in the future. This is why we are evolving all the time and working – both formally and in our communications – to become even more visible and transparent towards our stakeholders.

Sustainability is in our DNA. Valiant was created from the merger of many regional banks, and this has helped us to build many long-standing client relationships. We know our clients, and our clients know us. Our clearly defined market within Switzerland, our positioning as a financial services provider for private and SME clients, and these close relationships with our clients are the key features of our simple, responsible and sustainable business model.

### **Impact of our core business on our environment**

The client deposits and savings entrusted to us are used to provide mortgages to home owners and funding to SMEs. Our lending is broken down into many small and medium-sized amounts. The properties and businesses that we finance are located exclusively in Switzerland, and we know them very well thanks to our regional roots and close ties with our clients. As a result, and given the very stringent regulatory environment in Switzerland, our approach to many environmental, economic and social aspects already meets comparatively high standards. With our four clearly defined client segments, we do not enter into disproportionately large, risky exposures. Valiant does not finance projects that are based on or result in human rights violations, large-scale environmental pollution or forced or child labour. Meanwhile, our lending portfolio reflects the sectoral distribution of SMEs in Switzerland. The portfolio is therefore well diversified, with no cluster risks.

## Our sustainable business model explained simply



**Retail and affluent clients** account for 89% of our client base/and self-employed individuals and small and medium-sized businesses for the remaining 11%.

**Client deposits** Client deposits of CHF 21.0 billion form the basis for the financing of residential property and SMEs.

**Safe custody assets** Client assets of CHF 9.3 billion are invested with us – with some of that amount in sustainable investments.

**Funding** We fund over 81% of our activities via client deposits and also via the capital market. Funding is diversified across various sources.

**Financing of home ownership** The single-family houses and condominiums financed by Valiant are all located in Switzerland.

**SME financing** We only finance SMEs and self-employed individuals in Switzerland. Thanks to our strong regional roots going back many years, we know our clients and their business well.



Valiant operates exclusively in Switzerland. Given the very stringent regulatory environment, our approach to many environmental, economic and social aspects already meets comparatively high standards. This forms a solid basis for our sustainable, responsible and simple business model.

# Elements of corporate responsibility

Valiant attaches great value to stability and sustainability, which is also manifested in our business policy. This mindset also forms the basis for our understanding of what constitutes a responsible and entrepreneurial approach. Continuity and fostering strong relationships are two key elements of our business model, defining the way we see our role and responsibilities within society and towards our stakeholders. We have continuously and systematically expanded our corporate responsibility efforts in recent years, developing a comprehensive approach to the topic.

## Corporate responsibility policy

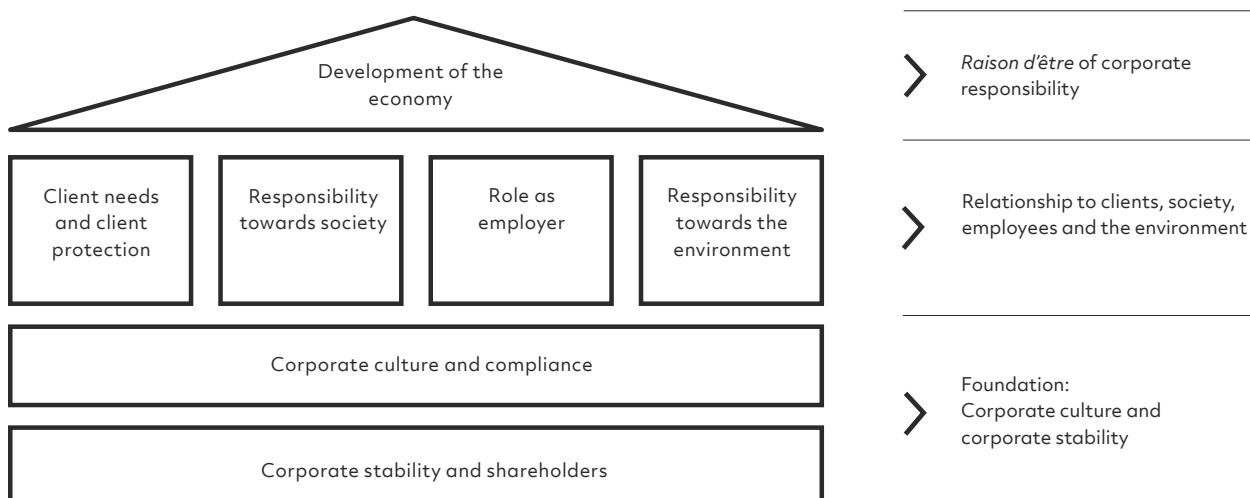
The corporate responsibility policy was first drawn up in 2017 and was further developed in 2019. The Board of Directors approved the updated policy on 11 February 2020, and it will remain valid for the period from 2020 to 2024. The corporate responsibility policy is intended as a concise summary of the key aspects of corporate responsibility as we understand it. It is closely aligned with our code of conduct, which binds our

employees to a set of values to be put into practice in our day-to-day work. The policy is based on the seven key pillars of corporate responsibility established in our dialogue with various stakeholder groups. It also explains the organisational aspects of corporate responsibility at Valiant and the allocation of responsibilities. The Board of Directors is responsible for overseeing corporate responsibility and for defining objectives. This includes approving the policy. Responsibility at the operational level lies with the CEO. Corporate responsibility issues are addressed at regular intervals by the Executive Board and the Board of Directors. Our corporate responsibility policy and code of conduct are available on the Valiant website.

## Elements of our corporate responsibility

Our vision of corporate responsibility is made up of seven elements. Corporate stability and corporate culture form its foundations. On top of these there stand four pillars, representing our relationships with our four primary stakeholder groups. Our *raison d'être* – developing the economy – plays an overarching role.

## Our understanding of corporate responsibility

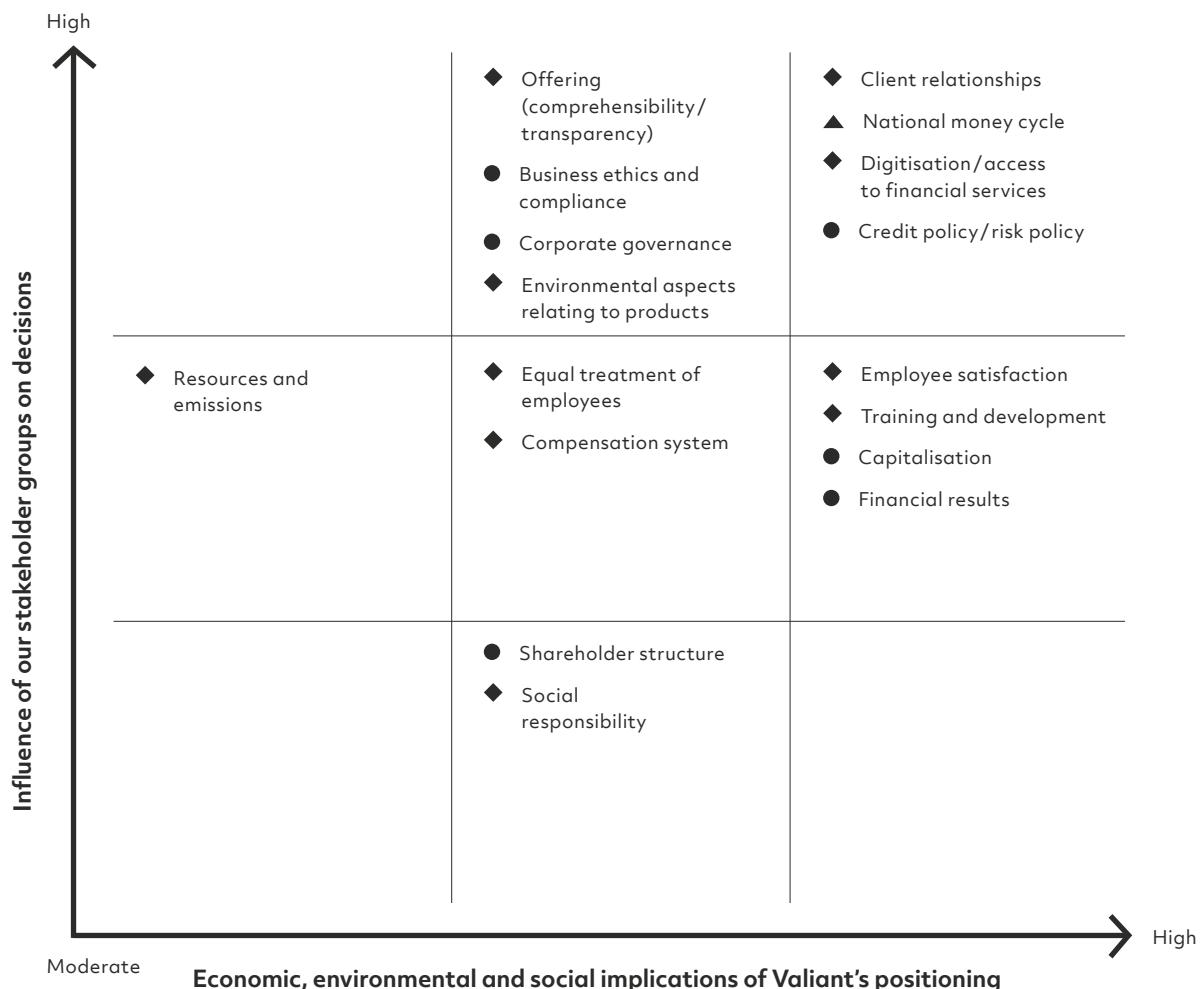


### Key activities

The seven elements of our corporate responsibility were developed and defined in discussions with internal and external stakeholders. In addition, a materiality analysis was drawn up to identify the most important sustainability topics. These remain the key topics for Valiant and serve as a guide for our activities under the heading of corporate responsibility. We developed the materiality matrix below in 2016 and revised it in 2017 and 2019. It conveys the impact and

environmental implications of our activities. This results in a better and more precise understanding of the topics that are of primary interest to our stakeholders. These topics help us to prioritise future corporate responsibility initiatives and measures and serve as a basis for reporting.

### Materiality matrix



- ▲ Raison d'être of corporate responsibility
- ◆ Relationship to clients, society, employees and the environment
- Corporate culture and corporate stability

**Transparent reporting**

At the same time, the results of the materiality analysis show us how to further develop our reporting, which is based on the requirements of the Global Reporting Initiative (GRI). This annual report has been drawn up in compliance with the GRI Standards – Core option. We see further development of our reporting as a continuous process. Hence, we regularly invite our stakeholders to participate in an exchange of ideas, so that we can hear more about their specific expectations. Additionally, we aim to further develop and report on our activities and efforts in the area of corporate responsibility in a targeted and needs-oriented manner.

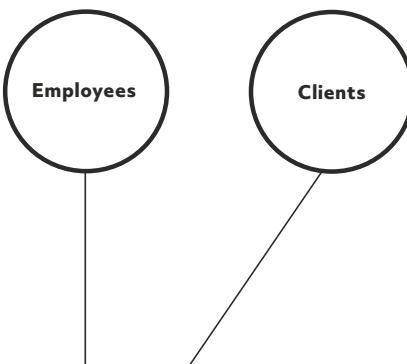
**Dialogue with stakeholders**

One key element of our positioning in the market and one of our strengths is that we foster solid relationships that are based on trust. We therefore seek dialogue with various partners at different levels in our everyday business. The following graphic is an extremely simplified illustration of our network of contacts but provides insight into our dialogue with key stakeholders.

## Dialogue with our stakeholders

**Satisfied employees** We measure the satisfaction and commitment of our employees every two years. The results of the survey are discussed by the Executive Board and disclosed to the Board of Directors. Appropriate measures are taken, depending on the results.

**Branch visits by the CEO** To gauge the mood among employees on the ground more effectively and gain a better understanding of local needs, the CEO visited various branches and departments in person in 2019 and 2020. Although a number of visits had to be postponed due to the coronavirus pandemic, the insights and experiences already acquired are being incorporated into the ongoing optimisation measures.



**Client satisfaction** The satisfaction of our private and corporate clients is monitored in regular surveys and any areas of improvement are identified.

**Client events** Due to the coronavirus pandemic and to protect the health of participants, Valiant held various events digitally and as live streams in 2020. Around 330 people took part in two financial planning events online, for example. The women's event on the Federal Act on Occupational Retirement, Survivors' and Disability Pension Plans (BVG) in Eastern Switzerland entitled "Is the BVG more than just an obligation?" was also held as a virtual live event. Some 40 women entrepreneurs took part online, and the questions submitted via the live chat function were answered directly from the studio in Basel.

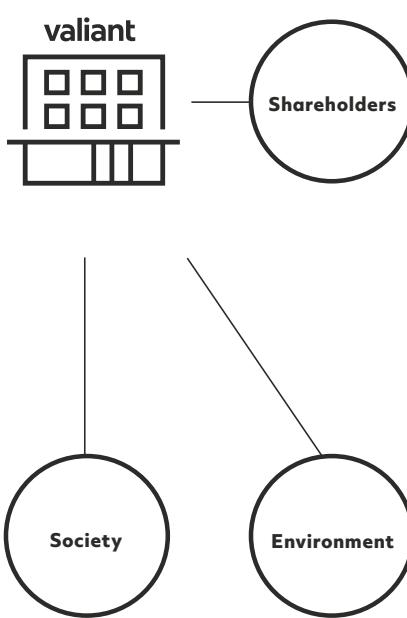
**Dialogue with investors** In addition to numerous private shareholders, 844 institutional investors hold just over a third of Valiant's share capital. Valiant actively seeks dialogue with them, meeting investors regularly in Switzerland and abroad, holding road shows and participating in investor conferences.

**Reporting** All of our shareholders – around 31,200 in total – will receive the short report on the 2020 financial year with their invitation to the AGM. The theme of the second edition of the new concept is "simplicity and responsibility". It illustrates, for example, how Valiant has supported its SME clients during the challenging period of the pandemic.

**Active dialogue** Valiant takes part in studies and engages in an active dialogue with environmental associations and organisations with a view to ensuring continuous improvement in this area.

**Regional support** Valiant assumes responsibility as a company with strong local roots. In 2020, we donated CHF 90,000 to charities. The donation benefited a total of 29 organisations operating in Valiant's market, which stretch from Lake Geneva to Lake Constance.

In addition, Valiant enters into roughly 2,000 minor and 50 major support and advertising commitments with a budget of over CHF 1 million each year. In the year under review, however, many events were cancelled or postponed until 2021 due to the coronavirus crisis. Valiant will continue to support the associations, institutions and event organisers wherever possible.



### Valiant and its goals for sustainable development

In 2015, the UN Member States adopted the 2030 Agenda for Sustainable Development. The 2030 Agenda is a reference framework for national and international efforts to solve global challenges. At its core are 17 Sustainable Development Goals (SDGs). The SDGs define a vision of sustainable development, combining social, economic and environmental dimensions, to be achieved by 2030. They are implemented according to a participatory approach. This means that implementation is the joint responsibility of individual states, the private sector, the scientific world and civil society.



We acknowledge the part we have to play in this: we are committed to the 17 SDGs as a whole, and we also implement a variety of measures that contribute to the achievement of many goals individually. We carried out an internal analysis in 2019 in order to determine which of the goals we can have the greatest impact on, which are most relevant to our work and which will allow us to implement measures that will have a positive impact on society and the environment. On this basis, we are focusing primarily on the following goals:



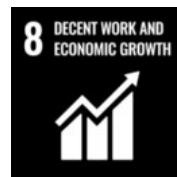
#### **Goal 4: Quality education**

A sound basic education and ongoing training and development are key to a strong business setting and provide a basis for the continued employability of the population. To this end, we invest heavily in developing our employees, no matter what their age or function, whether through on-the-job training or through internal and external courses and certificates. In addition to offering a wide range of apprenticeships, we also cooperate with Swiss educational establishments.



#### **Goal 5: Gender equality**

We are actively committed to equality between the sexes, and have defined specific measures with the aim of promoting women employees and managers. Valiant guarantees equal pay for men and women. We regularly monitor equal pay and implement measures where necessary. When filling vacancies, Valiant always chooses the most suitable candidate, regardless of gender.



#### **Goal 8: Decent work and economic growth**

Valiant is committed to sustainable economic growth and decent work throughout its value chain. We offer our employees progressive, flexible and family-friendly employment conditions and the opportunity to reduce their working hours to 80%, regardless of function. With our business model, which is rooted in sustainability, we offer a comprehensive range of easy-to-understand products and services covering all financial needs to SMEs and self-employed individuals, the backbone of the Swiss economy.

# Development of the regional economy

We firmly believe that, thanks to our simple business model, we are actively helping to ensure the economic, cultural and social development of Switzerland, something that ultimately benefits everyone living here. The focus lies on our core tasks of accepting money for deposits, carefully managing money and lending it, and in this way completing the national money cycle.

## Financing the real economy

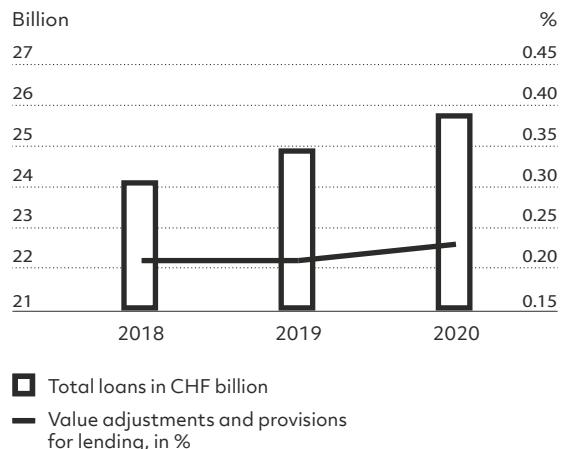
By financing the real economy in Switzerland and especially in our market, we have a direct impact on the development of society, the economy and the environment. The share of real economic financing and financial investments is an indicator of the success of our responsible and sustainable business model. Loans or financial investments are regarded as part of the real economy, and thus value-based, if they flow into economic sectors that produce real goods and services or are used to finance real estate and therefore contribute directly or indirectly to the sustainable development of the local community, economy and environment. Loans to the real economy account for some 70% of our total assets, reflecting our responsible role as a financial services provider for all our stakeholders.

## Financing of home ownership

Financing real estate has always been the key pillar of our business model, so we monitor this market very closely. In this way, we can identify any risks at an early stage and take appropriate measures as part of our prudent lending policy. We also value financed property according to our own guidelines, meaning that our real estate financing is not based on market prices, which can be inflated at times. Our approval process for real estate financing, along with our bank-wide advisory process, helps us ensure that our clients are not exposed to inappropriate financial risks. We deliberately avoid real estate financing that involves inappropriate risk exposure. Our prudent and sustainable approach to financing is borne out in particular by the fact that value adjustments

and provisions have remained at a low level over the past three years even though lending volumes have risen over the same period.

## Prudent lending policy in figures



Despite our clear, low-risk focus, we once again enabled many of our clients to realise their dream of owning their own home in 2020, providing them with assistance and advice along the way.

## Financial partner for SMEs

Valiant has always been a typical SME bank, and we have many SMEs and self-employed individuals among our clients. To strengthen this key area of our business, we are continually developing our advisory services for SMEs. We also provide our clients with assistance that goes beyond their daily financial business, for example by offering succession planning.

### Support for SMEs during the coronavirus pandemic

Valiant supported numerous companies and organisations with far-reaching measures in 2020, including interim liquidity support, loan repayment holidays, COVID-19 loans and temporary rental waivers for SMEs that rent premises from Valiant.

The federal government worked with Swiss banks to create two kinds of bridge loans for companies particularly affected by the coronavirus crisis. Valiant was ready to support its SME clients and process the loans in a prompt and straightforward manner. Valiant made all the necessary preparations to issue the COVID-19 loans in line with the federal government's ordinance in a very short space of time. The internal processes and procedures were determined and client advisors given training and instructions. Valiant was able to grant loans of up to CHF 500,000 quickly and easily. For loans of over CHF 500,000, a credit process lasting a few working days was required. As part of the federal government's aid programme, Valiant granted just under 2,860 bridge loans to SME clients, for a total volume of some CHF 380 million.

As an addition to the federal government's measures, for which the regional guarantee cooperatives served as guarantors, we initiated a package of emergency aid measures in March 2020. We supported various SMEs with substantial sums of money, the amount of which depended on the company's specific needs. Support was provided in the form of loan repayment holidays and liquidity support. The nature and terms of the support were agreed with the companies on an individual basis. Processing was quick and straightforward. A prerequisite for the emergency aid was that the companies had been operationally stable and financially healthy before the crisis. In a further effort to support regional SMEs, Valiant continued work on all its building projects, such as the branch conversions, as planned.

In April 2020, we demonstrated our solidarity through an additional measure, granting all SMEs that rented premises from Valiant or the Valiant pension fund a rent holiday for the months of May and June 2020.

By taking these quick, pragmatic steps, we have already helped our SME clients to navigate the crisis. It was also important to us, however, to assist SMEs by providing valuable advice and suggestions. To this end, we made a video in collaboration with an expert explaining how leadership can make the difference in the various phases of the crisis and that crises can also be viewed as productive situations that harbour opportunities. The video was made available to Valiant's SME clients as a further form of assistance.

### Succession planning

SMEs and self-employed individuals are the backbone of our economy, and their continued existence is of key economic importance. Succession planning in a company is a complex process – be it at the operational or financial level – and represents a major challenge for all concerned. There is no one-size-fits-all solution. For this reason, it is vital to involve specialists in drawing up a customised succession plan. The earlier this is done, the more promising the results will be, so we support our clients in preparing and implementing their succession planning, working with them to steer their company towards a successful and sustainable future. This is to the benefit of our clients and the economy.

## Client needs and client protection

We offer our clients straightforward, understandable financial services from a single source. We play an active role as a key link in the Swiss economy and the community. As a bank with strong regional ties, we offer our services to the entire population, in both economic centres and rural areas.

### Transparent, needs-based offering

For us, providing our clients with transparent information on the opportunities and risks inherent in financial products is a component of sound, trustworthy and credible advice. We are constantly developing our range of products and services in response to changing client needs. In

this way, we take care to ensure that our products remain simple and understandable. At the same time, we offer solutions for specific requirements in collaboration with our specialists or with external partners where necessary. Taking client needs seriously and protecting clients also means that, in both our asset management and investment advisory businesses, we only recommend products that are not subject to distribution fees. Any conflicts of interest are also made clear to our clients during the consultation. Our main focus is to provide our clients with the neutral, independent advice they need. In the case of non-advisory transactions, the commission ranges for each product category are regularly disclosed to clients in an appropriate form. We also check that clients are not exposed to inappropriate financial risks when granting loans.

### Sustainable investments

More and more clients insist that their investment activities must not only generate satisfactory returns but also make a specific contribution to the sustainable development of the economy, society and the environment. We support these efforts and have kept pace with clients' increasing demand for sustainable investments. Our fund recommendation list now offers several sustainable fund solutions across three different sustainability profiles – responsible investing, sustainable investing and impact investing. This allows our clients to reflect their personal sustainability preferences in their investments.

### Exclusion criteria and ESG integration in our investment business

In addition to our range of sustainable fund solutions, we have also further improved our overall sustainability performance in our investment business. For some time we have excluded particularly controversial arms companies from stock selection for our own funds and for asset management mandates, on the basis of a specific exclusion list. And we have also decided to start evaluating our various investment products using the ESG criteria published by MSCI, a specialist provider that is well established on the market. ESG stands for environmental, social and governance, and refers to the fulfilment of environmental and social criteria together with aspects of corporate management, in this case relating to the analysis and selection of investments. Integrating these ESG criteria helps us to further develop, evaluate and manage our investment products from a sustainability standpoint and make better long-term investment decisions for and with our clients. These measures are already reflected in our own investment products. For example, we have a stated ambition to retain a minimum ESG rating of "A" from MSCI for our own equity funds and our bond fund. Thanks to targeted measures and appropriate adjustments, we were able to secure that minimum rating of "A" for these investment products in the year under review, and even exceeded it for several equity funds.

### ESG investment approach for Valiant

In order to assume our corporate responsibility even more effectively and integrate sustainability into our core business more comprehensively, we have decided to go one step further and develop an individual sustainability approach for our investment business that is tailored to Valiant's needs. The Executive Board has issued a set of sustainable investment guidelines as a basis for implementing this. We are thus expanding fiduciary responsibility in the field of investments to include sustainability, which comprises the environment, social issues and corporate governance.

At the same time, the data used for sustainability-related investment decisions will be broadened and improved in qualitative terms. The guidelines are geared towards continuity and will be implemented in a transparent, easy-to-understand way.

By issuing the sustainable investment guidelines, the Executive Board has enshrined the policy of corporate responsibility adopted by the Board of Directors in its investment activities. The Valiant sustainable investment guidelines thus lay the foundation for a long-term, responsible approach in the bank's investment activities. They form the framework and the basis for Valiant's investment solutions and cover the following topics:

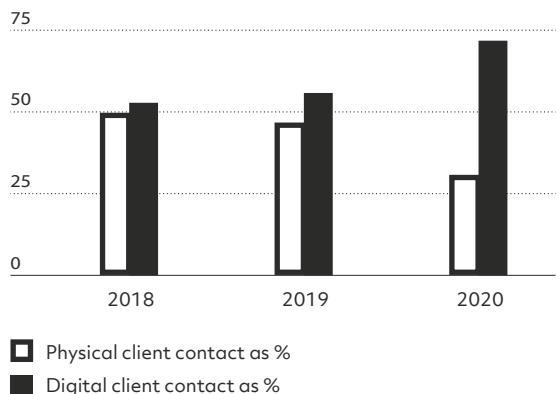
- Responsible investment
- Universal principles
- Transparency
- Market-compliant investment results
- Impact-oriented investment
- ESG in the Valiant investment process

The investment guidelines are published on our website.

### **Access to financial services**

In financial services, as in many other sectors, we are seeing a clear shift in client requirements towards digital channels. Valiant has also seen a significant shift over the past three years. Whereas in 2016 almost 60% of client contact was still physical, by the end of 2019 around 55% of client contact took place via digital channels. This trend persisted in the year under review. The significant increase in digital contact to 71% is also attributable to the reduction in mobility that resulted from the coronavirus pandemic. For example, counter transactions fell by around two-thirds over the last four years as a result of the new branch concept, the trend towards more card payments and – in the last year – the coronavirus crisis.

### **Comparison of digital and physical client interaction**



### **At home physically and virtually**

Many of our clients use different channels depending on their situation and needs, whether for personalised advice or digital services. To properly meet these needs, we are continuing to develop all channels and are keeping them up to date. Valiant has developed a new type of branch that combines all the services of a traditional bank with the latest digital technology. Our clients can make an appointment or simply drop into a branch as before. Following a needs analysis at the virtual reception, our client advisors take over on site or via video conferencing. A self-service option is available for clients who do not need personalised advice. The advantages of this new type of branch are the longer opening hours, rapid involvement of specialists, numerous self-service options and evening and weekend advisory appointments. Our first two branches of this type were opened in Brugg and Morges in 2017. After new branches were opened in Vevey and Basel in 2018, further locations were added in Nyon, Rheinfelden, St. Gallen and Wil, in the canton of St. Gallen, in 2019 and then in Rapperswil in 2020. The coronavirus crisis has shown that Valiant is well positioned when it comes to digitisation and that we can continue to provide our clients with simple, personalised services even during exceptional times and in difficult circumstances.

**Good, simple advice also available online**

Thanks to Valiant's e-banking system and mobile banking app, clients can take care of their banking transactions wherever and whenever they want – easily, securely and free of charge. These two digital channels have been developed continuously in recent years and expanded in line with clients' numerous, constantly evolving needs.

Use of our e-banking system, with its many functions and intuitive interface, has increased by almost a quarter over the last four years. The mobile banking app more than tripled its utilisation rates during the same period and one day is likely to become the primary channel by which clients interact with us.

**Valiant's e-banking and mobile banking app – an overview of the key functions**

Get an overview of your accounts, Maestro and credit cards at any time of the night or day.



Enter and manage payments, electronic invoices and standing orders easily and quickly.



Obtain an overview of your custody account and buy and sell many listed securities.



Analyse income and expenditure, plan budgets and set savings targets.



Credit notifications and other messages can be sent by text message or e-mail on request.

We have also worked on making various services as accessible as possible. In this context, we equipped all our own ATMs with audio support in 2020. This new functionality enables blind and visually impaired people to navigate through the menu and use the ATM services through their headphones and the integrated voice control.

### Protection of privacy

Protecting and respecting privacy is crucially important to our business. We want our clients to feel they are safe and in good hands with us, and that we protect their assets and their privacy. To ensure that we can continue to protect our clients' data in future, we review and optimise our business processes on an ongoing basis. For example, when we rolled out the e-banking service in 2018, we also updated the login procedure. The new CrontoSign Push option allows clients to further simplify the login procedure by confirming a push notification sent to their mobile phone. CrontoSign Push is a simple and secure login procedure – the common and previously used mosaic-scanning method is no longer necessary.

### Protection against cyber crime

As digitisation progresses, the range of illegal online activities in the financial industry is also constantly growing. Increasingly, crimes are being committed against companies and SMEs as well as private individuals. We take a range of measures to protect our clients from cyber crime as far as possible. We actively warn our clients about the dangers: for example, we published an article on cyber crime in the December issue of our client magazine "ValOr". Our website also provides information on online security – such as short video messages on how to protect against online fraudsters, basic security recommendations for using the internet and courses on e-banking security. In addition to these proactive measures, we also use intelligent systems to monitor transactions in order to detect unusual or suspicious payments. If fraud is suspected, we stop payments and personally check with our clients to make sure everything is in order.

## Responsibility towards society

Valiant's primary role is to provide financial services that ultimately help to ensure a well-functioning society. We take our responsibilities towards the communities in which we operate seriously, and we maintain good relations based on partnership. As a strong financial partner, we strive to contribute to the common financial good. We contribute to value creation in our market area, for instance by paying tax, dividends and wages, and by using local products and services. Over 90% of our purchased goods and services come from our market area. We therefore support numerous regional SMEs and self-employed individuals – the backbone of the Swiss economy.

### Our contribution to the common financial good

Within the context of the national money cycle, we create value as follows:

- Personnel expenses in 2020 amounted to CHF 134.7 million. Our staff reside almost exclusively in Valiant's market area, and they therefore help to support the local economy.
- General and administrative expenses were CHF 106.9 million in the year under review. Wherever possible, we meet our needs through Swiss-made products and services. This enables us to support the local economy and strengthen our ties with the region.
- We returned approximately CHF 79.5 million to our shareholders in the form of dividend payments.
- Our aggregate taxes of CHF 28.3 million in 2020 were a direct contribution to the public-sector budget.
- Valiant did not claim any state aid or support measures in connection with the coronavirus pandemic.

- Each year we enter into around 2,000 small and 50 larger financing and advertising commitments totalling more than CHF 1 million in the areas of sport, culture, social responsibility, the environment and the economy. We focus our support on the areas where our clients live. In the year under review, however, many events were cancelled or postponed until 2021 due to the coronavirus crisis. Valiant will continue to support associations, institutions and event organisers wherever possible.
- As a politically neutral organisation, we make no donations to political activities or parties.

### **Support for cultural, social and sporting events**

In addition to our contributions to the common financial good, we are regularly involved in cultural and social events in our market area – even if only a few events could take place in 2020 due to the coronavirus pandemic. One of the few events that did take place was the Swiss Trade Association Congress at Forum Fribourg, which Valiant supported in its capacity as an SME bank.

We are also involved in charitable activities. Valiant assumes responsibility as a company with strong local roots. In 2020, we donated CHF 90,000 to charities. The donations benefited a total of 29 organisations operating in Valiant's market areas, which stretch from Lake Geneva to Lake Constance.

We also offer our clients the opportunity to give to charity through their credit card purchases. Viseca's "surprise" programme enables bonus points to be collected through credit card purchases. The points can then be passed on to charitable organisations such as Caritas, Pro Juventute, Doctors Without Borders and the WWF in the form of donations.

## **Role as employer**

Our employees are the face of Valiant and the channel through which we express our culture to our clients and our business partners.

### **Staff policy**

Our particular strengths as an employer are that we offer our employees excellent opportunities to help shape the company. Other trademarks include our short decision-making processes thanks to our flat hierarchies and an easygoing, respectful attitude. The current expansion of our business is opening up additional development opportunities within the company.

### **Equal opportunities and diversity**

When filling vacancies, Valiant always chooses the most suitable candidate. New employees must be an optimal fit for both the job profile and the company culture. Personality traits and expertise are the decisive selection criteria rather than gender or age or whether the candidate is internal or external.

We believe that having a good cultural and gender balance within our staff has a positive impact on the work atmosphere, job satisfaction and results. In this context, we attach particular importance to promoting the development of women employees through targeted measures and preparing them for the subsequent stage of their career.

### **Equal pay for women and men**

We adhere to the principle of equal pay for equal work – and it goes without saying that this also applies to gender-specific pay. We have been examining our gender pay gap using Logib, the federal government's standard analysis model, for a number of years already. As in the previous year in 2020, we stayed below the tolerance threshold.

We will continue to monitor the gender pay gap closely, conducting annual analyses and implementing measures where necessary. It goes without saying that we also pay special attention to the gender pay gap in the recruitment process and in salary reviews.

### Trainees

Apprenticeships proved to be another successful means of meeting the increasing demand for resources. In 2020, we employed a total of 52 apprentices in different years of their training and three different career paths: banker, media technologist and, since 2020, federally certified client dialogue specialist. All of our apprentices passed their final exams in 2020. We strive to achieve a high retention rate – in 2020, this was more than 80%. We also run a placement programme for intermediate-school leavers, offering those with a Swiss school-leaving certificate an attractive alternative to studying. Further points of entry that we offer include the Service and Administration internship and our career start programme. In 2020, a total of 24 young men and women did an internship at Valiant. The total figure of 76 trainees illustrates our strong commitment as a training bank for our future generations. We offer high-potential, performance-oriented junior staff a number of careers and interesting opportunities to further their personal development. Our staff are therefore ideally equipped for management positions and other key functions.

### Certification of our client advisors

Since 2017, Valiant has been certifying its client advisors with the Swiss Association for Quality (SAQ). SAQ is a neutral, established and experienced centre of competence for personal certification in Switzerland. SAQ certification comprises a written and an oral examination. At the end of 2020, the majority of Valiant client advisors were SAQ-certified. New employees are SAQ-certified according to their job profile when they join Valiant. The certification courses enable us to create added value for all participants – our clients benefit from high-quality advisory services, our employees have a certification that is recognised in the financial services sector, and Valiant can position itself positively in the market thanks to the recognised SAQ label. The SAQ certification is renewed after three years through recognition of internal training.

### Onboarding, training and career planning

We provide a professional onboarding programme to give new recruits comprehensive support when they are getting started in their new functions.

We also provide our staff at all levels with generous and targeted support in their training and development and offer them opportunities to pursue specialist or management careers. In the year under review, most training was provided via Skype due to the coronavirus pandemic. Our 1,061 employees attended the 399 training courses offered a total of 2,947 times. This represents an average of around three training events per employee. In addition to internal training, Valiant also supports a large number of external training courses. Support can be given in the form of time credits as well as refunding of training costs.

By identifying common career paths at Valiant, we can show our employees the range of opportunities available. These career paths show different routes that can be taken, whether by progressing in seniority within one particular function or by switching to a different function. Career paths may be horizontal, i.e. staying at the same function level, or vertical, i.e. moving up to a higher function level. Employees' existing abilities and personal goals are assessed and, if they are lacking particular skills for their target function, appropriate measures are taken to remedy this. One special focus of this career path approach is the next generation of client advisors, who are offered a targeted development plan. Our staff are trained in developing not only their advisory expertise, but also their management expertise. This is because management is important at Valiant – for our staff and for the success of our bank.

### Modern working models

The changing needs of both our clients and our employees are reflected in the various working models. Whereas the norm ten years ago was a traditional Monday to Friday full-time job based on regular office hours, we are increasingly moving towards more flexible models. Various flexible, modern working models are deployed, with the goal of achieving a win-win situation for both the employees and Valiant. Over a third of our employees already work part time, for example. This, coupled with often very short commuting times, gives rise to attractive working opportunities outside the main densely populated areas as well. Further models such as the option to build up extra annual leave, take unpaid leave, work from home or go on sabbaticals are established at the company and considerable use was made of them in the year under review.

**Staff satisfaction**

We measure staff satisfaction using structured employee surveys carried out every two years. The survey results are a key indicator of job satisfaction and the commitment of employees. The last survey was conducted in 2019. The high participation rate along with the level of job satisfaction gave a positive picture overall. The potential for improvement was recognised and measures were determined accordingly.

**Mental health and counselling**

A high level of stress at work can have a detrimental impact on our physical and in particular our mental health. We have launched a large number of measures as part of our bank-wide approach to health management. Various events, training courses and blogs on topics such as mindfulness, mind power, nutrition, workplace ergonomics and self-management when working from home are offered in order to strengthen knowledge transfer and raise awareness of health issues among all employees. In the unfortunate event of longer health-related absences, affected employees are supported through professional case management when they return to work.

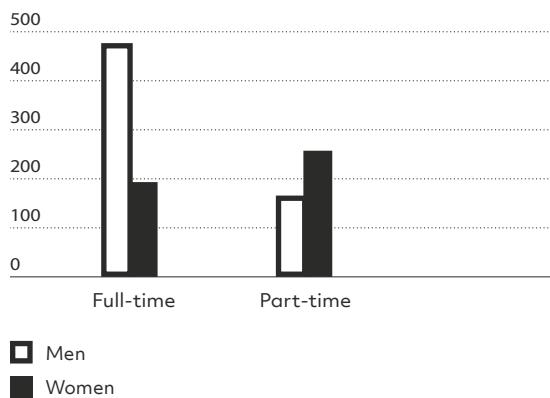
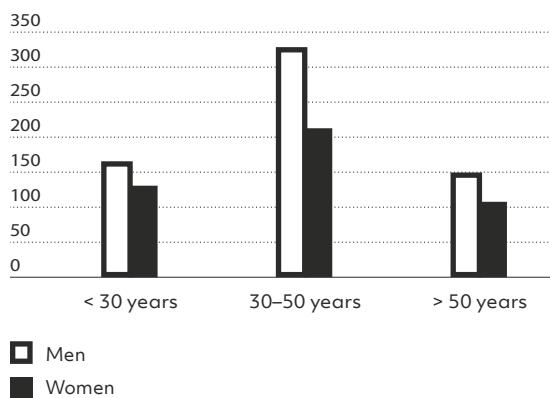
Valiant works with several external specialists to provide good support for employees experiencing challenges in their personal lives or at work. Employees can talk to a neutral expert at the Swiss Post counselling service, who will work with them to seek appropriate solutions. Counselling is available for issues such as bullying and sexual harassment, addiction, financial problems and family conflicts. The counselling is generally free of charge and is provided in absolute confidence.

Our employees can also obtain free counselling from our partner organisation Care-Link if they are suffering from anxiety, grief, worries about the future, relationship problems, conflicts or personal crises in connection with the coronavirus pandemic.

Valiant has also been a member of the profawo association since 2020. This non-profit organisation offers our employees a wide range of services in the field of supplementary childcare and caregiving for family members.

**Headcount**

Key personnel figures were stable overall. Headcount bottomed out at the end of 2015 following a multi-year adjustment phase, and has since risen again continuously over the last five years. The increase is attributable among other things to the merger with Triba Partner Bank AG in 2019 and in particular to the broadening of our advisory expertise and our expansion into new regions. At the end of 2020, Valiant had 1,061 employees and 76 trainees, representing a year-on-year increase of 1.5%. There was a net increase of approximately 20 in the number of full-time equivalents in the year under review.

**Breakdown of headcount by gender****Breakdown of headcount by age****Breakdown of headcount by seniority****Pension fund – new pension model**

Increasing life expectancy and longer pension payout periods, as well as the low interest-rate environment, represent major challenges for pension funds. The Foundation Board's priority is to guarantee the financial security of the pension fund over the long term. In addition to financial security, it strives to avoid redistribution between active members and those drawing a pension. The Foundation Board therefore evaluated various models for shaping the future pension model and made adjustments.

A "variable pension model" was introduced, and became applicable to pensions from 1 July 2020. This means that in future, those drawing a pension will participate in the financial performance of the pension fund in the event of both positive and negative trends. In addition to introducing the new pension model, a decision was also taken to reduce the conversion rates. The conversion rate was 5 % in 2020 and will fall to 4.8 % with effect from 2021.

With a provisional coverage ratio of 106.9%, our pension fund is now on a generally sound footing.

Key personnel figures	2020	2019	2018
Headcount	1,061	1,045	1,013
Total proportion of women as %	41.5	43.3	45.4
Proportion of women in middle and senior management as %	26.9	26.2	26.5
Full-time equivalents	937	918	890
Average full-time equivalents over the year	928	905	878
Part-time employees	407	398	376
Part-time employees as %	38.4	38.1	37.1
Women as %	61.9	65.6	70.9
Men as %	38.1	34.4	29.1
Employee turnover rate <sup>1</sup> as %	11.0	12.5	13.2
New staff	143	154	175
Average duration of employment in years	8.8	8.9	9.2
Total number of trainees	76	81	82
Number of interns	22	22	23
Number of apprentices	52	58	56
Number of career starters	2	1	3
Retention rate for trainees <sup>2</sup> as %	83	75	79
Trainee-to-headcount ratio as %	7.2	7.8	8.0
Costs of training and development in CHF thousands	1,469	2,336	2,675
Average number of training events per employee	2.8	4.3	5.1
Absence rate as %	2.1	2.5	3.1
Ratio of top to median salary <sup>3</sup>	9.1:1	9.4:1	10.7:1
Insured members of pension fund	1,052 <sup>4</sup>	1,067	1,037
Pension fund pension recipients	441 <sup>4</sup>	435	435
Pension fund coverage ratio as %	106.9 <sup>4</sup>	108.4	100.5

<sup>1</sup> Net turnover: All departures initiated by the employee or the employer, including early retirements that occurred at the request of the employee

<sup>2</sup> Interns, apprentices and career starters combined

<sup>3</sup> Basis = fixed compensation plus variable compensation for the previous financial year. The median salary is based on all employees' salaries and is extrapolated to working hours of 100%, excluding departures during the year

<sup>4</sup> These are provisional figures

## Responsibility towards the environment

In line with our corporate culture, we treat the environment with care and respect and seek to minimise any negative effects arising from our activities.

### Reduction of greenhouse gas emissions

To reduce greenhouse gas emissions, we optimise the energy efficiency of our properties through structural adjustments. To this end, we use the revenue from the federal government's CO<sub>2</sub> levy to operate our own properties in a more energy-efficient and environmentally friendly manner. In addition to promoting the use of public transport among all our commuters, our environmental objectives also include separating and recycling

waste. This is the sixth time that this report has been printed on a climate-neutral basis, for example. In addition, we no longer produce hard copies of various publications but instead publish them exclusively online. In mid-2020, we took the further step of changing the way we print account statements and now send them on environmentally friendly, recycled paper. In this way, Valiant is contributing to the achievement of both national and global climate goals.

### Environmentally friendly promotional items and AGM gift

We continue our efforts to use environmentally friendly promotional items wherever possible. For example, our popular sports bags and rucksacks are manufactured from recycled PET, which is also known as rPET. We have completely eliminated plastic drinking bottles from our range of promotional items and replaced them with a bottle that can be reused over many years. Our

balloons are made exclusively from natural rubber. Both the balloon and the band and clasp are 100% biodegradable. As well as environmental criteria, we strive – as in the above example – to support regional suppliers whenever possible.

Due to the coronavirus pandemic, it was not possible for shareholders to attend the Annual General Meeting in May 2020 in person as they normally would. However, they were able to exercise their voting rights by issuing a power of attorney to the independent proxy. For this, and in recognition of their interest in Valiant, shareholders were sent a small gift – a beeswax wrap for packaging and storing food in an environmentally friendly way. The beeswax wrap was manufactured and packaged by Calendula and Stiftung RAZ Regionales Arbeitszentrum, two charitable institutions based in Herzogenbuchsee, and by Tagesstätte Solidarität in Langenthal. We received a lot of positive feedback about this completely sustainable gift.

### Environmental impact of operations

Valiant has publicly disclosed its energy consumption since 2011. Since 2016, with advisory firm Swiss Climate, we have produced a comprehensive carbon footprint report in accordance with recognised international standards, namely ISO 14064-1 and the Greenhouse Gas Protocol. In 2020, the report was verified for the fifth year in a row by the independent audit firm true&fair. expert.

### Careful use of resources

Valiant operates a large number of small branches. These require more heating energy per square metre than larger branches or administrative buildings. The bulk of our energy consumption therefore comes from heating our various sites and is heavily influenced by factors such as the severity of the winter. We take care to keep electricity, paper and water use to a minimum in all our operations.

### Environmental considerations in our lending business

In addition to emissions from our own operations, we also take environmental considerations into account when granting loans, valuing property and assessing financing risks. The principle of engaging in prudent, careful and sustainable environmental practices is also laid down in our code of conduct.

### Exclusion criteria for financing

Our strong regional roots going back many years mean that we really know our clients, so when granting loans we can assess the extent to which they meet social or environmental criteria. However, the Board of Directors has decided to integrate exclusion criteria into our financing business to make our lending practices even more binding and take due account of our commitment to sustainable management. Potential financing

Energy consumption and carbon footprint 2020	Quantity 2020	t CO <sub>2</sub> e <sup>1</sup> 2020	t CO <sub>2</sub> e <sup>1</sup> 2019	t CO <sub>2</sub> e <sup>1</sup> 2018
Scope 1 – direct emissions				
Heating (natural gas, heating oil, wood)	4,131,244 kWh	944	1,127	936
Business trips (company cars)	87,615 l	217	230	196
<b>Total direct emissions</b>	<b>1,161</b>	<b>1,357</b>	<b>1,132</b>	
Scope 2 – indirect emissions				
Electricity	4,286,840 kWh	507	508	460
Heating (district heating)	1,538,304 kWh	107	123	160
<b>Total indirect emissions</b>	<b>614</b>	<b>631</b>	<b>620</b>	
Scope 3 – further indirect emissions				
Energy supply	Miscellaneous	449	498	467
Business trips (external means of transport such as train, aeroplane, private car)	563,115 km	58	90	74
Commuter journeys <sup>2</sup>	4,977,914 km	514	834	801
Paper	49,474 kg	48	40	14
Print jobs	100,745 kg	122	124	221
Water	19,363 l	8	10	6
<b>Total further indirect emissions</b>	<b>1,199</b>	<b>1,596</b>	<b>1,583</b>	
<b>Total CO<sub>2</sub> emissions</b>	<b>2,974</b>	<b>3,584</b>	<b>3,335</b>	

<sup>1</sup> CO<sub>2</sub> equivalents in tonnes

<sup>2</sup> In 2020, including electricity used by employees working from home

projects for corporate and business clients are checked for controversial environmental and social issues. Projects that do not meet our standards are rejected. The exclusion criteria include in particular:

- projects with non-transparent financing streams
- direct financing of nuclear, lignite and coal projects
- financing of projects relating to the manufacture of military weapons systems
- financing of socially unacceptable projects
- financing of projects relating to unsustainable agriculture and forestry, and unsustainable fishing or animal testing.

The defined criteria have been applied to all new business since October 2019. Client advisors for corporate and business clients were made aware of and trained on the criteria in management meetings and with the help of specially drafted documents.

### **Apprentices get involved in the myclimate Company Challenge**

With the myclimate Company Challenge in 2019, Valiant gave 13 second-year apprentices the opportunity to make a major contribution to sustainability. They formed small groups to take part in the myclimate Company Challenge, an internal competition for apprentices focusing on climate protection and energy efficiency. After an introductory event on sustainability, which was also attended by the Chairman of the Board of Directors, the apprentices worked in their groups to develop five ideas for how Valiant could make its business even more environmentally sustainable. Eventually the "BeMobile" project was chosen by a jury as the winner of the internal competition. It put forward the idea of digitising the paper forms currently used in client consultations, thereby reducing paper consumption and increasing process efficiency. Valiant client advisors currently use paper forms to structure consultations and record all information that is relevant to the discussion. The project group estimates that complete digitisation of these forms would reduce annual CO<sub>2</sub> emissions by around 68 tonnes. By carrying out this project work, the apprentices contributed to the further improvement of Valiant's environmental performance.

### **CDP climate change score**

We are committed to protecting the environment within the scope of the options available to us and continually take various smaller and larger measures in this regard. The fact that we are on the right track with these efforts was confirmed by the Carbon Disclosure Project (CDP) organisation in December 2020 when it rated us "B" in its latest climate change ratings. This encouraging result shows that we are on a par with other renowned companies and are on the right track when it comes to protecting the environment. The positive rating also provides a strong incentive to continue adopting an active approach to environmental issues.

### **Federal government's climate compatibility test**

In 2020, the Federal Office for the Environment (FOEN) and the State Secretariat for International Financial Matters (SIF) launched a comprehensive climate compatibility test for analysing the climate compatibility of financial portfolios. The aim of climate compatibility testing is to analyse the extent to which voluntary measures have led to progress in terms of the climate compatibility of financial flows or whether further options need to be considered. Valiant was one of 179 financial institutions that took part in the voluntary test, which was conducted using PACTA 2020 (Paris Agreement Capital Transition Assessment) methodology. The test primarily assessed the climate compatibility of global equities and corporate bonds and Swiss real estate and mortgage portfolios. In addition, qualitative climate-related measures were also incorporated into the evaluation. Participating financial institutions can use the assessment to determine how climate-friendly their investments and financial products are in comparison with those of the other participants. Valiant is in the middle of the range with regard to the equity and bond portfolios, both in terms of the overall ranking and in a direct comparison with the 30 other participating banks. The data obtained from the climate compatibility test will enable us to steer our future development in terms of sustainability and corporate responsibility and measure the efficiency of our progress, for example in the investment business.

# Corporate culture and compliance

Valiant cultivates an open, values-based culture both within the bank and in its dealings with the outside world. Value-conscious behaviour is of central importance to Valiant, as the financial services business is based on mutual trust.

## Conduct in business dealings

Our corporate culture is expressed in a binding code of conduct. It is founded on four values that guide our actions in our everyday business. These values provide a framework that essentially enables our staff to make the right decisions for Valiant and to live out our corporate culture.

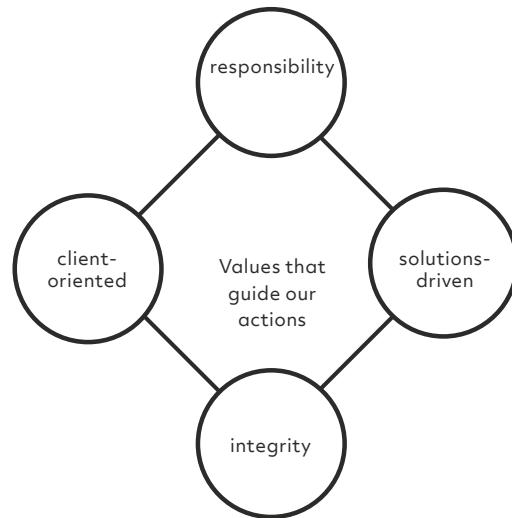
The directive on the code of conduct became effective in 2015. This sets out the expected conduct of our employees in greater detail and defines the boundaries of acceptable behaviour. It also sets out the procedure to be followed in cases where an employee suspects or witnesses a breach of the code of conduct. Besides having points of contact for in-house reporting, an external reporting system has also been available since 2015. This can be used to report information about harassment, discrimination, bullying or corruption. This may be done anonymously. No such reports were received in 2020. The code of conduct and its implementing provisions in the form of a directive are reviewed annually.

## Data protection and data security

Valiant has made data protection and data security a major priority. Various directives and internal guidelines are in place to govern the handling of electronic media and of bank and client data by our employees in compliance with relevant legal provisions such as bank confidentiality, data protection and archiving obligations.

Meanwhile, the digitisation of the financial services business continues apace, presenting new challenges for the protection of client and bank data. We work as part of various bodies and interest groups to anticipate new criminal activities and combat these effectively. With Swisscom as the operator of our core banking system, we benefit from the professional assistance of an experienced partner in this respect. As part of the regulatory basic audit, the auditors also examined information technology and the outsourcing of business areas and processes and did not identify any shortcomings.

## The four values of our corporate culture



### Compliance with legal provisions

It goes without saying that we comply with legal, regulatory and internal regulations, as well as with customary market standards and the code of conduct of the Swiss Bankers Association. In 2020, no fines or penalties were imposed on Valiant for failure to observe legal requirements. To ensure we maintain this high standard at all times, our staff are regularly given information and training on specific topics. New employees are assigned e-learning modules with all relevant training for their area of activity, particularly with regard to combating money laundering. These must be completed within two months of joining Valiant. In 2019, all employees completed e-learning modules on internet security and data protection.

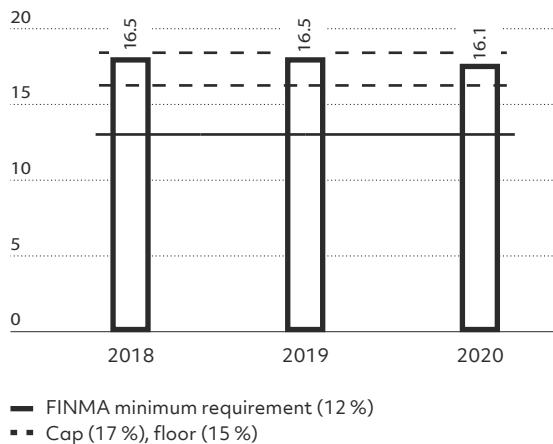
With the primary goal of protecting employees' health in the context of the coronavirus pandemic, Valiant decided in March 2020 that as many employees as possible should work from home. To raise employee awareness of the importance of information security and data protection when working from home, Valiant designed a corresponding training module which all employees had to complete online. Dealing with topics that are specifically relevant to working from home, the training module is intended to help employees to identify potential risks in their day-to-day work and give them useful instructions on the correct action to take.

## Corporate stability

### Solid equity backing

A firm financial footing is vital to the long-term success of a business. This includes solid backing in the form of equity. The authorities have significantly increased the corresponding requirements in recent years. As part of our capital planning, we calculate our capital base and regularly subject it to an in-depth review using various macroeconomic scenarios.

### Total capital ratio in %



Valiant aims to continue exceeding the FINMA capital adequacy requirement. At group level, Valiant has a total capital ratio of 16.1%, which means it clearly exceeds the FINMA requirements.

### Good rating from Moody's

The global rating agency Moody's has been assessing our creditworthiness since 2001. Our rating has remained stable at a high level over the past few years. For further information, please refer to the section headed "Credit ratings and bonds" on page 30.

**High borrower quality**

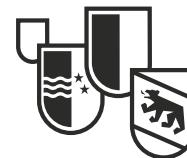
Valiant's business model is primarily based on lending. We mainly finance real estate for retail and affluent clients, self-employed individuals and small and medium-sized businesses. Loans not secured by a mortgage play only a minor role in our business activities, with around 94 % of our loans covered by a mortgage. More than 80 % of the properties financed are residential, and around three-quarters of them are located in the cantons of Bern, Aargau and Lucerne. This means that we not only know our clients personally but are also familiar with the local real estate market. Our presence in exposed real estate regions is also manageably low and constantly monitored. All these features underline the high quality of our lending portfolio and make a decisive contribution to the sustainable and solid performance of our bank.

**High-quality lending portfolio****Secured by mortgage**

Around 94 % of our loans are secured by a mortgage.

**Stable base**

More than 80 % of the properties financed are residential.

**Close to financed property**

97 % of mortgage-backed loans are in the 13 cantons of our market region.

# 2020 corporate governance report



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# 1 Group structure

## 1.1 Group structure

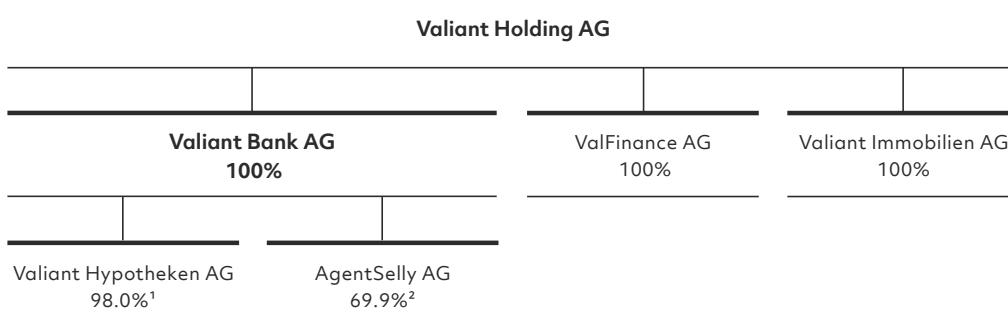
### 1.1.1 Valiant Holding AG

Valiant Holding AG was created in mid-1997 through the merger of three regional banks: Spar + Leihkasse in Bern, Gewerbekasse in Bern and BB Bank Belp. However, Valiant's roots reach back as far as 1824. Today, 31 regional banks and several branches acquired from third-party banks operate under the umbrella of Valiant Holding AG. Valiant Holding AG is a limited company governed by Swiss law with its registered office in Lucerne. Valiant Holding AG itself does not have bank status, in contrast to its subsidiary, Valiant Bank AG.

The Valiant Group (Valiant) comprises Valiant Holding AG, its subsidiaries Valiant Bank AG, ValFinance AG and Valiant Immobilien AG as well as Valiant Hypotheken AG and AgentSelly AG (both subsidiaries of Valiant Bank AG). ValFinance AG, Valiant Immobilien AG and Valiant Hypotheken AG do not have any employees of their own.

The Board of Directors and Executive Board of Valiant Holding AG and the Board of Directors and Executive Board of Valiant Bank AG comprise the same members.

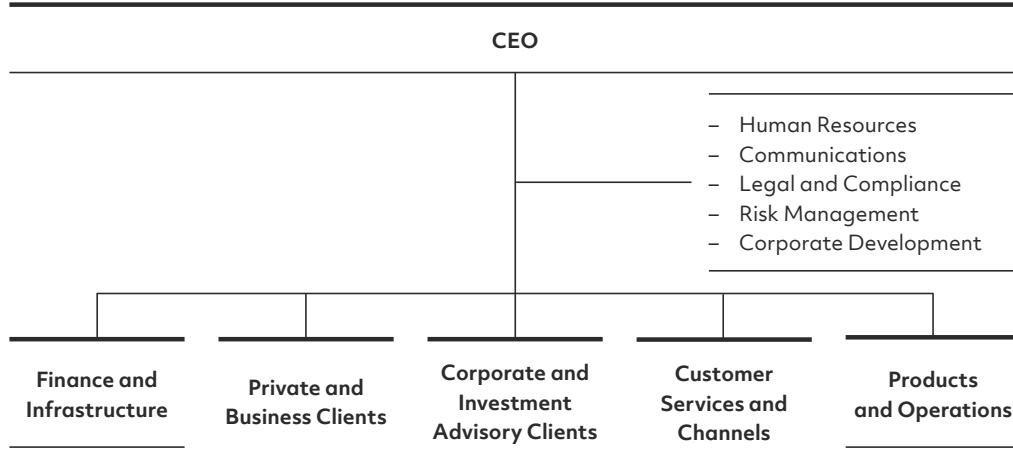
### Group structure



<sup>1</sup> 2% held by external members of the Board of Directors  
<sup>2</sup> 30.1% held by external members of the Board of Directors

### 1.1.2 Valiant Bank AG

Valiant Bank AG is a financial services provider operating exclusively in Switzerland. Valiant Bank AG offers retail and affluent clients as well as small and medium-sized businesses a comprehensive range of easy-to-understand products and services covering all financial needs. It has local branch offices in the following 13 cantons: Aargau, Basel-Land, Basel-Stadt, Bern, Fribourg, Jura, Lucerne, Neuchâtel, Solothurn, St. Gallen, Vaud, Zug and Zurich.

**Operational organisational structure****1.1.3 Consolidated companies of Valiant Holding AG**

Shares in Valiant Holding AG are listed on the SIX Swiss Exchange. You can find further details, such as market capitalisation, Swiss security number and ISIN, in the management report on pages 29 and 30.

No other listed companies are consolidated under Valiant Holding AG.

The companies consolidated under Valiant Holding AG are indicated in the notes to the consolidated financial statements on page 146 (fully consolidated holdings).

## 1.2 Major shareholders

At 31 December 2020, the following holdings in Valiant Holding AG of 3% or more had been disclosed under Article 120 of the Swiss Financial Market Infrastructure Act:

Shareholder	Share of capital or voting rights	Date of registration
UBS Fund Management (Switzerland) AG	5.00%	27/4/2018
Swisscanto Fondsleitung AG	3.02%	24/11/2018
Credit Suisse Funds AG	3.02%	05/02/2020

Valiant is not aware of any other shareholders who held a direct or indirect voting share or an equity investment of 3% or more at 31 December 2020.

The disclosure notices published on the SIX Exchange Regulation website in the year under review are available at:

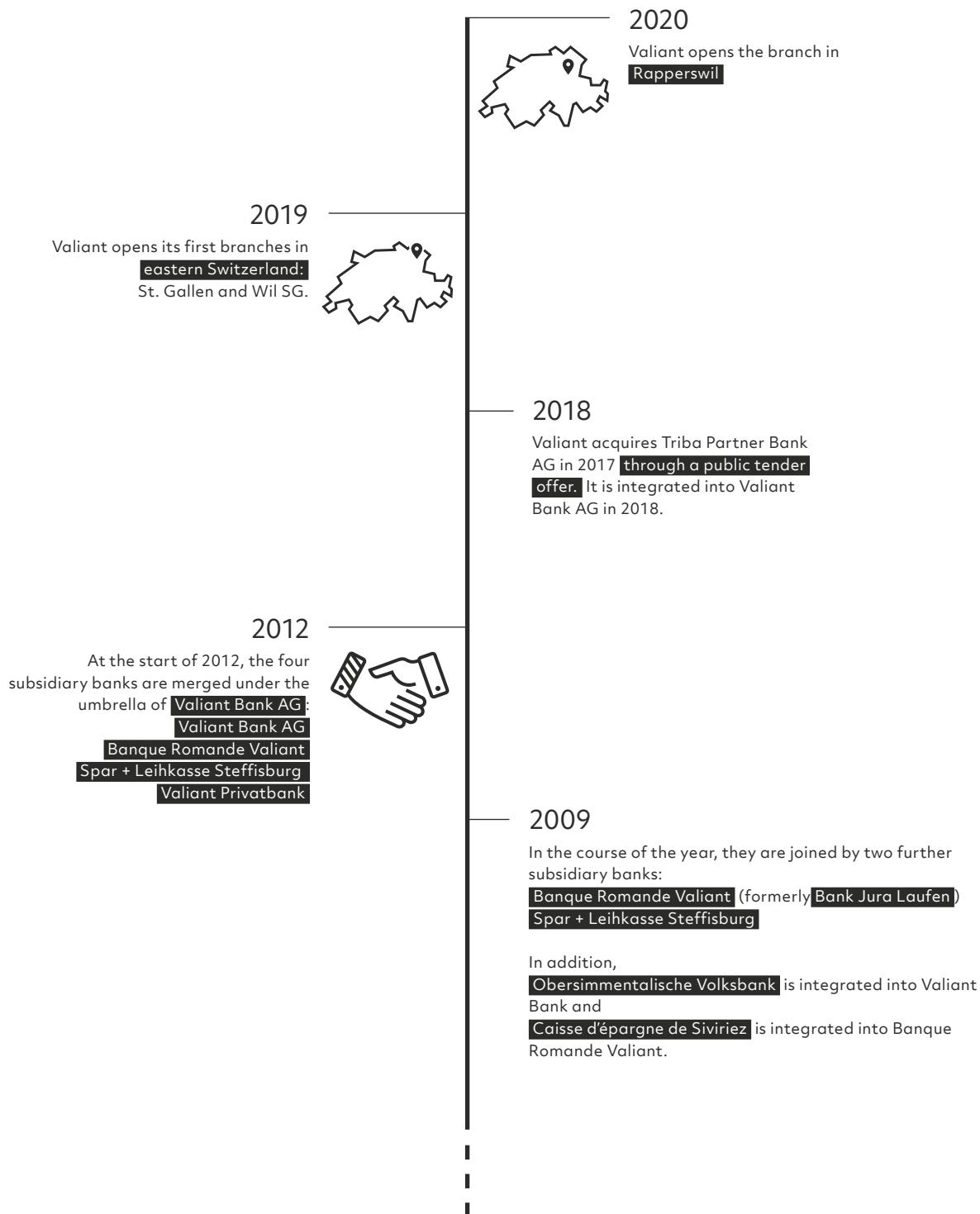
<https://www.ser-ag.com/de/resources/notifications-market-participants/significant-shareholders.html#/>

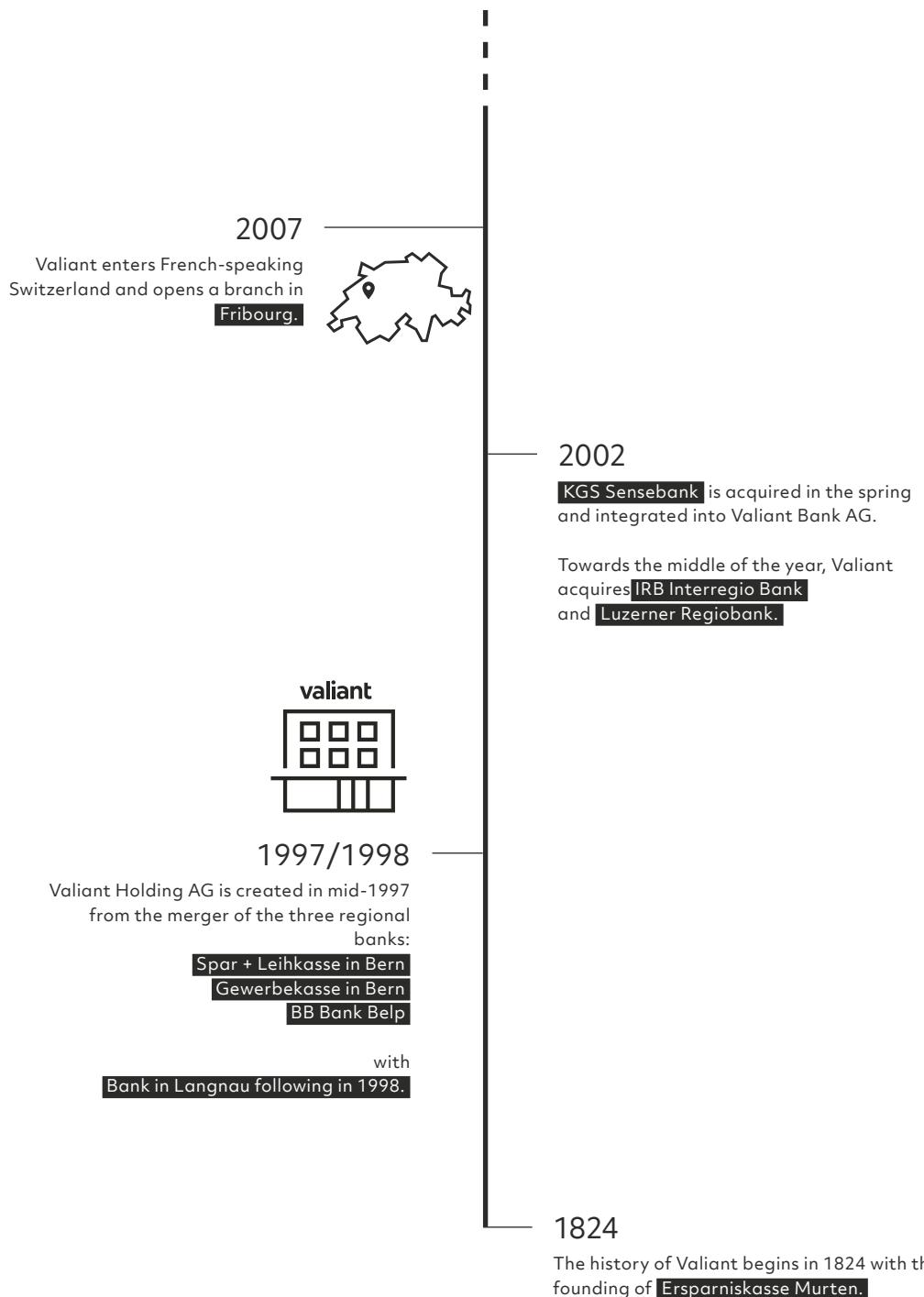
## 1.3 Cross-shareholdings

Valiant is not aware of any cross-shareholdings of capital or voting rights that would amount to 5% on either side.

## 1.4 Company history

Valiant was created in 1997 through the merger of three regional banks whose roots go back to the early 19th century.





# 2 Capital structure

## 2.1 Share capital

The ordinary share capital of Valiant Holding AG is CHF 7,896,230.50 and is divided into 15,792,461 fully paid-up registered shares with a par value of CHF 0.50 per share.

## 2.2 Conditional and authorised capital

No conditional capital or authorised capital exists.

## 2.3 Changes in capital

In the current year and in the previous two financial years, there were no changes in the share capital. The last change in the share capital was in 2010.

## 2.4 Shares and participation certificates

Each of the 15,792,461 registered shares with a par value of CHF 0.50 per share entitles the holder to one vote at the Annual General Meeting of Valiant Holding AG. Voting rights can only be exercised if the shareholder is registered as a voting shareholder in the share register. On 31 December 2020, 11,802,508 shares were registered in the share register of the company as shares with voting rights. All registered shares of Valiant Holding AG are fully paid up and entitle the holder to receive dividends. There are no preferential or voting shares. There are no participation certificates.

## 2.5 Dividend-right certificates

There are no dividend-right certificates.

## 2.6 Limitations on transferability and nominee registrations

### **2.6.1 Limitations on the transferability for each share category; indication of any group clauses and rules for granting exceptions**

Under the Articles of Association, the Board of Directors may refuse to register shareholders in the share register for the following reasons:

a) If, through the acquisition of shares, a natural person, legal entity or partnership would hold more than 5% of the entire share capital. Legal entities, partnerships, other combinations of persons or joint ownership relationships, where the persons are associated with one another on the basis of capital holdings or voting rights, a single management or in another way, as well as all individuals, legal entities, partnerships or communities which combine for the purpose of circumventing the threshold applying to entry in the share register, are deemed to be one person.

The share registration limitation pursuant to the above provisions also applies to shares acquired or subscribed by the exercise of subscription, option or conversion rights attached to shares or other securities issued by the bank.

b) If the purchaser does not expressly declare that they hold the shares in their own name and for their own account.

c) If, according to the information available to the company, further recognition of foreign purchasers as shareholders with voting rights could potentially obstruct legally required documentation. Registration in the share register may furthermore be denied if there is a danger of foreign control or significant foreign influence pursuant to the Swiss Federal Act on Banks and Savings Banks or the Federal Act on the Acquisition of Real Estate by Persons Abroad.

#### **2.6.2 Reasons for granting exemptions in the year under review**

No exceptions to transfer restrictions were granted (see also sections 2.6.3 and 6.1.2).

#### **2.6.3 Admissibility of nominee registrations, with reference to possible percentage clauses, and registration requirements**

The company may decide, together with nominees, to enter the nominees in their own name with voting rights, even though they are acting for the account of a third party (fiduciary), for up to a registration limit of 1% of the overall share capital. In doing so, the manner in which information about the fiduciaries is to be provided to the company must be contractually stipulated. If the nominee does not uphold his or her contractual obligations, the company may remove the entry from the share register and replace it with an entry without voting rights.

#### **2.6.4 Procedure and conditions for lifting privileges and limitations on transferability set out in the Articles of Association**

Lifting or amending privileges and limitations on the transferability of registered shares in the Articles of Association requires a resolution of the Annual General Meeting carried by two-thirds of the represented votes and an absolute majority of the represented share capital.

### **2.7 Convertible bonds and options**

There are no outstanding convertible bonds for Valiant Holding AG or group companies.

Neither Valiant Holding AG nor its group companies have issued any options.

# 3 Board Of Directors

## 3.1 Members of the Board of Directors

The following information is based on the composition of the Board of Directors at 31 December 2020.



**MARKUS GYGAX**  
Chairman of the Board of  
Directors  
Swiss national, 1962

**Education**  
Business management degree from HWV (Higher College for Business and Administration)  
Executive MBA from the Universities of St. Gallen, Vlerick (Belgium) and Nyenrode (Netherlands)

**Career history**  
– Valiant Holding AG, CEO (2013–2019)  
– Banque Cantonale Vaudoise (2008–2013), Head of Retail Division  
– PostFinance (2002–2008), Head of Distribution



**PROF CHRISTOPH B. BÜHLER**  
Vice Chairman of the Board of  
Directors  
Swiss national, 1970

**Education**  
– Law degree (Prof. Dr. iur.)  
– LL.M. International Business Law, University of Zurich

**Career history**  
– böckli bühlér partner (since 2004), business lawyer and partner (specialising in stock, corporation and capital market law and corporate governance)  
– University of Zurich, honorary professor of commercial and business law



**BARBARA ARTMANN**  
Swiss and German national, 1961

**Education**  
Degree in psychology and business management (University of Mannheim)

**Career history**  
– Owner and CEO of Künzli SwissSchuh AG (since 2004)  
– UBS AG (1999–2003), Head of the Strategic Projects department in Asset Management  
– Zurich Insurance (1996–1998), Project Manager Financial Products Switzerland



**JEAN-BAPTISTE BEURET**  
Swiss national, 1956

**Education**  
Law degree (lic. iur.)

**Career history**  
– MAZARS SA (since 2019), Executive Director  
– BM conseil Sàrl (since 2018), Managing Director  
– Treuhandgesellschaft Juravenir SA (2012–2018), Partner  
– Entris Holding AG (2012–2015), Chairman of the Board of Directors  
– Banque Romande Valiant SA (formerly Bank Jura Laufen AG) (2009–2011), Chairman of the Board of Directors  
– Bank Jura Laufen AG, Chairman of the Board of Directors (2008–2009), Director (1998–2008)

**DR MAYA BUNDT**

Swiss and German national, 1971

**Education**Degree in environmental science  
(University of Bayreuth, Dr. ETH)**Career history**

- Swiss Re (since 2003), Head of Cyber & Digital Solutions (since 2016), various management positions (2003–2015)
- Boston Consulting Group (2000–2003), Management Consultant

**NICOLE PAULI**

Swiss national, 1972

**Education**Economics degree  
(lic. oec. HSG)  
CFA charterholder**Career history**

- nplmpulse GmbH (since 2018), Managing Director
- Credit Suisse (2000–2015), Managing Director, Private Banking division (2009–2015), various management positions (2000–2008)

**RONALD TRÄCHSEL**

Swiss national, 1959

**Education**Economics degree  
(lic. rer. pol.)**Career history**

- BKW (since 2014), CFO and member of the Executive Board
- Sika Board (2008–2014), CFO and member of the Executive Board
- Vitra (1999–2007), CFO and CEO

**FRANZISKA VON WEISSENFLUH**

Swiss national, 1960

**Education**Economics degree  
(lic. rer. pol.)**Career history**

- BERNEXPO Holding AG, Chair of the Board of Directors (since 2015), member of the Board of Directors (2009–2015)
- Berner Zeitung BZ (1988–2008), various management positions, CEO (1996–2008)
- Espace Media AG (1997–2008), member of the Executive Board
- Der Bund Verlag AG (2004–2008), CEO

### **Retiring members of the Board of Directors**

Jürg Bucher, Chairman of the Board of Directors, did not stand for re-election at the Annual General Meeting on 13 May 2020, as he had reached the statutory age limit, and stood down from the Board of Directors with effect from that date.

### **Members of the Board of Directors' operational management functions**

All members of the Board of Directors are non-executive members.

### **Independence of the members of the Board of Directors**

Within the meaning of the Swiss Code of Best Practice for Corporate Governance, Markus Gygax will be considered a non-independent member of the Board of Directors for three years (until the 2022 Annual General Meeting), due to his previous position as CEO of Valiant. The other members of the Board of Directors are independent and have not exercised an executive function within the Group.

No business relationship exists with any member of the Board of Directors that might impair their independence. All relations with boards of directors and the companies associated with them are conducted within the course of ordinary business.

## 3.2 Other activities and interests

at 31 December 2020

Name	Activities in governing and supervisory bodies of important Swiss and foreign organisations, institutions and foundations under private and public law	Function
<b>Markus Gygax</b> Chairman	Grosse Schanze AG	Chairman of the Board of Directors
<b>Prof Christoph B. Bühler</b> Vice Chairman	böckli bühler partner	Managing Partner
	BLT Baselland Transport AG	Vice Chairman of the Board of Directors
	Ed. Geistlich Söhne AG für chemische Industrie, Geistlich Immobilia AG and Geistlich Pharma AG	Member of the Board of Directors
	AVAG Anlage und Verwaltungs AG	Member of the Board of Directors
	AXA Foundation for Supplementary Benefits	Chairman of the Foundation Board
	Geistlich-Stucki-Stiftung für medizinische Forschung	Chairman of the Foundation Board
<b>Barbara Artmann</b>	Künzli SwissSchuh AG	Chair of the Board of Directors
<b>Jean-Baptiste Beuret</b>	MAZARS SA	Executive Director
	BM conseil Sàrl	Managing Partner
	Globaz SA	Chairman of the Board of Directors
	Melnal SA	Chairman and liquidator
	Collège Saint-Charles société coopérative	Chairman of the Board of Directors
	FFI Fondation pour la formation industrielle	Member of the Foundation Board
	Fondation pour le Théâtre du Jura	Member of the Foundation Board
<b>Dr Maya Bundt</b>	Swiss Re Principal Investments Company Ltd	Member of the Board of Directors
	Swiss Re Investments Holding Company Ltd	Member of the Board of Directors
	Swiss Re Investments Company Ltd	Member of the Board of Directors
	Swiss Re Direct Investments Company Ltd	Member of the Board of Directors
	APG SGA AG <sup>1</sup>	Member of the Board of Directors
<b>Nicole Pauli</b>	nplImpulse GmbH	Shareholder and CEO
	PVB Pernet von Ballmoos AG	Vice Chair of the Board of Directors
	SG Value Partners AG	Vice Chair of the Board of Directors
	Cornelius Knüpffer Stiftung	Managing Director

Ronald Trächsel	BKW AG <sup>1</sup> AEK onyx AG Kraftwerke Oberhasli AG Swissgrid AG ContourGlobal PLC <sup>1</sup> Wyss Pflanzen und Samen AG Création Baumann Holding AG	CFO and member of the Group Executive Board Chairman of the Board of Directors Member of the Board of Directors Member of the Board of Directors Member of the Board of Directors Chairman of the Board of Directors Member of the Board of Directors
Franziska von Weissenfluh	BERNEXPO AG Messepark Bern AG Wetterhorn von Weissenfluh AG	Chair of the Board of Directors Vice Chair of the Board of Directors Chair of the Board of Directors

Name	Permanent management and consultancy functions for important Swiss and foreign interest groups; official functions and political posts	Function
Markus Gygax Chairman	None	–
Prof Christoph B. Bühler Vice Chairman	swissVR	Member of the Management Board
Barbara Artmann	None	–
Jean-Baptiste Beuret	None	–
Dr Maya Bundt	World Economic Forum Global Future Council for the Digital Economy and Society Swiss Insurance Association ICTswitzerland	Member Co-head of the cyber working group Member of the Commission Cyber security
Nicole Pauli	None	–
Ronald Trächsel	None	–
Franziska von Weissenfluh	None	–

<sup>1</sup> Company listed on the stock exchange

### 3.3 Regulations of the Articles of Association regarding the number of allowable activities

The Articles of Association of Valiant Holding AG state that no member of the Board of Directors may hold more than ten additional positions of office, and not more than four of these in a listed company. Positions in companies that are controlled by the company are not subject to these restrictions. The positions concerned are those in the highest management body of a legal entity that is required to be recorded in the commercial register or in an equivalent register in a foreign country. Positions in multiple legal entities that are under single control or part of the same group are deemed to be one position.

### 3.4 Election and term of office

#### 3.4.1 Basic principles of the election process and limitations on terms of office

The Chairman and other members of the Board of Directors are elected at the Annual General Meeting for a term of office of one year. They may be re-elected. The Organisational Regulations require members of the Board of Directors to resign with effect from the next ordinary Annual General Meeting on reaching the age of 70. The Board of Directors adopted a resolution to make an exception to the Organisational Regulations for Jürg Bucher until the 2020 Annual General Meeting. This exception was approved by the Swiss Financial Market Supervisory Authority (FINMA).

The Articles of Association contain no rules deviating from the statutory provisions concerning the appointment of the Chairman, the members of the Nomination and Compensation Committee and the independent shareholder proxy.

### **3.4.2 Dates of first election**

Name	Date of first election
Markus Gygax, Chairman	16/5/2019
Prof Christoph B. Bühler, Vice Chairman	24/5/2013
Barbara Artmann	16/5/2014
Jean-Baptiste Beuret	15/5/2009
Dr Maya Bundt	18/5/2017
Nicole Pauli	18/5/2017
Ronald Trächsel	13/5/2020
Franziska von Weissenfluh	20/5/2011

### **3.4.3 Honorary Chairman**

In 2009, Prof Roland von Büren was appointed Honorary Chairman. The Honorary Chairman does not receive any documents of the Board of Directors or attend its meetings and receives no financial compensation or other benefits.

## **3.5 Internal organisational structure**

The Board of Directors elects a Vice Chairman and also appoints one or more secretaries. The Board of Directors meets as often as business requires, but at least six times a year. Ten ordinary meetings were held in 2020, all of which were attended by the CEO and CFO (see also section 3.5.3).

### **3.5.1 Allocation of responsibilities within the Board of Directors**

Markus Gygax is the Chairman of the Board of Directors, and Prof Christoph B. Bühler is its Vice Chairman. The Board of Directors takes decisions and adopts resolutions. It is assisted by three committees, which share its responsibilities and provide advice in advance: the Strategy Committee, the Nomination and Compensation Committee and the Audit and Risk Committee.

### **3.5.2 Duties of the Chairman**

The Chairman presides over the Board of Directors in the interests of the company and represents the Board of Directors internally and externally. He is responsible for preparing and chairing the meetings of the Board of Directors and ensures orderly processes for preparing and holding these meetings, for holding consultations and for passing resolutions. In addition, he directly oversees the Executive Board on behalf of the Board of Directors. His workload is around 50%. The Chairman does not hold any duties or powers in operating business. Solely the Executive Board is responsible for the company's operational management.

### **3.5.3 Composition of all committees of the Board of Directors, their tasks and powers**

Name	Board of Directors	Strategy Committee	Nomination and Compensation Committee	Audit and Risk Committee
Markus Gygax	• Chairman	• Chair	•	
Prof Christoph B. Bühler	• Vice Chairman			•
Barbara Artmann	•	•		
Jean-Baptiste Beuret	•			•
Dr Maya Bundt	•		•	
Nicole Pauli	•			• Chair
Ronald Trächsel	•	•		
Franziska von Weissenfluh	•		• Chair	

**Strategy Committee** The committee is composed of members of the Board of Directors appointed by the Board of Directors. It comprises at least three members. The members and chair of the committee are elected by the Board of Directors for a term of office ending upon completion of the next Annual General Meeting. They may be re-elected. The CEO, CFO and other persons as required may attend meetings of the committee in an advisory capacity. The sole function of the Strategy Committee is to advise in advance. It has no decision-making powers. In the year under review, an external advisor specialising in investor relations attended one meeting of the committee.

The Strategy Committee discusses the following matters in particular and proposes motions concerning them to the Board of Directors:

- developing proposals to refine and improve Valiant's strategy and positioning;
- evaluating, assessing, preparing and regularly reviewing strategic partnerships and major holdings;
- evaluating, assessing and preparing growth opportunities and acquisitions;
- discussing and assessing the investor relations strategy;
- discussing and assessing the corporate responsibility and sustainability strategies;
- reviewing the medium-term objectives on an annual basis;
- supporting the implementation of strategic partnerships, major holdings and projects;
- supporting the processing and integration of acquisitions;
- advising and supporting the CEO and Executive Board on strategic issues;
- receiving reports on investor relations, market trends, brand awareness, client satisfaction and other topics.

**Nomination and Compensation Committee** The Nomination and Compensation Committee is composed of members of the Board of Directors elected by the Annual General Meeting for a term of office ending upon completion of the next Annual General Meeting. Should any vacancies arise, the Board of Directors nominates one or more of its members to replace the missing member or members until completion of the next Annual General Meeting. The Nomination and Compensation Committee comprises at least three members of the Board of Directors. It constitutes itself; the Chairman of the Board of Directors may not chair the committee. The CEO, the Head of HR and if necessary the CFO or any other persons as required by the committee may attend its meetings in an advisory capacity. These individuals do not attend any discussions about their own compensation. No external advisors were involved in determining the compensation of the Board of Directors and the Executive Board, either before or during the meetings. No external advisors attended any meeting of the committee during the year.

The Nomination and Compensation Committee discusses the following matters in particular and proposes motions concerning them to the Board of Directors:

- formulating and drafting motions for approval and periodically assessing the job specifications of the Chairman and members of the Board of Directors, the members of the committees and the CEO;
- drafting motions for approval and periodically assessing the job specifications of the other members of the Executive Board and other function holders, particularly the Chief Risk Officer;
- drafting, implementing and reviewing human resources planning, in particular:
  - conducting medium-term planning of successors to the Chairman and other members of the Board of Directors;
  - drafting motions for the election and removal of members of the committees of the Board of Directors;
  - undertaking medium-term planning of successors to the CEO and other members of the Executive Board;
  - drafting motions for the election and removal of the CEO and other members of the Executive Board;
  - drafting motions for the election and removal of key function holders;
- formulating and reviewing compensation policy and guidelines, in particular:
  - drafting rules governing the compensation and payment of expenses to members of the Board of Directors;
  - drafting rules governing the compensation of members of the Executive Board and other employees and determining the size of the overall pool for variable compensation;
  - regularly reviewing the rules;
- preparing the Board of Directors' motions for the Annual General Meeting regarding the compensation of the members of the Board of Directors and of the Executive Board;
- preparing the annual compensation report;
- drafting motions for annual salary adjustments and the size of the overall pool for variable compensation;
- drafting motions for the individual compensation of the members of the Executive Board (including variable compensation) within the framework of the total compensation approved at the Annual General Meeting;
- drafting motions for performance objectives for the members of the Executive Board (company targets) and assessing their attainment;
- checking on an annual basis compliance with Article 31 of the Articles of Association of Valiant Holding AG on the maximum number of external positions that may be held by members of the Board of Directors and the Executive Board, and assessing the method used to count positions held in associated legal entities;
- assessing conflicts of interest and drafting proposals to limit or eliminate these;
- drafting principles for appointing employer representatives to the Foundation Board of the Pension Fund and the corresponding motions for the Board of Directors;
- the Board of Directors may assign the committee other tasks concerning compensation, human resources or related areas.

**Audit and Risk Committee** The Audit and Risk Committee is composed of no fewer than three members of the Board of Directors. The members, including the Chair, are each elected by the Board of Directors for a term of one year, based on a motion of the Nomination and Compensation Committee. They may be re-elected. The Chairman of the Board of Directors may not be a member of the Audit and Risk Committee. The CFO, Deputy CFO, CRO and Head of Legal & Compliance may attend meetings of the Audit and Risk Committee in an advisory capacity and inform the Audit and Risk Committee about all relevant matters within the Audit and Risk Committee's remit. The Audit and Risk Committee may at any time invite other individuals, in particular representatives of the external and internal auditors, to attend its meetings. In the year under review, an external advisor specialising in special risk insurance attended two meetings of the committee.

The members of the Audit and Risk Committee must possess sound knowledge and experience of risk management, compliance, finance and accounting, be familiar with the accounting procedures of a retail bank and add to their knowledge of these fields. They must be familiar with the activities of the internal and external auditors and the basic principles of an internal control system.

The members of the Audit and Risk Committee must satisfy the applicable rules on independence.

Tasks and powers:

**a) Monitoring and evaluating the integrity of the financial statements**

The Audit and Risk Committee

- assesses and approves the general guidelines for financial reporting for the Board of Directors;
- monitors and assesses the financial reporting and the integrity of the financial statements and ensures they are prepared in accordance with the applicable accounting principles, evaluating in particular the valuation of the main positions on and off the balance sheet;
- discusses the financial statements and the quality of the accounting processes by which they were produced with the CFO, the lead auditor and the Head of Internal Audit;
- issues a recommendation as to whether the financial statements are ready for presentation to the Annual General Meeting. This decision is taken by the Board of Directors;
- assesses the monitoring of credit, interest rate, funding and liquidity risks, operational risks, legal and compliance risks, pension fund risks, other market risks, equity and strategy risks and reputational risks.

**b) Monitoring and evaluating internal controls and the internal audit**

The Audit and Risk Committee

- monitors and assesses whether internal controls, especially the Compliance function and Risk Control, are appropriate and effective;
- ensures that the internal controls are adapted accordingly when there are major changes in the bank's risk profile;
- evaluates and approves the general guidelines for internal auditing for the Board of Directors;
- determines the audit programme for the internal audit;
- reviews the audit plan, audit frequency and audit results of the internal audit once a year;
- orders special controls and the measures to be taken as a result of them;
- must be informed of the results of the internal audit and be in regular contact with the Head of Internal Audit;
- evaluates the performance and remuneration of the internal auditors and ensures their effectiveness and independence;
- submits a motion to the Board of Directors regarding the appointment of the internal auditors.

**c) Monitoring and evaluating the effectiveness of the auditors and their cooperation with Internal Audit**

The Audit and Risk Committee

- assesses the audit plan, audit frequency and audit results once a year and in the event of major changes to the risk profile or risk analysis; critically analyses the regulatory audit report, the full report in accordance with Article 728b (1) of the Swiss Code of Obligations (CO) and the summary report in accordance with Article 728b (2) CO and discusses these with the lead auditor(s); ensures that shortcomings have been remedied or the auditors' recommendations put into effect;
- evaluates the performance and remuneration of the auditors and ensures their effectiveness and independence;
- evaluates the cooperation between the auditors and Internal Audit;
- submits to the Board of Directors draft motions for the Annual General Meeting on the selection of the external auditors.

#### d) Monitoring and evaluating the risk policy and risk management

The Audit and Risk Committee

- reviews the risk policy and operational risk regulations, which form the framework for bank-wide risk management, for the Board of Directors;
- evaluates the suitability of the risk policy and the operational risk regulations, which form the framework for bank-wide risk management, at least once a year and submits a motion concerning this to the Board of Directors;
- evaluates the risk profile and risk analysis once a year and in the event of major changes;
- discusses the risks discovered and the reports from Risk Control and the Compliance function with the CRO and the Head of Legal and Compliance;
- reviews the suitability of the methods used to measure risk, including risk appetite and risk limits;
- assesses whether the institution has a suitable risk management system with effective processes that are appropriate to its risk situation.

#### 3.5.4 Work of the Board of Directors and its committees

The following table shows the meetings held in the year under review and the attendance by the individual members of the Board of Directors:

	Board of Directors	Strategy Committee	Nomination and Compensation Committee	Audit and Risk Committee
Number of ordinary meetings	10	6	6	9
Jürg Bucher <sup>1</sup>	5	3	3	
Markus Gygax	10	6	3 <sup>2</sup>	
Prof Christoph B. Bühler	9			9
Barbara Artmann	9	6		
Jean-Baptiste Beuret	10		3 <sup>3</sup>	9
Dr Maya Bundt	10	3 <sup>4</sup>	3 <sup>4</sup>	
Nicole Pauli	10			9
Ronald Trächsel <sup>5</sup>	5	3		
Franziska von Weissenfluh	10		6	

<sup>1</sup> Jürg Bucher attended all the meetings of the Board of Directors, the Strategy Committee and the Nomination and Compensation Committee up until his departure on 13 May 2020.

<sup>2</sup> Markus Gygax attended all the meetings of the Nomination and Compensation Committee after his election on 13 May 2020.

<sup>3</sup> Jean-Baptiste Beuret attended all the meetings of the Nomination and Compensation Committee up until his departure on 13 May 2020.

<sup>4</sup> Dr Maya Bundt switched from the Strategy Committee to the Nomination and Compensation Committee on 13 May 2020. She attended all the meetings of the committee.

<sup>5</sup> Ronald Trächsel attended all the meetings of the Board of Directors and the Strategy Committee after his election on 13 May 2020.

In addition to the ten ordinary meetings, the Board of Directors held a series of training sessions on regulation and compliance.

The agenda items for meetings of the Board of Directors are selected by the Chairman. Each member of the Board of Directors can request that an item be added to the agenda. Before each meeting of the Board of Directors, its members receive documents enabling them to prepare for the discussion of the agenda items. Minutes are kept of the meetings. Meetings usually last three to four hours. The Board of Directors and the individual committees perform a self-assessment at least once a year. This takes the form of standardised questionnaires and discussion on the Board of Directors.

**Strategy Committee** As a general rule, the Strategy Committee meets every other month. Extraordinary meetings may be requested by any member, stating the purpose. Meetings are called by the Chair. Meeting minutes are kept and sent to all members of the Board of Directors. Meetings usually last two to four hours.

**Nomination and Compensation Committee** As a general rule, the Nomination and Compensation Committee meets every one to two months. Extraordinary meetings may be requested by any member, stating the purpose. Meetings are called by the Chair. Meeting minutes are kept and sent to all members of the Board of Directors. Meetings usually last one to three hours. The members of the Nomination and Compensation Committee also held several half-day interviews with candidates as part of the evaluation process for a new member of the Board of Directors.

**Audit and Risk Committee** As a general rule, the Audit and Risk Committee meets at least six times a year. Dates of meetings are set taking into account the cycle of external and internal audits, the cycle of publication of financial results and the management cycle. Extraordinary meetings may be requested by any member, stating the purpose. Meetings are called by the Chair. Meetings usually last two to four hours. Minutes of the Audit and Risk Committee meetings are kept and sent to all members of the Board of Directors.

Representatives of Internal Audit and of the external auditors attended the following meetings in 2020:

Meeting attendance, Audit and Risk Committee	Number
External auditors	5
Internal auditors	7

**Organisation of meetings due to the coronavirus situation** From March 2020, the meetings of the Board of Directors and the committees were held in the form of video conferences.

## 3.6 Areas of responsibility

The Board of Directors is responsible for the company's strategic direction and overall management. In accordance with Swiss banking legislation, the Board of Directors has entrusted the bank's executive management to the Executive Board. Simultaneous membership of both boards is not permitted.

### 3.6.1 Executive Board

The Executive Board is responsible for managing Valiant Holding AG and the Valiant Group and for executing decisions taken by the Board of Directors. It is responsible for operational management and deals with external communications on behalf of the Board of Directors, including investor relations.

Other tasks and powers of the Executive Board are:

- preparing issues to be discussed by the Board of Directors and drafting the corresponding motions;
- drawing up company policy and strategy for submission to the Board of Directors;
- drawing up medium-term and annual objectives in keeping with the strategy of the Board of Directors;
- drawing up planning documents, including a budget;
- drawing up interim (quarterly) balance sheets and income statements;
- issuing directives, management guidelines and other instructions;
- setting HR strategy as part of the HR policy;
- approving the annual report for submission to the Board of Directors;
- ensuring compliance with regulatory requirements;
- carrying out own-account transactions to the extent required in compliance with statutory provisions, the regulations in place and the instructions of the Board of Directors;
- bearing responsibility for risk management, and in particular:
  - developing and ensuring suitable processes to identify, measure, monitor and control the risks taken by Valiant;
  - conducting risk analysis and control across the group;
  - drawing up the risk policy;
- reviewing and revising the suitability of the risk policy on an annual basis (framework concept);
- drawing up measures when risk-bearing capacity limits are exceeded;
- ensuring the effectiveness of internal control systems operationally.

### 3.6.2 The CEO

The CEO has the following tasks in particular:

- leading and coordinating the Executive Board's activities and monitors the proper conduct of business;
- bringing about timely and appropriate decisions and overseeing their implementation;
- ensuring that the Chairman of the Board of Directors receives timely and appropriate information;
- In the absence of any stipulations by the Board of Directors to the contrary, he attends the meetings of the Board of Directors in an advisory capacity.

### 3.7 Information and control instruments relating to the Executive Board

The Board of Directors is kept informed of the Executive Board's activities by various means:

- The CEO and CFO attend meetings of the Board of Directors and report on the state of, and developments in, the areas of responsibility delegated to them.
- The CRO and the Head of Legal & Compliance participate in discussions of matters affecting their areas of responsibility.
- The Chairman of the Board of Directors has electronic access to the minutes and documents of Executive Board meetings, enabling him to keep up to date with all developments.
- The Board of Directors is informed immediately of any extraordinary events.
- Members of the Board of Directors can request any information they require to perform their tasks, even outside the context of a meeting. Each member of the Board of Directors can ask members of the Executive Board for information about the course of business, even outside the context of a meeting. Requests for information on individual business relationships or transactions are addressed to the Chairman, or, in his absence, the Vice Chairman.

PricewaterhouseCoopers AG, as external auditors, and BDO AG as internal auditors, cooperate closely in monitoring compliance with laws and regulations and with internal guidelines and directives. They are independent of the Executive Board and report the findings of their audits to the Board of Directors and to the Audit and Risk Committee.

Valiant's management information system includes in particular the submission of the following reports to the Board of Directors:

Frequency	Report
Quarterly	<ul style="list-style-type: none"> <li>- Attainment of company targets</li> <li>- Quarterly financial statements incl. an analysis of deviations from the budget</li> <li>- ALM</li> <li>- Treasury and capital market reporting</li> <li>- Concentration risks and other large credit risks (large exposures)</li> </ul>
Half-yearly	<ul style="list-style-type: none"> <li>- Strategy</li> <li>- Legal &amp; Compliance</li> <li>- Risk Control</li> <li>- HR</li> </ul>
Annual	<ul style="list-style-type: none"> <li>- Budgeting</li> <li>- Capital planning</li> <li>- Annual financial statements</li> <li>- Review of risk policy</li> <li>- Operational implementation of the compensation system (compensation review)</li> </ul>

The system works as follows:

- Members of the Board of Directors are provided with financial statements (balance sheet and income statement) for the group, Valiant Holding AG and Valiant Bank AG every quarter, every six months and annually. These include comparisons of the figures with those for the previous year and with the budget, together with comments on them. They also receive a year-end projection with changes from the previous year's figures and deviations from the budget.
- For the purpose of asset and liability management (ALM), monthly analyses are carried out of interest rate risk and income in order to recognise, quantify and manage the risk of a change in interest rates across the whole balance sheet. These analyses serve as a basis for the decisions of the Asset and Liability Committee (ALCO), which is made up of members of the Executive Board and specialists.
- The ALCO is chaired by the CFO. The ALCO meets as and when needed, but at least six times a year, to discuss the analyses and any actions to be taken as a consequence of them. At meetings, members of the Board of Directors are regularly informed of the results of ALM analyses and the lessons learned from them. Members of the Board of Directors are also provided with documentation concerning the quarterly analyses.

# 4 Executive Board

## 4.1 Members of the Executive Board

The following information is based on the composition of the Executive Board at 31 December 2020.



**EWALD BURGENER**

Swiss national, 1966

**Position at Valiant**

CEO since 17 May 2019, at Valiant since 2013

**Education**

Economics degree (lic. rer. pol.), federally certified auditor

**Earlier positions for Valiant Holding AG or a group company**

CFO (2013–2019) and Deputy CEO (2015–2019)

**Earlier positions outside Valiant Holding AG or a group company**

- Entris Holding AG and Entris Banking AG, CFO and member of the Executive Board (2009–2013)
- Subsidiaries of Entris Holding AG, various management positions (2002–2009)
- Ernst & Young, Bern, Financial Services Auditor (1996–2002)



**MARTIN VOGLER**

Swiss national, 1970

**Position at Valiant**

Head of Private and Business Clients, Deputy CEO, at Valiant since 2015

**Education**

Law degree (lic. iur.), Executive MBA from the Universities of St. Gallen, Vlerick (Belgium) and Nyenrode (Netherlands)

**Earlier positions for Valiant Holding AG or a group company**

None

**Earlier positions outside Valiant Holding AG or a group company**

- Baloise Insurance Ltd, Deputy Head of Sales and Head of Marketing and Sales Management (2010–2015)
- Zurich Financial Services Ltd, various management positions (1996–2010)



**STEFAN GEMPELER**

Swiss national, 1973

**Position at Valiant**

Head of Products and Operations, at Valiant since 2007

**Education**

Business administration degree from HVW (Higher College for Business and Administration), federally certified financial analyst and asset manager/CIIA, Financial Risk Manager (FRM) of the Global Association of Risk Professionals (GARP)

**Earlier positions for Valiant Holding AG or a group company**

- Valiant Privatbank AG, Head of Investment and member of the Executive Board (2011)
- Valiant Privatbank AG, Head of Business Development (2008–2010)

**Earlier positions outside Valiant Holding AG or a group company**

- Migros Bank, Head of Portfolio Management for Institutional Clients and Investment Funds (2001–2007)



**DR HANSPIETER KASPAR**

Swiss national, 1964

**Position at Valiant**

CFO, at Valiant since 1 October 2019

**Education**

Economics degree (Dr. oec. publ.), federally certified auditor, Executive MBA from IMD Business School

**Earlier positions for Valiant Holding AG or a group company**

None

**Earlier positions outside Valiant Holding AG or a group company**

- VP Bank Gruppe AG, Head of Group Finance & Risk, Managing Director (2012–2019)
- Valartis Group, CFO (2008–2011)
- Bank Vontobel AG, Head of Finance & Controlling AG, Managing Director (2002–2008)

**DR MARC PRAXMARER**

Swiss national, 1963

**Position at Valiant**

Head of Corporate and Institutional Clients, at Valiant since 2016

**Education**

Economics degree (Dr. oec.)  
Advanced Management Program at Harvard Business School, Boston (USA)

**Earlier positions for Valiant Holding AG or a group company**

None

**Earlier positions outside Valiant Holding AG or a group company**

- Zuger Kantonalbank AG, Head of Corporate Clients and Real Estate Financing (2013–2015)
- Credit Suisse AG, Head of Aargau/Olten Region, Private Banking (2012–2013)
- Neue Aargauer Bank AG, Member of the Executive Board (2005–2011), various management positions (1995–2005)

**CHRISTOPH WILLE**

Swiss national, 1971

**Position at Valiant**

Head of Customer Services and Channels, at Valiant since 2015

**Education**

Law degree (lic. iur.), MBA Henley Management College (UK)

**Earlier positions for Valiant Holding AG or a group company**

None

**Earlier positions outside Valiant Holding AG or a group company**

- Cognizant GmbH, Zurich, Head of Program Management Consulting (2014)
- IBM Switzerland Ltd, management consultancy, various management positions (2001–2014)

## 4.2 Other activities and interests

at 31 December 2020

Name	Activities in governing and supervisory bodies of important Swiss and foreign organisations, institutions and foundations under private and public law	Function
<b>Ewald Burgener</b> CEO	<b>Positions on behalf of Valiant</b> Viseca Holding AG Mortgage Bond Bank of Swiss Mortgage Institutions Valiant Holding pension fund	Member of the Board of Directors Member of the Board of Directors Member of the Foundation Board
	<b>Positions in majority holdings of Valiant</b> Entris Holding AG and Entris Banking Ltd	Chairman of the Board of Directors
<b>Martin Vogler</b> Head of Private and Business Clients, Deputy CEO	<b>Position on behalf of Valiant</b> Esisuisse (depositor protection scheme)	Member of the Management Board
<b>Stefan Gempeler</b> Head of Products and Operations	<b>Position on behalf of Valiant</b> SICAV VF (Lux) <b>Positions in majority holdings of Valiant</b> Entris Holding AG und Entris Banking AG	Member of the Board of Directors Member of the Board of Directors
<b>Dr Hanspeter Kaspar</b> CFO	<b>Position on behalf of Valiant</b> Valiant Holding pension fund <b>Positions in majority holdings of Valiant</b> Entris Holding AG and Entris Banking Ltd	Member of the Foundation Board Member of the Board of Directors
<b>Dr Marc Praxmarer</b> Head of Corporate and Institutional Clients	None	–
<b>Christoph Wille</b> Head of Customer Services and Channels	Künstlerhaus Boswil Foundation <b>Position on behalf of Valiant</b> Swiss Fintech Innovations (SFTI)	Member of the Foundation Board Member of the Management Board

Name	Permanent management and consultancy functions for important Swiss and foreign interest groups; official functions and political posts	Function
<b>Ewald Burgener</b> CEO	Association of Swiss Regional Banks	Member of the Board of Directors
<b>Martin Vogler</b> Head of Private and Business Clients Deputy CEO	Retail Banking Steering Group of the Swiss Bankers Association	Member
<b>Stefan Gempeler</b> Head of Products and Operations	None	–
<b>Dr Hanspeter Kaspar</b> CFO	Commission on Financial Market Regulation and Accounting of the Swiss Bankers Association	Member
<b>Dr Marc Praxmarer</b> Head of Corporate and Institutional Clients	None	–
<b>Christoph Wille</b> Head of Customer Services and Channels	Commission for Digitalisation of the Swiss Bankers Association	Member

No member of the Executive Board sits on the board of another listed company.

## 4.3 Regulations of the Articles of Association regarding the number of allowable activities

The Articles of Association of Valiant Holding AG state that no member of the Board of Directors may hold more than six positions of office, and not more than one of these in a listed company. Positions in companies that are controlled by Valiant are not subject to these restrictions. The positions concerned are those in the highest management body of a legal entity that is required to be recorded in the commercial register or in an equivalent register in a foreign country. Positions in multiple legal entities that are under single control or part of the same group are deemed to be one position.

## 4.4 Management contracts

Valiant Holding AG has not transferred any management functions to third parties. Within the Valiant group, there are management contracts with consolidated and non-consolidated subsidiaries.

# 5 Compensation, shareholdings and loans

Compensation, shareholdings and loans are shown in the compensation report on pages 93–112.

# 6 Shareholders' participation rights

## 6.1 Restrictions on voting rights and proxies

### **6.1.1 Regulations of the Articles of Association regarding restrictions on voting rights**

Shareholders with voting rights are exclusively those who are validly entered in the share register as shareholders with voting rights and are recognised by the company as such. A person who buys shares is in principle entered in the register, provided this person does not alone represent more than 5% of the total share capital or votes. Groupings formed to circumvent this restriction are treated as one person (see also section 2.6.1). The exercise of rights arising out of a share implies acknowledgement of the company's Articles of Association. A shareholder without voting rights can exercise neither voting rights nor the rights associated with voting rights. Each shareholder with voting rights may have their shares represented by their legal representative, a shareholder with voting rights or the independent proxy. This is subject to a statutory right of representation. Each registered share entitles the holder to one vote at the Annual General Meeting of Valiant Holding AG. However, a shareholder may, for their own shares and represented shares combined, cast votes representing no more than 8% of the total share capital. Groupings formed to circumvent this restriction are treated as one person. The independent proxy is exempt from these restrictions. The bank may decide, together with nominees, to enter the nominees in the share register in their own name with voting rights and for up to a registration limit of 1% of the overall share capital (see also section 2.6.3).

### **6.1.2 Reasons for granting exemptions in the year under review**

No exemptions were granted in the year under review.

### **6.1.3 Procedure and conditions for the lifting of restrictions on voting rights set out in the Articles of Association**

The restriction on voting rights may only be lifted by a resolution of the Annual General Meeting carried by two-thirds of the represented votes and an absolute majority of the represented share capital.

### **6.1.4 Regulations of the Articles of Association regarding participation in the Annual General Meeting where these differ from applicable legal provisions**

Each shareholder with voting rights may have their shares represented by their legal representative, a shareholder with voting rights or the independent proxy.

### **6.1.5 Regulations of the Articles of Association on the issuing of instructions to the independent proxy**

Powers of attorney and instructions may be issued to the independent proxy for the next Annual General Meeting only. The Board of Directors decides in what electronic form shareholders may issue powers of attorney and instructions to the independent proxy.

## 6.2 Quorums prescribed by the Articles of Association

For resolutions on:

- the conversion of registered shares into bearer shares;
- the amendment of the provisions of the Articles of Association concerning the recognition of registered shareholders;
- the amendment of the provisions of the Articles of Association concerning restrictions on voting rights;
- the liquidation of the company and the amendment of the provision concerning qualified majorities;

the approval of at least two-thirds of the represented votes and an absolute majority of the represented share capital are required. The above is subject to mandatory statutory provisions, in particular Article 704 of the Swiss Code of Obligations. The Annual General Meeting otherwise adopts resolutions and makes elections with an absolute majority of the represented votes.

## 6.3 Convening of the Annual General Meeting

The Annual General Meeting is convened by the Board of Directors at least 20 days before the date of the meeting. Invitations are sent by regular post to the shareholders' addresses recorded in the share register. An Annual General Meeting may also be called by shareholders who together represent at least 10% of the share capital.

The Annual General Meeting of 13 May 2020 was held without the personal presence of the shareholders in accordance with Article 6a of Ordinance 2 of the Swiss Federal Council on Measures to Combat the Coronavirus. However, the shareholders were able to exercise their voting rights by issuing instructions to the independent proxy, Tschümperlin Lötscher Schwarz AG.

## 6.4 Agenda

The Board of Directors proposes the agenda items. The notice convening the Annual General Meeting must announce the agenda items and motions of the Board of Directors, as well as those of shareholders, if the latter have called for an Annual General Meeting or proposed an agenda item. Resolutions cannot be adopted on motions that are not submitted until the Annual General Meeting and that do not refer to any of the announced agenda items, subject to statutory exceptions. Shareholders with voting rights who together represent shares with a nominal value of CHF 10,000 (which corresponds to 20,000 shares or a market value at 31 December 2020 of CHF 1.730 million) may, up to 50 days before the day of the meeting, propose agenda items in writing, with an explanation of the motions.

## 6.5 Entries in the share register

The share register remains closed to entries for a maximum of 20 days prior to the Annual General Meeting. There are no rules for granting exceptions.

# 7 Change of control and defensive measures

## 7.1 Obligation to make an offer

There are no regulations in the Articles of Association on opting out or opting up; however, the regulations regarding the obligation to submit an offer to acquire all equity securities pursuant to Article 135 of the Swiss Financial Market Infrastructure Act apply.

## 7.2 Change of control clauses

There are no contractual agreements for the protection of members of the Board of Directors or of the Executive Board in the event that a majority shareholder takes over control of Valiant Holding AG.

# 8 Auditors

Audit is an integral part of corporate governance. While remaining independent of each other, the external auditors and Valiant's internal auditors work closely together. The Audit and Risk Committee, and in the last instance the Board of Directors, monitor the adequacy of the bank's audit activities. BDO AG has performed the internal audit since 1 January 2019.

## 8.1 Term of mandate and term of office of the lead auditor

In accordance with the Articles of Association, the Annual General Meeting elects the external auditor for a term of office of one year. Valiant Holding AG's external auditor is PricewaterhouseCoopers AG, Lucerne (in place since 24 May 2013). The lead auditor responsible for Valiant may exercise their function for a maximum of seven consecutive years. They may resume their mandate only after a break of three years. Hugo Schürmann exercised this function from the 2013 Annual General Meeting until the 2020 Annual General Meeting. The function has been exercised by Thomas Romer since the 2020 Annual General Meeting.

## 8.2 Auditing fees

The fees charged by the external auditor PricewaterhouseCoopers AG for auditing services provided (including audit-related services) totalled CHF 853,544 (including VAT) in 2020. BDO AG, Bern, charged Valiant Holding AG and Valiant Bank AG CHF 807,750 (including VAT) for services in connection with its function as internal auditor for 2020.

## 8.3 Additional fees

PricewaterhouseCoopers AG did not provide Valiant with any additional services outside its mandate as external auditor in 2020. BDO AG provided Valiant with additional services (relating to administration of the covered bond) of CHF 55,465 (including VAT) outside its mandate as internal auditor in 2020.

## 8.4 Information instruments pertaining to the external auditor

The Audit and Risk Committee of Valiant Bank AG is responsible for cooperating with the external auditor, as governed by the annual engagement letter. The engagement letter requires compliance with all relevant provisions set out by the Swiss Code of Obligations (CO), the Banking Act, SIX Swiss Exchange, EXPERTsuisse and the International Federation of Accountants (IFAC) concerning the independence of the external auditor. The external auditor is independent of Valiant, its Board of Directors and Executive Board, and its shareholders. The external auditor is ensured direct access to the Audit and Risk Committee at all times.

### **Reports of the internal and external auditors**

The internal and external auditors set out their findings in reports. The external auditor prepares a report each year for each group company in accordance with Article 728b (2) CO, for the attention of their respective annual general meetings. For Valiant Holding AG and Valiant Bank AG, it prepares a report on the regulatory basic audit in accordance with FINMA Circular 13/3 and a comprehensive report for the Board of Directors in accordance with Article 728b (1) CO. The internal auditor provided 13 reports on the audits that it conducted at Valiant Holding AG and its group companies in 2020. The Audit and Risk Committee dealt with the reports submitted at its meetings. The Audit and Risk Committee is informed of the results of the audits and is in regular contact with the lead auditor.

### **Assessment of the internal and external auditors**

The Audit and Risk Committee assesses the external and internal auditors' performance, fees and independence each year. This assessment includes an appraisal of the independence of the external auditor. The Audit and Risk Committee also assesses the scope and quality of the reports and the management letters submitted to the Executive Board and the Audit and Risk Committee, as well as the cooperation with Valiant's internal auditor, the Executive Board and the Audit and Risk Committee. In addition, the committee analyses on an annual basis the scope of the external and internal audits, along with the audit plans and the relevant procedures, and discusses the audit results with the auditors in each case. Finally, it submits to the Board of Directors proposals for the election of the external auditor and its mandate beyond the ordinary audit mandate. PricewaterhouseCoopers AG as supervisory auditor is subject to supervision by FINMA and as an auditor is supervised by the Federal Audit Oversight Authority. These two bodies review its performance and independence.

# 9 Information policy

Valiant communicates openly and transparently. We keep shareholders, potential investors, financial analysts, private investors and the public fully and regularly informed. All financial publications are available to the public contemporaneously. Our annual report is published on the website at [valiant.ch/results](http://valiant.ch/results) and may be ordered from the address below. Shareholders receive an abridged version of the annual report along with their invitation to the Annual General Meeting. We also provide updates on our business performance each quarter by releasing interim financial statements. Media and analysts' conferences are held at least once per year. We regularly meet institutional investors, hold road shows and take part in investor conferences in Switzerland and abroad. All of the latest information for shareholders and analysts can be found online at [valiant.ch/investors](http://valiant.ch/investors). Anyone who would like to be informed by email about the publication of Valiant's financial results can subscribe at [valiant.ch/de/newsletter](http://valiant.ch/de/newsletter).

## **Investor Relations – contact information**

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## **Key dates in 2021**

	Report
Publication of the annual results	11 February 2021
Publication of the annual report	25 March 2021
Publication of the interim financial statements at 31 March	6 May 2021
Annual General Meeting	19 May 2021
Publication of the interim financial statements at 30 June	4 August 2021
Publication of the interim financial statements at 30 September	4 November 2021

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# 2020 compensation report



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# Foreword

Dear Shareholders,

Valiant continued to implement a moderate compensation policy and an easily comprehensible and transparent compensation system in the year under review. The share of votes in favour of the compensation motions at the Annual General Meeting on 13 May 2020 was once again large and confirms our commitment to maintaining our compensation policy.

The Board of Directors has resolved to further simplify the compensation system for the Board of Directors during the current term of office. It has decided to standardise the compensation rates for the various committees as of the 2021/2022 term of office. In addition, the fee for the office of Vice President is to be adjusted to the benchmark. Details of the new rates are provided in Table 3.1 on page 100.

**“The Board of Directors has decided to further simplify the compensation system and increase its flexibility.”**

The compensation system for the members of the Board of Directors has also been made more flexible and they can now join the Valiant pension fund or have their fee paid to a legal entity. These two new possibilities do not entail any increases in compensation.

The purpose of these adjustments is to ensure that Valiant's compensation system for the Board of Directors is simple and modern, and is now also geared to the needs of the self-employed and those who are not members of another pension fund.



**Franziska von Weissenfluh**

Chair of the Nomination and Compensation Committee

# 1 Key components and principles of our compensation policy

## 1.1 Simple and transparent compensation system

We advocate a moderate compensation policy, and our compensation system is simple and transparent. It reflects the simple business model and the values of our bank. We have consciously avoided adopting more complex elements such as long-term incentive plans or option plans. The Board of Directors firmly believes that the compensation policy is consistent with our strategy and that it supports our long-term objectives.

## 1.2 Market orientation

We attach great importance to providing fair, market-appropriate compensation and position ourselves mid-range with regard to our peers. We take into account developments in the labour market and regularly take part in pay comparison surveys.

## 1.3 Performance and results-oriented

We are committed to performance and results-based compensation. This is an integral part of our HR policy, which fosters this type of culture and rewards Valiant's business success.

The basis for determining business success is the operating profit reported in the consolidated financial statements. Of this, 9% is allocated to the total variable compensation pool for all employees, including the Executive Board.

## 1.4 Equal pay

We adhere to the principle of equal pay for equal work. Equal pay for women and men is regularly monitored and measures are implemented where necessary (see page 49 for more information).

## 1.5 Risk awareness

We take care to ensure that the individual components of compensation and the corresponding measurement and decision-making criteria for employees at all levels do not incentivise inappropriate risk-taking. Employees may be subject to reductions in variable compensation in the event of any failure to comply with laws, codes of conduct or internal directives, or in the event of any negligent handling of risk.

## 1.6 Board Of Directors: 30% share component

Compensation for the Board of Directors consists of a fixed fee and a lump-sum expenses allowance. 30% of the fee is paid out in the form of Valiant shares that are blocked for a period of three years. The members of the Board of Directors do not receive any variable compensation.

## 1.7 Restriction on variable compensation for the Executive Board

Variable compensation for members of the Executive Board is dependent on business success and is composed of a cash component, together with Valiant shares that are blocked for three years. Overall, variable compensation may not exceed 50% of the total compensation of a member of the Executive Board.

## 1.8 Curtailment of compensation

If the group records a loss, the Board of Directors' fee is reduced by 50%. The fee is also curtailed if dividends are reduced as a result of business results. If the group records an operating loss, the Executive Board does not receive any variable compensation.

# 2 Decision-making authority for determining compensation

The principles of our compensation policy and decision-making authority are defined in the Articles of Association of Valiant Holding AG and in the separate compensation regulations for the Board of Directors, Executive Board and other employees. Separate regulations set out the rules for calculating the overall pool for variable compensation. There was no change in decision-making authority compared with the previous year.

## 2.1 Setting of compensation for the Board of Directors

Shareholders approve the maximum compensation for the Board of Directors for the forthcoming term of office at the Annual General Meeting.

The maximum compensation proposal is prepared by the Nomination and Compensation Committee. The Board of Directors assesses the proposal and approves the definitive motion for presentation to the Annual General Meeting.

## 2.2 Setting of compensation for the Executive Board

Each year, shareholders approve the maximum fixed compensation for the Executive Board for the coming financial year and the maximum variable compensation for the current financial year at the Annual General Meeting. The maximum compensation proposals are prepared by the Nomination and Compensation Committee. The Board of Directors assesses the proposal and approves the definitive motion for presentation to the Annual General Meeting.

Within the framework of the maximum amounts approved at the Annual General Meeting and upon the proposal of the Nomination and Compensation Committee, the Board of Directors defines the total amount of compensation for the Executive Board and the fixed and variable compensation for the CEO, taking into account the attainment of company targets and the CEO's individual targets.

The CEO submits a proposal to the Nomination and Compensation Committee on the fixed and variable compensation of the individual members of the Executive Board, taking into account their individual target attainment. Following committee negotiations on the basis of this recommendation, the Board of Directors decides on the fixed and variable compensation of the members of the Executive Board.

Competency matrix – compensation decisions	CEO	Nomination and Compensation Committee	Board of Directors	Annual General Meeting
Maximum compensation of the Board of Directors	–	Prep	Prop	App
Maximum fixed compensation of the Executive Board	–	Prep	Prop	App
Maximum variable compensation of the Executive Board	–	Prep	Prop	App
Actual fixed and variable compensation of the CEO	–	Prop	App	–
Actual fixed and variable compensation of the members of the Executive Board	Prop	Rec	App	–

Prop Proposal  
Rec Recommendation  
App Approval  
Prep Preparation

## 2.3 Regulations as per the Articles of Association

The Articles of Association of Valiant Holding AG stipulate, in particular, the following rules in respect of compensation and loans.

### **Vote at the Annual General Meeting on compensation**

(see Article 27 of the Articles of Association of Valiant Holding AG)

See sections 2.1 and 2.2 of the compensation report.

### **Principles governing results-dependent compensation**

(see Article 29 of the Articles of Association of Valiant Holding AG)

In addition to fixed compensation, the members of the Executive Board receive variable compensation based on the bank's results and on the attainment of performance targets. These targets are defined by the Board of Directors at the beginning of the year. The Board of Directors stipulates the weightings for the various targets and the target values, and assesses the extent to which targets have been met once the financial year has ended. Variable compensation for members of the Executive Board comprises a cash component, together with shares that are blocked for three years.

### **Loans**

(see Article 32 of the Articles of Association of Valiant Holding AG)

Loans to members of the Executive Board may not exceed a total of CHF 2 million for each member, including parties related to them, and must satisfy the criteria used by Valiant in respect of the creditworthiness and debt-servicing capacity of third parties.

To further strengthen its independence, the Board of Directors decided that no further loans should be granted to members of the Board of Directors.

# 3 Components of compensation

## 3.1 Components of compensation for the Board of Directors

<b>Board of Directors</b>		
	<b>Fee per term of office in CHF</b>	
	<b>2020/2021</b>	<b>2021/2022</b>
Fee		
	Fixed fee based on function (Chair, Vice Chair, member) and amount of time involved. The fees are paid out as follows: 70% in the form of cash and 30% in the form of shares (blocked for three years).	
Function		
Chairman:	390,000	380,000
Vice Chairman:	170,000	140,000
Member:	90,000	90,000
Chair of the Nomination and Compensation Committee:	55,000	50,000
Member:	25,000	35,000
Chair of the Strategy Committee:	50,000	50,000
Member:	30,000	35,000
Chair of the Audit and Risk Committee:	55,000	50,000
Member:	35,000	35,000
Lump-sum expenses		
Chairman:	10,000	10,000
Member:	5,000	5,000
Additional benefits	Chairman: Company car or first-class annual train travel card	
Joining/severance payments	We do not make any joining or severance payments.	
Curtailment of fees	If the group records a loss, the Board of Directors' fee is reduced by 50%. The Board of Directors' fee is also curtailed if dividends are reduced as a result of business performance. The scope of such curtailment is defined on a case-by-case basis. The Nomination and Compensation Committee submits a recommendation to the Board of Directors at the appropriate time.	
Terms and conditions of payment	Fees are redefined and paid out for the period from Annual General Meeting to Annual General Meeting (term of office). A 7/12 share of the fee is paid in cash in November each year. The remaining 5/12 is paid in April (in shares blocked for three years and in cash). Members of the Board of Directors have the option of having their compensation paid to a legal entity.	
Insurance in the pension fund	Members of the Board of Directors for whom Valiant is liable to make AHV payments and who are not already required to be insured for a primary occupation or whose primary occupation is not self-employment may join the Valiant Holding pension fund. Joining the pension fund may not increase a member's total compensation.	

### Additional information:

- The Board of Directors may define additional payments for membership of ad-hoc committees or for additional duties and projects. These payments are determined depending on the time involved and within the framework of existing rates and the maximum fixed compensation approved at the Annual General Meeting.
- All relations with the members of the Board of Directors and the companies associated with them are conducted in accordance with established business practice. They receive no preferential employee benefits.
- If they stand down during a term of office, members of the Board of Directors are no longer owed any compensation as from their date of departure. No compensation is issued for the remainder of the term of office.
- The Honorary Chairman and other former members of the Board of Directors do not receive any compensation or other benefits.
- Any blocks on shares issued remain in place even after the member has left.

**Benchmarking**

The Board of Directors compares the compensation amount with two peer groups on an annual basis. Both peer groups consist of financial companies listed in Switzerland. The composition of the peer groups is checked and adjusted as appropriate on an annual basis. The aim of these comparisons is to check whether the benchmark for the Board of Directors is on a par with these two comparison groups and therefore within appropriate limits. This was the case once again in 2020. The first peer group contains financial companies with a similar market capitalisation (CHF 1-3 billion). The second peer group contains listed financial companies with no significant state ownership.

Peer group 1 increased by one company, Swissquote Group Holding AG. Peer group 2 remained unchanged compared with the previous year.

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**Benchmarks for compensation of the Board of Directors**

Peer group 1 (similar market capitalisation <sup>1</sup> )	Banque Cantonale de Genève, Berner Kantonalbank, Cembra Money Bank, Liechtensteinische Landesbank, St. Galler Kantonalbank, Swissquote, Vaudoise Assurances, VZ Gruppe, Walliser Kantonalbank, Zuger Kantonalbank
Peer group 2 (financial companies without major state ownership)	Bâloise Group, Bellevue Group, Cembra Money Bank, Helvetia, Hypothekarbank Lenzburg, Swissquote, Vaudoise Assurances, Vontobel, VZ Gruppe

<sup>1</sup> The reference date is mid-year in all cases

**Disclosure**

The compensation paid to the members of the Board of Directors is set out in table 7.1 on page 107. The shares held by members of the Board of Directors are set out in the notes to the annual financial statements of Valiant Holding AG in table 18 on page 171. The number and value of shares allocated are set out in the notes to the consolidated financial statements of Valiant Holding AG in table 18 on page 151.

## 3.2 Components of compensation for the Executive Board

<b>Executive Board</b>							
Basic compensation (fixed compensation)	Basic compensation corresponds to the total fixed annual salary stipulated in the individual contract of employment. This compensation is defined on the basis of the individual's function, responsibilities and personal performance development and the market situation.						
Lump-sum expenses allowance	<table> <tr> <td>CEO:</td><td>CHF 24,000</td></tr> <tr> <td>Deputy CEO:</td><td>CHF 18,000</td></tr> <tr> <td>Member of the Executive Board:</td><td>CHF 15,600</td></tr> </table>	CEO:	CHF 24,000	Deputy CEO:	CHF 18,000	Member of the Executive Board:	CHF 15,600
CEO:	CHF 24,000						
Deputy CEO:	CHF 18,000						
Member of the Executive Board:	CHF 15,600						
Variable compensation	Results and performance-related variable compensation paid out retroactively is broken down as follows: <ul style="list-style-type: none"> <li>- Cash component (70%); payable immediately</li> <li>- Share component (30%); blocked for three years</li> </ul>						
Restriction on variable compensation	The variable compensation of the members of the Executive Board may not exceed 50% of the total compensation. In the year under review, variable compensation was between 28.1% and 40.2% of the total compensation of members of the Executive Board.						
Additional benefits	<ul style="list-style-type: none"> <li>- Company car or first-class annual train travel card</li> <li>- Business allowances (coupled with eligibility for statutory family allowances)</li> <li>- Occupational pension benefits above legal minimum</li> <li>- Service anniversary bonuses</li> <li>- Special employee conditions that are customary in the sector</li> <li>- Concession on Reka credit</li> </ul>						
Notice period	Members of the Executive Board are subject to a 12-month period of notice.						
Joining/severance payments	We do not make any joining or severance payments.						
Terms and conditions of payment	Basic compensation (fixed salary) is paid out to the members of the Executive Board in equal monthly instalments. Variable compensation of the members of the Executive Board is paid in April of the following year.						

### Additional information:

- The procedure for setting the compensation of the CEO and members of the Executive Board is set out in section 2.2 on page 98.
- Any blocks on shares issued remain in place even after the member has left.
- Compensation for positions on the executive boards of third-party organisations in which Valiant has a holding of more than 50% is paid to Valiant in full.
- Compensation for positions held by members of the Executive Board within third-party organisations in which Valiant has a holding of less than 50% is paid to the member concerned up to an annual combined amount of CHF 30,000 (fees and allowances for meeting attendance for all positions). Amounts in excess of this threshold are paid to Valiant.

### Benchmarking

The compensation of members of the Executive Board is compared with similar functions at other financial institutions on a case-by-case basis, particularly when new members are being appointed. There is no general benchmarking process, however. Valiant reports the individual compensation of each member of the Executive Board.

### Disclosure

The compensation paid to the members of the Executive Board is set out in table 7.2 on page 109. Loans to members of the Executive Board are set out in table 7.3 on page 111. Members of the Executive Board are granted loans at special conditions that are customary in the sector. Loans are granted according to the same criteria as for third parties. The shares held by members of the Executive Board are set out in the notes to the annual financial statements of Valiant Holding AG, in table 18 on page 171. The number and value of shares allocated are set out in the notes to the consolidated financial statements of Valiant Holding AG in table 18 on page 151.

# 4 Calculation of variable compensation

Valiant's compensation system for the Executive Board follows the same principles as that for its other employees. All Valiant's employees can receive variable compensation, depending on operating profit and their individual performance assessment. The only exceptions are those employed in a training capacity and all employees under a fixed-term contract and/or paid by the hour.

The basis for determining the overall pool for variable compensation for all employees, including the Executive Board, is the operating profit reported in the consolidated financial statements. Operating profit has been defined as the basis for measurement because, unlike consolidated net profit, it is not affected by extraordinary income and expenses or by any change in reserves for general banking risks. 9% of operating profit is allocated to the overall pool for variable compensation.

If, in any one year, the consolidated financial statements show an operating loss, no overall pool will be created for that year and there will be no variable compensation for any members of staff, including the Executive Board.

For 2020, the overall pool for variable compensation was CHF 13.2 million, with CHF 1.58 million (previous year: CHF 1.90 million) of this amount, including social benefits, paid to the Executive Board.

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#### Variable compensation for 2020

Operating profit in 2020	CHF 147.0 million
of which 9% <sup>1</sup>	CHF 13.2 million

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#### Variable compensation for 2019

Operating profit in 2019	CHF 142.9 million
of which 9% <sup>1</sup>	CHF 12.9 million

<sup>1</sup> Overall variable compensation pool for all employees, including the Executive Board

# 5 Executive Board targets and attainment

In the interests of transparency, Valiant has reported the targets for the Executive Board and their attainment in a separate section since 2017. For competition reasons, this disclosure does not include precise figures (percentage rates and amounts).

## 5.1 Target attainment for the 2020 financial year

The Board of Directors set the Executive Board high targets for 2020. The CEO informs the Board of Directors about the progress made towards achieving the targets on a quarterly basis. In January 2021, the Nomination and Compensation Committee conducted an assessment of target attainment for the 2020 financial year with the CEO. This assessment was submitted to the Board of Directors for discussion and decision-making.

The Board of Directors deemed that the Executive Board had for the most part exceeded its high targets for 2020. In addition, the challenges posed by the coronavirus pandemic had been excellently overcome. Target attainment can be seen in the table below.

### **Executive Board targets for the 2020 financial year (Assessment of target achievement by the Board of Directors)**

Financial targets	Targets exceeded	
At the start of the year, the Board of Directors set targets for the key financial indicators, which were assessed after the end of the year.	<ul style="list-style-type: none"> <li>- Consolidated net profit up slightly year on year (+0.7%)</li> <li>- Increase in total and net interest income (+5.0% and +2.3% respectively)</li> <li>- Lending growth of 4.3%</li> <li>- Fee and commission income down slightly (-0.9%)</li> <li>- Target for client assets (including custody assets) exceeded</li> </ul>	
The following targets were set for 2020:		
<ul style="list-style-type: none"> <li>- Consolidated net profit in line with previous year</li> <li>- Maintain net interest income</li> <li>- Lending growth of 3-4%</li> <li>- Maintain fee and commission income</li> </ul>		
Targets were also set for the performance of client assets and custody account assets.		
Non-financial targets	Targets comfortably attained	
Alongside the financial targets, the Board of Directors also set non-financial targets for 2020. These were formulated in objective, measurable terms wherever possible.		
Area	Target	
Strategy	Implementation of strategy for 2020-2024 as planned	<ul style="list-style-type: none"> <li>- Implementation of the 2020-2024 strategy remains on course</li> </ul>
Clients	Client satisfaction (net promoter score)	<ul style="list-style-type: none"> <li>- The already high client satisfaction ratings were further increased</li> </ul>
Employees	Implementation of measures arising from the employee satisfaction survey	<ul style="list-style-type: none"> <li>- The defined measures were implemented</li> </ul>
<b>Overall assessment by the Board of Directors</b>	<b>The high targets were for the most part exceeded</b>	

## 5.2 Impact of target attainment on variable compensation for the Executive Board

The overall pool for variable compensation was 2.9% larger than in the previous year (see section 4) due to the increase in operating profit. The amount available for the variable compensation of the Executive Board decreased by 4.3% due to one-off effects in connection with the change of CEO in the previous year. Adjusted for these effects, the total compensation paid to the Executive Board was 1.7% higher than in the previous year. The individual variable compensation for each member of the Executive Board is based on their performance assessment and total compensation. This means that it varies for each member. The total will be below the maximum amount approved at the Annual General Meeting.

## 5.3 Targets for the 2021 financial year

Each autumn, the Executive Board submits a proposal to the Nomination and Compensation Committee for the targets for the coming year. The committee discusses the targets with the CEO, makes any necessary adjustments and passes them on to the Board of Directors for approval. The Board of Directors assesses the committee's proposal and then sets the targets. The Board of Directors has set the following targets for the Executive Board in 2021, which are once again ambitious.

### Executive Board targets for the 2021 financial year

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#### Financial targets

The Board of Directors has issued the following targets for the key financial indicators in 2021:

- Consolidated net profit in line with previous year
- Maintain net interest income
- Lending growth > 3%
- Growth in fee and commission income of 3%

Targets were also set for the performance of client assets and custody account assets.

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#### Non-financial targets

Alongside the financial targets, the Board of Directors also set non-financial targets for 2021. These were formulated in objective, measurable terms wherever possible.

Area	Target
Strategy	Implementation of strategy for 2020-2024 as planned
Clients	Client satisfaction (net promoter score)
Employees	Maintaining employee satisfaction values

# 6 Compensation approved at the Annual General Meeting

Shareholders approve the maximum compensation for the Board of Directors and for the Executive Board at the Annual General Meeting (see section 2). The maximum amounts currently approved and the amounts actually paid for 2020 and for the 2019/2020 term of office are set out in the tables below.

## 6.1 Board Of Directors

<b>Compensation of the Board of Directors</b>	<b>Date of approval at the AGM</b>	<b>Amount in CHF thousands</b>
Maximum compensation for the Board of Directors for the 2019/2020 term of office	16/05/2019	1,670
Effective compensation paid to the Board of Directors for the 2019/2020 term of office		1,596
Maximum compensation for the Board of Directors for the 2020/2021 term of office	13/05/2020	1,670
Effective compensation paid to the Board of Directors for the 2020/2021 term of office		n/a <sup>1</sup>

<sup>1</sup> Effective compensation paid to the Board of Directors for the 2020/2021 term of office (ending 19 May 2021) will be stated in the 2021 compensation report.

## 6.2 Executive Board

<b>Approved fixed and variable compensation for 2020</b>	<b>Date of approval at the AGM</b>	<b>Amount in CHF thousands</b>
Maximum fixed compensation for the Executive Board for 2020	16/05/2019	3,000
Effective fixed compensation paid to the Executive Board for 2020		2,949
Maximum variable compensation for the Executive Board for 2020	13/05/2020	1,750
Effective variable compensation paid to the Executive Board for 2020		1,576

<b>Approved maximum fixed compensation for 2021</b>	<b>Date of approval at the AGM</b>	<b>Amount in CHF thousands</b>
Maximum fixed compensation for the Executive Board for 2021	13/05/2020	3,050
Effective fixed compensation paid to the Executive Board for 2021		n/a <sup>1</sup>

<sup>1</sup> The effective fixed compensation paid to the Executive Board for 2021 will be stated in the 2021 compensation report.

# 7 Compensation in the reporting period

## 7.1 Payments to members of the Board of Directors

### Compensation for each financial year

	2020				
	Net fee in cash in CHF thousands	Shares <sup>1</sup> in CHF thousands	Social benefits <sup>2</sup> in CHF thousands	Benefits in kind <sup>3</sup> in CHF thousands	Total in CHF thousands
Markus Gygax, Chairman <sup>4</sup>	244	34	60	–	338
Jürg Bucher, Chairman <sup>5</sup>	52	133	20	3	208
Christoph B. Bühler, Vice Chairman	135	58	27	–	220
Barbara Artmann, Member	79	34	16	–	129
Jean-Baptiste Beuret, Member	85	43	18	–	146
Maya Bundt, Member	76	34	16	–	126
Nicole Pauli, Member	95	41	20	–	156
Ronald Trächsel, Member <sup>6</sup>	66	–	10	–	76
Franziska von Weissenfluh, Member	95	41	20	–	156
<b>Total</b>	<b>927</b>	<b>418</b>	<b>207</b>	<b>3</b>	<b>1,555</b>

	2019				
	Net fee in cash in CHF thousands	Shares <sup>1</sup> in CHF thousands	Social benefits <sup>2</sup> in CHF thousands	Benefits in kind <sup>3</sup> in CHF thousands	Total in CHF thousands
Jürg Bucher, Chairman	310	134	49	7	500
Christoph B. Bühler, Vice Chairman	135	58	26	–	219
Barbara Artmann, Member	79	34	16	–	129
Jean-Baptiste Beuret, Member	98	43	19	–	160
Maya Bundt, Member	79	34	16	–	129
Markus Gygax, Member <sup>7</sup>	66	–	10	–	76
Nicole Pauli, Member	93	36	18	–	147
Othmar Stöckli, Member <sup>8</sup>	16	41	7	–	64
Franziska von Weissenfluh, Member	95	41	19	–	155
<b>Total</b>	<b>971</b>	<b>421</b>	<b>180</b>	<b>7</b>	<b>1,579</b>

<sup>1</sup> Shares of Valiant Holding AG with a three-year blocking period, valued at their market price, less social benefits

<sup>2</sup> Social benefits include employer and employee contributions for old age and survivors' insurance (AHV), disability insurance (IV), income replacement scheme (EO), unemployment insurance (ALV), family allowances (FAK) and the pension fund, provided that the member of the Board of Directors opts for the occupational pension benefits of the Valiant Holding AG pension fund.

<sup>3</sup> Private shares of company cars

<sup>4</sup> From the Annual General Meeting of 13 May 2020

<sup>5</sup> Until the Annual General Meeting of 13 May 2020 / To mark his departure, Valiant gave Jürg Bucher two pictures with a combined value of CHF 16,100.

<sup>6</sup> From the Annual General Meeting of 13 May 2020

<sup>7</sup> From the Annual General Meeting of 16 May 2019

<sup>8</sup> Until the Annual General Meeting of 16 May 2019

**Compensation for each term of office****Compensation statement for the Board of Directors  
for the 2019/2020 term of office<sup>1</sup>**

	Fixed net fee in CHF thousands	Shares <sup>2</sup> in CHF thousands	Social benefits <sup>3</sup> in CHF thousands	Benefits in kind <sup>4</sup> in CHF thousands	Total in CHF thousands
Jürg Bucher, Chairman <sup>5</sup>	309	133	52	7	501
Christoph B. Bühler, Vice Chairman	135	58	27	–	220
Barbara Artmann, Member	79	34	16	–	129
Jean-Baptiste Beuret, Member	98	43	20	–	161
Maya Bundt, Member	79	34	16	–	129
Markus Gygax, Member	79	34	16	–	129
Nicole Pauli, Member	95	41	19	–	155
Franziska von Weissenfluh, Member	95	41	19	–	155
<b>Total</b>	<b>969</b>	<b>418</b>	<b>185</b>	<b>7</b>	<b>1,579</b>

**Compensation statement for the Board of Directors for the 2018/2019 term of office<sup>6</sup>**

	Fixed net fee in CHF thousands	Shares <sup>2</sup> in CHF thousands	Social benefits <sup>3</sup> in CHF thousands	Benefits in kind <sup>4</sup> in CHF thousands	Total in CHF thousands
Jürg Bucher, Chairman	310	134	49	7	500
Christoph B. Bühler, Vice Chairman	135	58	26	–	219
Barbara Artmann, Member	79	34	16	–	129
Jean-Baptiste Beuret, Member	98	43	19	–	160
Maya Bundt, Member	79	34	16	–	129
Nicole Pauli, Member	82	36	16	–	134
Othmar Stöckli, Member	95	41	19	–	155
Franziska von Weissenfluh, Member	95	41	19	–	155
<b>Total</b>	<b>973</b>	<b>421</b>	<b>180</b>	<b>7</b>	<b>1,581</b>

<sup>1</sup> Compensation payments for the 2019/2020 term of office (17 May 2019 to 13 May 2020) were made in November 2019 and April 2020. The social benefits shown were paid in accordance with the payout dates in the corresponding financial years.

<sup>2</sup> Shares of Valiant Holding AG with a three-year blocking period, valued at their market price, less social benefits

<sup>3</sup> Social benefits include employee and employer contributions for old age and survivors' insurance (AHV), disability insurance (IV), unemployment insurance (ALV) and family allowances (FAK).

<sup>4</sup> Private shares of company cars

<sup>5</sup> To mark his departure, Valiant gave Jürg Bucher two pictures with a combined value of CHF 16,100.

<sup>6</sup> Compensation payments for the 2018/2019 term of office (23 May 2018 to 16 May 2019) were made in November 2018 and April 2019. The social benefits shown were paid in accordance with the payout dates in the corresponding financial years.

## 7.2 Payments to members of the Executive Board

### Compensation for each financial year

	2020					
	Fixed net salary in cash in CHF thousands	Variable net salary in cash in CHF thousands	Shares <sup>1</sup> in CHF thousands	Benefits in kind <sup>2</sup> in CHF thousands	Pension benefits <sup>3</sup> in CHF thousands	Total <sup>4</sup> in CHF thousands
Ewald Burgener, CEO	374	297	128	9	393	1,201
Martin Vogler	266	142	61	8	255	732
Stefan Gempeler	225	148	64	9	212	658
Hanspeter Kaspar	269	106	46	9	186	616
Marc A. Praxmarer	228	122	53	9	238	650
Christoph Wille	228	152	66	9	213	668
<b>Total</b>	<b>1,590</b>	<b>967</b>	<b>418</b>	<b>53</b>	<b>1,497</b>	<b>4,525</b>

	2019					
	Fixed net salary in cash in CHF thousands	Variable net salary in cash in CHF thousands	Shares <sup>1</sup> in CHF thousands	Benefits in kind <sup>2</sup> in CHF thousands	Pension benefits <sup>3</sup> in CHF thousands	Total <sup>4</sup> in CHF thousands
Markus Gygax, CEO until 16 May 2019	119	205	–	–	149	473
Ewald Burgener, CEO from 17 May 2019	336	244	106	9	336	1,031
Martin Vogler	261	142	61	8	243	715
Stefan Gempeler	217	148	64	9	203	641
Hanspeter Kaspar, CFO from 1 October 2019	69	30	13	1	43	156
Serge Laville, acting CFO from 17 May to 30 Sept. 2019	84	36	16	3	59	198
Marc A. Praxmarer	231	115	50	9	235	640
Christoph Wille	220	152	66	9	204	651
<b>Total</b>	<b>1,537</b>	<b>1,072</b>	<b>376</b>	<b>48</b>	<b>1,472</b>	<b>4,505</b>

<sup>1</sup> Shares of Valiant Holding AG with a three-year blocking period, valued at their market price, less social benefits

<sup>2</sup> Private shares of company cars

<sup>3</sup> Includes employee and employer contributions for old age and survivors' insurance (AHV), disability insurance (IV), income replacement scheme (EO), unemployment insurance (ALV), family allowances (FAK), occupational accident insurance (BAU), non-occupational accident insurance (NBAU), daily sickness allowance (KTG), surplus salaries (BAU/NBAU), administration costs (AHV), pension fund and supplementary fund.

<sup>4</sup> In 2020, two members of the Executive Board were also paid a total of CHF 59,422.50 for positions within third-party organisations in which Valiant has no holding or a holding of less than 50 %. In 2019, two members of the Executive Board received CHF 58,845.00 in compensation for the same reason.

**Disclosure of variable compensation paid to the Executive Board**

	2020 <sup>1</sup>				
	Variable net salary in cash in CHF thousands	Shares in CHF thousands	Benefits in kind in CHF thousands	Pension benefits <sup>2</sup> in CHF thousands	Total in CHF thousands
Executive Board	967	418	-	191	1,576

	2019				
	Variable net salary in cash in CHF thousands	Shares in CHF thousands	Benefits in kind in CHF thousands	Pension benefits <sup>2</sup> in CHF thousands	Total in CHF thousands
Executive Board	1,072	376	-	199	1,647

<sup>1</sup> Variable compensation for 2020 will be paid in April 2021, but is reported in this compensation report.<sup>2</sup> Includes employee and employer contributions for old age and survivors' insurance (AHV), disability insurance (IV), income replacement scheme (EO), unemployment insurance (ALV), family allowances (FAK), daily sickness allowance (KTG), surplus salaries (BUV/NBUV) and administration costs (AHV).**Disclosure of fixed compensation paid to the Executive Board**

	2020				
	Fixed net salary in cash in CHF thousands	Benefits in kind in CHF thousands	Pension benefits <sup>1</sup> in CHF thousands	Total in CHF thousands	
Executive Board	1,590	53	1,306	2,949	

	2019				
	Fixed net salary in cash in CHF thousands	Benefits in kind in CHF thousands	Pension benefits <sup>1</sup> in CHF thousands	Total in CHF thousands	
Executive Board	1,537	48	1,273	2,858	

<sup>1</sup> Includes employee and employer contributions for old age and survivors' insurance (AHV), disability insurance (IV), income replacement scheme (EO), unemployment insurance (ALV), family allowances (FAK), occupational accident insurance (BUV), non-occupational accident insurance (NBUV), daily sickness allowance (KTG), surplus salaries (BUV/NBUV), administration costs (AHV), pension fund and supplementary fund.

## 7.3 Loans to members of the Board of Directors and the Executive Board

### Board of Directors

To further strengthen its independence, the Board of Directors decided in 2018 not to grant any further loans to members of the Board of Directors. At 31 December 2020, there were no loans outstanding to members of the Board of Directors or parties related to them (at 31/12/2019: none).

### Executive Board

	2020		
	Mortgages in CHF thousands	Other borrowing in CHF thousands	Total in CHF thousands
<b>Executive Board<sup>1,2</sup></b>			
Member with the highest total borrowing			
Hanspeter Kaspar	1,300	–	1,300
<b>Total Executive Board</b>	<b>3,450</b>	<b>0</b>	<b>3,450</b>

	2019		
	Mortgages in CHF thousands	Other borrowing in CHF thousands	Total in CHF thousands
<b>Executive Board<sup>1,2</sup></b>			
Member with the highest total borrowing			
Hanspeter Kaspar	1,300	–	1,300
<b>Total Executive Board</b>	<b>3,450</b>	<b>0</b>	<b>3,450</b>

<sup>1</sup> Members of the Executive Board are granted loans at special employee conditions that are customary in the sector.

<sup>2</sup> No loans were granted to related parties that are not at customary market conditions.

# 8 Auditor's report



## Report of the statutory auditor

to the General Meeting of Valiant Holding AG

Lucerne

We have audited the remuneration report of Valiant Holding AG (pages 96 to 111) for the year ended 31 December 2020.

### Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

### Auditor's responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Opinion

In our opinion, the remuneration report of Valiant Holding AG for the year ended 31 December 2020 complies with Swiss law and articles 14–16 of the Ordinance.

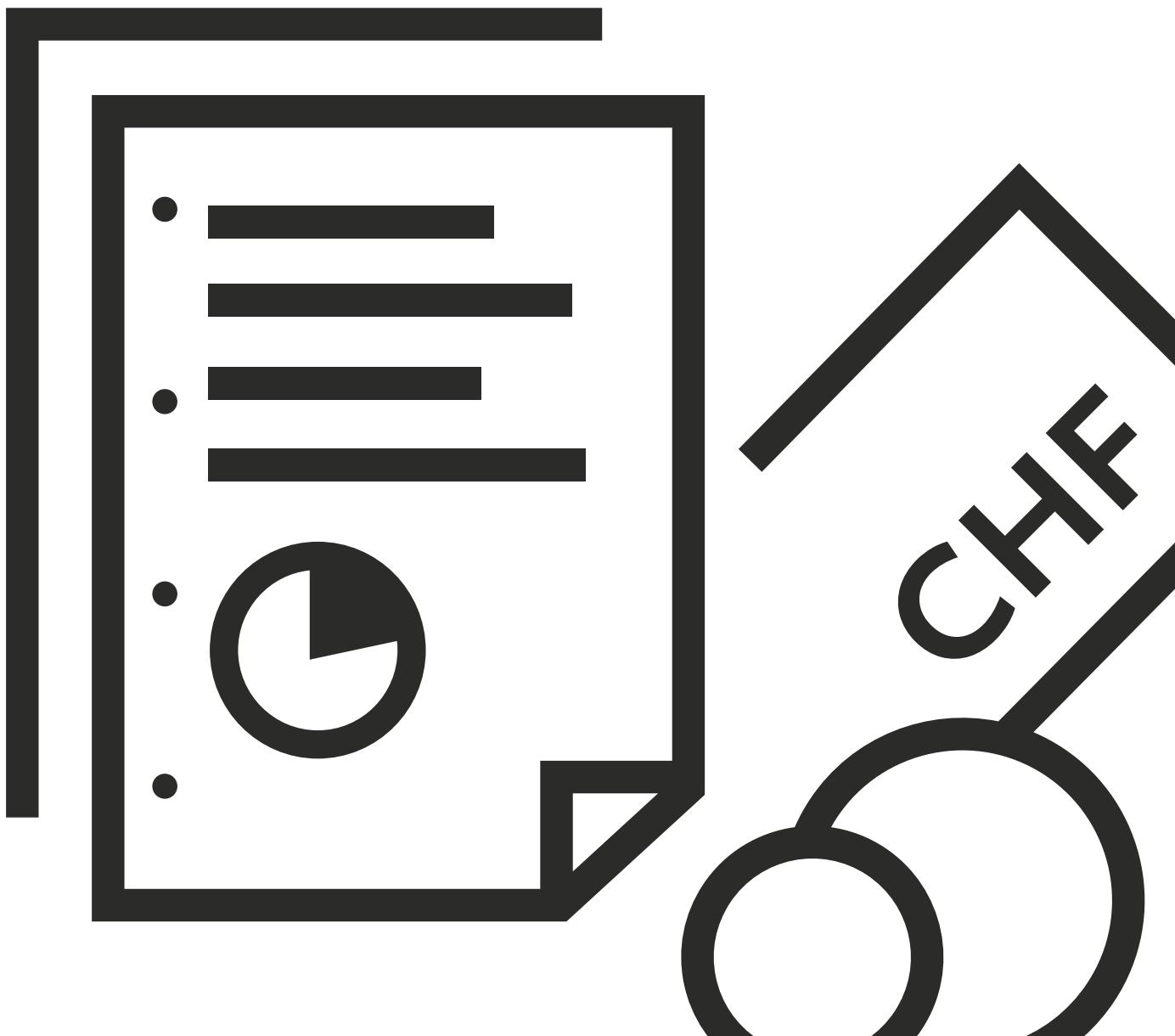
PricewaterhouseCoopers AG

Thomas Romer  
Audit expert  
Auditor in charge  
Qualifizierte elektronische Signatur - Schweizer Recht

Lucerne, 15 March 2021

Andreas Aebersold  
Audit expert

# 2020 financial report



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# Consolidated financial statements

## Consolidated balance sheet

Assets	Notes	31/12/2020		
		in CHF thousands	31/12/2019 in CHF thousands	Change in CHF thousands
Cash and cash equivalents		5,184,533	3,795,630	1,388,903
Due from banks	11	107,313	121,937	-14,624
Due from customers	2	1,655,838	1,470,960	184,878
Mortgage loans	2, 11	24,212,132	23,332,077	880,055
Trading portfolio assets	3	5,288	108	5,180
Positive replacement values of derivative financial instruments	4	8,126	9,499	-1,373
Financial investments	5, 11	1,610,841	765,076	845,765
Accrued income and prepaid expenses		20,887	23,536	-2,649
Non-consolidated holdings	6, 7, 37	229,407	214,156	15,251
Tangible fixed assets	8	116,521	121,789	-5,268
Intangible assets	9	1,508	2,154	-646
Other assets	10	31,843	49,055	-17,212
<b>Total assets</b>		<b>33,184,237</b>	<b>29,905,977</b>	<b>3,278,260</b>
Total subordinated claims		0	0	0.0
of which subject to mandatory conversion and/or conditional write-off		0	0	0.0
<b>Liabilities and equity</b>				
Due to banks		2,390,932	871,397	1,519,535
Customer deposits	12	20,950,936	19,090,256	1,860,680
Negative replacement values of derivative financial instruments	4	38,084	43,288	-5,204
Medium-term notes		77,551	104,602	-27,051
Bond issues and central mortgage institution loans	15	7,163,700	7,269,700	-106,000
Accrued expenses and deferred income		139,974	139,318	656
Other liabilities	10	29,646	40,316	-10,670
Provisions	16	32,307	28,839	3,468
Reserves for general banking risks	16	34,786	34,786	0
Share capital	17	7,896	7,896	0
Capital reserve		592,623	592,684	-61
Retained earnings reserve		1,603,933	1,561,836	42,097
Treasury shares	21	0	0	0.0
Consolidated net profit		121,869	121,059	810
<b>Total equity capital</b>		<b>2,361,107</b>	<b>2,318,261</b>	<b>42,846</b>
<b>Total liabilities and equity</b>		<b>33,184,237</b>	<b>29,905,977</b>	<b>3,278,260</b>
Total subordinated liabilities		0	0	0.0
of which subject to mandatory conversion and/or debt waiver		0	0	0.0
<b>Off-balance-sheet transactions</b>				
Contingent liabilities	2, 28	133,619	214,434	-80,815
Irrevocable commitments	2	1,030,762	676,591	354,171
Commitments relating to calls on shares and other equities	2	55,701	50,058	5,643
Credit commitments	2, 29	0	0	0.0

# Consolidated income statement

	Notes	2020 in CHF thousands	2019 in CHF thousands	Change in CHF thousands	Change as %
<b>Interest income</b>					
Interest and discount income	33	340,696	348,872	-8,176	-2.3
Interest and dividend income from trading portfolios		0	0	0	0.0
Interest and dividend income from financial investments		16,656	20,389	-3,733	-18.3
Interest expense		-26,941	-54,564	27,623	-50.6
<b>Net interest income before value adjustments for credit risk, and loan losses</b>		<b>330,411</b>	<b>314,697</b>	<b>15,714</b>	<b>5.0</b>
Value adjustments for credit risk, and loan losses	16	-14,301	-5,736	-8,565	149.3
<b>Net interest income after value adjustments for credit risk, and loan losses</b>		<b>316,110</b>	<b>308,961</b>	<b>7,149</b>	<b>2.3</b>
<b>Fee and commission income</b>					
Commission income from securities trading and investment activities		44,721	42,242	2,479	5.9
Commission income from lending activities		2,965	3,180	-215	-6.8
Commission income from other services		28,668	29,709	-1,041	-3.5
Commission expense		-13,695	-11,873	-1,822	15.3
<b>Net fee and commission income</b>		<b>62,659</b>	<b>63,258</b>	<b>-599</b>	<b>-0.9</b>
<b>Net trading income and fair-value adjustments</b>	32	<b>13,187</b>	<b>11,793</b>	<b>1,394</b>	<b>11.8</b>
<b>Other operating income</b>					
Income from the disposal of financial investments		153	989	-836	-84.5
Income from holdings		15,886	18,098	-2,212	-12.2
of which holdings recognised using the equity method		13,572	14,437	-865	-6.0
of which other non-consolidated holdings		2,314	3,661	-1,347	-36.8
Net income on real estate		2,090	1,703	387	22.7
Other ordinary income		3,229	512	2,717	530.7
Other ordinary expenses		-192	-2	-190	n/a
<b>Net other operating income</b>		<b>21,166</b>	<b>21,300</b>	<b>-134</b>	<b>-0.6</b>
<b>Operating income</b>		<b>413,122</b>	<b>405,312</b>	<b>7,810</b>	<b>1.9</b>
<b>Operating expenses</b>					
Personnel expenses	34	-134,690	-130,189	-4,501	3.5
General and administrative expenses	35	-106,914	-104,016	-2,898	2.8
<b>Total operating expenses</b>		<b>-241,604</b>	<b>-234,205</b>	<b>-7,399</b>	<b>3.2</b>
Depreciation and amortisation of tangible fixed and intangible assets, and impairments on holdings	37	-21,131	-21,799	668	-3.1
Other provisions and losses	36	-3,357	-6,409	3,052	-47.6
<b>Operating profit</b>		<b>147,030</b>	<b>142,899</b>	<b>4,131</b>	<b>2.9</b>
<b>Net profit</b>					
Extraordinary income	36	3,562	5,121	-1,559	-30.4
Extraordinary expenses	36	-470	-89	-381	428.1
Changes in reserves for general banking risks	36	0	0	0	0.0
Taxes	39	-28,253	-26,872	-1,381	5.1
<b>Consolidated net profit</b>		<b>121,869</b>	<b>121,059</b>	<b>810</b>	<b>0.7</b>

# Consolidated cash flow statement

	2020 Cash inflow in CHF thousands	2020 Cash outflow in CHF thousands	2020 Balance +/− in CHF thousands	2019 Cash inflow in CHF thousands	2019 Cash outflow in CHF thousands	2019 Balance +/− in CHF thousands
Consolidated net profit	121,869			121,059		
Change in reserves for general banking risks	167	167		1,213	1,213	
Impairments on holdings, depreciation and amortisation of tangible fixed assets and intangible assets	21,131			21,799		
Impairments on equity investments		1,762			232	
Provisions and other value adjustments	3,484	16		6,620	12,088	
Value adjustments for credit risk, and loan losses	28,737	17,848		28,533	20,078	
Accrued income and prepaid expenses	2,649				3,616	
Accrued expenses and deferred income	656			11,649		
Previous year dividend		78,962			69,487	
<b>Cash flow from operating activities (internal financing)</b>	<b>178,693</b>	<b>98,755</b>	<b>+ 79,938</b>	<b>190,873</b>	<b>106,714</b>	<b>+ 84,159</b>
Change in treasury shares		62			8	
<b>Cash flow from equity capital transactions</b>	<b>0</b>	<b>62</b>	<b>- 62</b>	<b>8</b>	<b>0</b>	<b>+ 8</b>
Non-consolidated holdings		14,486			155	
Real estate	2,988	2,107		7,756	4,814	
Other tangible fixed assets		12,921			11,822	
Intangible assets		2,179			4,926	
<b>Cash flow from transactions in respect of holdings, tangible fixed assets and intangible assets</b>	<b>2,988</b>	<b>31,693</b>	<b>- 28,705</b>	<b>7,911</b>	<b>21,562</b>	<b>- 13,651</b>
Due from customers		190,846			72,671	
Mortgages		878,009			857,001	
Utilisation of specific value adjustments in conformity with purpose		6,967			5,764	
Customer deposits	1,860,680			989,401		
Medium-term notes		27,051			85,452	
<b>Cash flow from customer transactions</b>	<b>1,860,680</b>	<b>1,102,873</b>	<b>+ 757,807</b>	<b>1,062,072</b>	<b>948,217</b>	<b>+ 113,855</b>
Trading portfolio assets		5,180			79	
Financial investments		845,765			65,856	
Bond issues and central mortgage institution loans		106,000			1,225,473	
<b>Cash flow from capital market business</b>	<b>0</b>	<b>956,945</b>	<b>- 956,945</b>	<b>1,291,408</b>	<b>0</b>	<b>+ 1,291,408</b>
Due from banks	14,624				32,197	
Due to banks	1,519,535				327,086	
<b>Cash flow from interbank business</b>	<b>1,534,159</b>	<b>0</b>	<b>+ 1,534,159</b>	<b>359,283</b>	<b>0</b>	<b>+ 359,283</b>
Positive replacement values of derivative financial instruments		1,373				1,183
Negative replacement values of derivative financial instruments		5,204			20,312	
Other assets	17,212					19,509
Other liabilities		10,670				11,280
<b>Cash flow from other balance-sheet positions</b>	<b>18,585</b>	<b>15,874</b>	<b>+ 2,711</b>	<b>20,312</b>	<b>31,972</b>	<b>- 11,660</b>
<b>Cash flow from banking operations</b>	<b>3,413,424</b>	<b>2,075,692</b>	<b>+ 1,337,732</b>	<b>2,733,075</b>	<b>980,189</b>	<b>+ 1,752,886</b>
<b>Total source of funds (+)/Total use of funds (-)</b>	<b>3,595,105</b>	<b>2,206,202</b>	<b>+ 1,388,903</b>	<b>2,931,867</b>	<b>1,108,465</b>	<b>+ 1,823,402</b>

Change in cash	Balance 31/12/2020 in CHF thousands	Balance 31/12/2019 in CHF thousands	Change in CHF thousands	Balance 31/12/2019 in CHF thousands	Balance 31/12/2018 in CHF thousands	Change in CHF thousands
	Cash					
<b>Total cash and cash equivalents</b>	<b>5,184,533</b>	<b>3,795,630</b>	<b>+ 1,388,903</b>	<b>3,795,630</b>	<b>1,972,228</b>	<b>+ 1,823,402</b>

## Consolidated statement of changes in equity

	Share capital in CHF thousands	Capital reserve in CHF thousands	Retained earnings reserve in CHF thousands	Reserves for general banking risks in CHF thousands	Treasury shares in CHF thousands	Profit for the period in CHF thousands	Total in CHF thousands
Equity at the beginning of the reporting period	7,896	592,684	1,561,836	34,786		121,059	2,318,261
Appropriation of previous year's net profit			42,097			-42,097	0
Acquisition of treasury shares					-2,673		-2,673
Sale of treasury shares					2,673		2,673
Gain (loss) from the sale of treasury shares			-115				-115
Dividends and other distributions		54				-78,962	-78,908
Consolidated net profit						121,869	121,869
<b>Equity at the end of the reporting period</b>	<b>7,896</b>	<b>592,623</b>	<b>1,603,933</b>	<b>34,786</b>	<b>0</b>	<b>121,869</b>	<b>2,361,107</b>

# Notes to the consolidated financial statements

## Company name, legal form and registered office

Valiant Holding AG is a holding company in the financial sector with its registered office in Lucerne. Its main holding is its 100% stake in its subsidiary Valiant Bank AG, which operates across Switzerland.

## Accounting policies

### Basis

The accounting, recognition, measurement and consolidation principles are based on the Swiss Code of Obligations and the Swiss accounting standards for banks, as presented in the Swiss Banking Act and its ordinance and the implementing provisions of FINMA, as well as on the Articles of Association of Valiant Holding AG and the guidelines of the group (both hereinafter: "Valiant").

As Valiant shares are listed on SIX Swiss Exchange AG, the SIX Exchange accounting regulations also have to be observed.

### Consolidation principles

Valiant prepares consolidated financial statements. These present Valiant's financial situation in such a way that its assets and liabilities, financial position and earnings are shown on the basis of the "true and fair view" principle.

The scope of consolidation is shown in table 7. The consolidated financial statements include all companies that Valiant controls pursuant to Article 34 (3) of the Banking Ordinance. Holdings in companies that are immaterial in terms of financial reporting or risk, and holdings that are material but of no strategic importance and will be sold or liquidated within 12 months are not consolidated. Holdings that are not consolidated, and the reasons for this, are also shown in table 7.

Material holdings in companies over which a significant influence is exercised without having outright control are valued using the equity method. A significant influence is recognised when 20% or more of the voting capital is held.

The financial statements of group companies used for consolidation comply with the uniform principles of the group. Internal assets, liabilities and off-balance-sheet transactions within the group, as well as the income and expenses from internal transactions, are eliminated along with any gains on these transactions.

All consolidated companies are included using the full consolidation method. Capital is consolidated using the purchase method. Minority interests in equity and group profit are reported separately in equity or the income statement on the basis of the entity concept.

**General principles**

All assets, liabilities and off-balance-sheet transactions are valued individually.

The book-keeping and accounting is done in the national currency of Switzerland, the Swiss franc.

**Recognition and entry in the balance sheet**

Valiant records all business transactions on the transaction date for the purposes of the consolidated financial statements and recognises them from this date for the calculation of net profit. Cash transactions that have been executed but not yet settled are recorded using the execution-date principle.

**Currency translation**

Foreign currency positions are valued at the spot rate applicable on the balance sheet date. Transactions in foreign currencies are translated at the respective daily rates. Effects from foreign currency adjustments are recognised in the income statement (under "Net trading income and fair-value adjustments").

Foreign currency positions were valued at the following exchange rates on the balance sheet date:

	31/12/2020	Previous year
USD	0,8799	0,9654
EUR	1,0809	1,0849
GBP	1,1998	1,2756

All Valiant group companies report in Swiss francs.

**Cash and cash equivalents**

Cash and cash equivalents are recognised at nominal value.

**Due from banks and Due to banks**

These items are recognised at nominal value minus necessary value adjustments for credit risk.

Precious metals held in metal accounts are recognised at fair value, provided the precious metal concerned is traded on a price-efficient and liquid market.

**Securities financing transactions**

The cash amounts exchanged are recognised in the balance sheet at nominal value. The transfer of securities has no effect on the balance sheet if the transferring party maintains economic control of the rights associated with the securities. The resale of securities received is recorded in the balance sheet and recognised as a non-monetary liability at fair value.

**Due from customers and Mortgage loans**

These items are recognised at nominal value minus necessary value adjustments for credit risk.

**Value adjustments for credit and country risks**

Value adjustments for credit risk are made according to the principle of prudence for all identifiable risks of loss. An impairment is recognised if the expected recoverable amount (including collateral) is lower than the book value of the loan/receivable. Value adjustments for credit risk are deducted directly from the relevant asset items. In the event of changes in the utilisation of credit limits with a corresponding value adjustment or provision depending on the utilisation, movements between value adjustments and provisions for credit risk are recognised directly in equity.

Loans/receivables for which the borrower is unlikely to be able to fulfil its future obligations are deemed to be impaired. Impaired loans/receivables and any collateral are recognised at liquidation value, and the value is adjusted taking the borrower's creditworthiness into account. The valuation is recognised on an individual basis and covered by individual valuation allowances.

Value adjustments for latent default risks are determined using empirical data. The calculation is carried out using a systematic approach on an individual basis, and the impairment is again covered by individual valuation allowances.

If a loan is classified as wholly or partly irrecoverable or if the claim is waived, it is reversed by booking it against the corresponding value adjustment.

For additional information on value adjustments for credit risk, please refer to the Notes on the methods used to identify credit risk and determine impairments.

**Customer deposits**

Customer deposits are recognised at nominal value.

Precious metal account deposits are recognised at fair value, provided the precious metal concerned is traded on a price-efficient and liquid market.

**Trading portfolio assets and trading portfolio liabilities**

Trading involves entering into actively managed positions in order to profit from movements in market prices. An asset or liability is recognised as part of the trading portfolio and recorded accordingly when the transaction is concluded.

Trading positions are always carried at fair value. Either the price on a price-efficient and liquid market or a price determined on the basis of a valuation model may be taken as the fair value.

If, in exceptional cases, no fair value can be determined, valuation and recognition are carried out according to the principle of the lower of cost or market.

Any gain or loss resulting from a sale or valuation is recognised under "Net trading income and fair-value adjustments". Valiant recognises interest and dividend income from trading portfolios in securities under "Interest and dividend income from trading portfolios". Valiant does not offset the funding of positions entered into for trading purposes against interest operations. The gain or loss from primary market trading activities is recognised under "Net trading income and fair-value adjustments".

**Positive and negative replacement values of derivative financial instruments**

**Trading** All of the group's derivative financial instruments are carried at fair value.

Valiant and Valiant Bank AG offset positive and negative replacement values with respect to the same counterparty under legally enforceable netting agreements.

For derivatives transactions entered into for trading purposes, the realised and unrealised gains and losses of trading derivatives are posted under "Net trading income and fair-value adjustments".

**Hedging** All of the group's derivative financial instruments are carried at fair value.

Any change in the value of hedging instruments is recorded in an offset account, provided that no change in value of the underlying transaction has been booked. If a value adjustment is booked on the underlying transaction of a hedging transaction, the change in value of the hedging transaction is recorded in the same income statement line item. In the case of macro hedges for interest rate transactions, the balance is recognised either under "Interest and discount income" or under "Interest expense", depending on the instrument used.

Income from derivatives used to manage interest rate risks is recognised in the income statement using the accrual method. The interest component is accrued over the term to maturity. Interest accrued on the hedging position is shown in the "Offset account" under "Other assets" or "Other liabilities".

In the event of the early sale of an interest rate hedging instrument recognised using the accrual method, the profits and losses corresponding to the interest component are not recognised immediately, but instead are accrued over the remaining term to maturity.

If the hedge is no longer or only partially effective, Valiant treats the part that is no longer effective as a trading transaction.

**Financial investments**

Debt securities intended to be held to maturity are recognised at acquisition cost, and the premium/discount (interest component) is accrued over the term (accrual method). Credit risk-related changes in book value are recognised immediately by means of a charge to the item "Value adjustments for credit risk, and loan losses". If debt securities are sold or redeemed prior to maturity, the gains and losses corresponding to the interest component are not recognised immediately, but instead are accrued over the remaining term to maturity.

Debt securities not intended to be held until maturity (available for sale) are carried at the lower of cost or market value.

Equity securities, units in collective investment schemes, own physical precious metal holdings, and real estate properties that have been acquired as a result of lending operations and are intended for resale, are carried at the lower of cost or market value. In the case of real estate properties acquired as a result of lending operations and intended for resale, the lower of cost or market value is deemed to be the lower of the acquisition value or liquidation value.

Structured products are carried at the lower of cost or market value. Both the underlying instrument and the derivative are recognised under "Financial investments".

Own physical precious metal holdings to secure commitments arising from precious metal accounts are stated at fair value and recognised in the balance sheet, provided that the precious metal is traded on a price-efficient and liquid market.

If the fair value of financial investments stated at the lower of cost or market increases again after declining below historical cost, the value may be written up to a maximum of the historical cost. The net amount of value adjustments is recorded under "Other ordinary expenses" or "Other ordinary income".

If financial investments that are carried at the lower of cost or market value are sold, the entire realised gain is recorded under "Income from the disposal of financial investments".

**Non-consolidated holdings**

Holdings that are not consolidated are shown in the list on page 146.

The term "holdings" covers equity securities owned by group companies in infrastructure-related undertakings as well as equity securities held as a long-term investment irrespective of the percentage of voting shares. Holdings are valued individually. The legal maximum limit is the acquisition value less economically necessary impairments.

Material holdings in companies over which a significant influence is exercised without having outright control are valued using the equity method. A significant influence is recognised when 20% or more of the voting capital is held.

Impairment testing is carried out annually on the balance sheet date. Any additional impairments are recognised in the income statement (under "Depreciation and amortisation of tangible fixed and intangible assets, and impairments of holdings"). The partial or full reversal of an impairment is recognised under "Extraordinary income".

**Tangible fixed assets**

Investments in new tangible fixed assets are recognised as assets if they have a market value or value-in-use and can be used for more than one accounting period.

Investments in existing tangible fixed assets are recognised as assets if, as a result, the market value or value-in-use is permanently enhanced or the useful life is significantly extended.

Tangible fixed assets are recognised at historical cost or production cost. In subsequent valuations, tangible fixed assets are recognised at historical cost less accumulated depreciation.

Depreciation is recognised on a straight-line basis over the estimated useful life of the asset. The estimated useful life of individual categories of tangible fixed assets is as follows:

Category	Depreciation period
Bank buildings and other properties (including land)	max. 50 years
Interior construction and technical installations in own properties	max. 15 years
Leasehold improvements	Rental contract term, max. 15 years
Fittings and equipment	max. 10 years
Furniture	max. 4 years
IT and hardware	max. 4 years
Software and new systems	max. 5 years

Impairment testing for tangible fixed assets is carried out annually on the balance sheet date. Any additional impairments are recognised in the income statement (under "Depreciation and amortisation of tangible fixed and intangible assets, and impairments of holdings"). The partial or full reversal of an impairment is recognised under "Extraordinary income".

Realised gains from the sale of tangible assets are booked under "Extraordinary income", and realised losses are booked under "Extraordinary expenses".

### Intangible assets

Acquired intangible assets are recognised in the balance sheet if they yield measurable benefits for the group over several years. Intangible assets developed internally are not recognised in the balance sheet. Intangible assets are valued individually. Intangible assets that can be recognised as assets are valued at no more than historical cost. In subsequent valuations, intangible assets are recognised at historical cost less accumulated amortisation.

When business units and companies are acquired, the assets and liabilities taken over are carried at their current value. If, in this valuation process, the acquisition costs are higher than the net assets, the difference is considered goodwill and is recognised as an asset under "Intangible assets". Liabilities are recognised under "Other liabilities" for expected outflows in connection with the takeover of control. They are released in keeping with their designated purpose according to the outflow. Any remaining negative goodwill corresponding to an acquisition for less than the value of the net assets (a genuine "bargain buy") is recognised immediately under "Extraordinary income".

When recognising intangible assets, the future useful life is prudently estimated. Amortisation of intangible assets is recognised on a straight-line basis over the estimated useful life of the asset.

The estimated useful life of individual categories of intangible assets is as follows:

Category	Depreciation period
Goodwill	max. 5 years
Other	max. 5 years

Impairment testing for intangible assets is carried out annually on the balance sheet date. Any additional impairments are recognised in the income statement (under "Depreciation and amortisation of tangible fixed and intangible assets, and impairments of holdings").

### Medium-term notes

Medium-term notes are recognised at nominal value.

**Bond issues and central mortgage institution loans**

Bond issues and central mortgage institution loans are recognised at nominal value. Prepayment commissions in connection with central mortgage institution loans are viewed as an interest component and accrued over the life of the central mortgage institution loan.

**Lease transactions**

Items used by the bank under an operating lease are not recognised as assets. Leasing expenses are charged to "Operating expenses".

**Provisions**

A provision represents a probable obligation based on a past event, the amount and/or timing of which is uncertain but can be reliably estimated.

The amount of the provision is determined on the basis of an analysis of the past event concerned and of events occurring after the balance sheet date, if such analysis helps to further clarify the situation. The amount is estimated in accordance with the economic risk posed, which is established as objectively as possible. Where the expected timing of the obligation has a material impact, the provision is discounted. The amount of the provision must correspond to the expected future cash outflows. It must take account of the likelihood and reliability of these outgoing cash flows. Released provisions are recognised in income.

**Pension liabilities**

Pension schemes can give rise to either economic benefits or economic liabilities for the group. The economic impact is determined based on the financial position of the pension schemes to which group companies belong.

Where a pension scheme is underfunded, an economic liability arises if the conditions for recognising a provision are met.

Where a pension scheme is overfunded, an economic benefit exists if the group company intends and is permitted to use the surplus to lower employer contributions or for another economic benefit to the employer unrelated to the provision of benefits under the scheme. A future economic benefit (including employer contribution reserves) is recognised in this case.

Employer contributions owed to pension schemes are recognised in the income statement (under "Personnel expenses").

**Taxes**

**Current taxes** The current income and capital taxes payable on the profit for the period and the relevant capital amount are calculated in accordance with the applicable tax reporting regulations. Commitments with regard to current income and capital taxes are disclosed under "Accrued expenses and deferred income".

**Deferred taxes** Book values that deviate from the values relevant for tax law purposes (valuation differences) are determined systematically. Deferred tax income or expense is recognised on such amounts and recorded under "Provisions". The annual recognition of deferred income taxes is based on a balance sheet perspective and considers all future income tax effects. Deferred income tax expense or the change versus the prior year is reported under "Taxes".

Deferred income tax assets on temporary differences and on tax losses carried forward may be recognised under "Other assets". Any tax credits not recognised are disclosed in the notes under contingent assets.

#### **Reserves for general banking risks**

The reserves for general banking risks are disclosed in a separate account and are part of equity. They may contain specific-purpose components. The reserves for general banking risks are taxable as a general rule. Provisions for deferred taxes are set up in respect of deferred tax assets for non-taxable, specific-purpose reserves for general banking risks.

#### **Transactions with shareholders**

Transactions with shareholders in their capacity as shareholders are recognised at fair value.

#### **Own debt securities and treasury shares**

Own bonds and medium-term notes are offset with the corresponding items shown under liabilities. Interest income on own bonds and medium-term notes is offset with interest expense.

Holdings of Valiant treasury shares are shown as a negative position in equity capital.

Purchases of treasury shares are recorded on the acquisition date at cost. This corresponds to the fair value of the consideration transferred to the counterparty by way of settlement.

Treasury shares are recognised in the balance sheet at the average purchase price. No adjustments are made to the valuation.

When treasury shares are sold, any difference realised between the consideration received and the book value is credited or debited to the "Capital reserve". The dividend on Valiant treasury shares is also booked to the "Capital reserve".

#### **Equity transaction costs**

Assuming they relate to the raising (capital increase, sale of treasury shares) or repayment (capital reduction, purchase of treasury shares) of capital, equity transaction costs are recognised as a reduction in the "Capital reserve", net of any related income taxes.

#### **Off-balance-sheet transactions**

Off-balance-sheet transactions are recognised at nominal value. Provisions are recognised on the balance sheet for identifiable risks of loss.

**Fiduciary transactions** Fiduciary transactions include investments, loans (including mortgage loans to private clients), participations and transactions relating to securities lending and borrowing that the bank carries out or grants in its own name on the client's behalf and at their sole risk on the basis of a written mandate. The client bears the currency, transfer, price and del credere risk and is entitled to the full profit of the transaction. The bank only receives a commission. Credit limits which Valiant has granted and can terminate at any time are recorded as irrevocable commitments. The irrevocable commitment is cancelled the moment the deed of transfer is issued to the investor.

**Information on factors that influenced the financial position of the bank during the current period or compared with the previous period**

The economic impact of the coronavirus pandemic has affected the entire Swiss economy, including banks. Economic conditions changed significantly within a short period of time. Our cautious lending policy means that we have a diversified, high-quality lending portfolio. There were no other material factors that influenced the bank's financial situation during the reporting period or compared with the previous period.

**Changes to accounting policies**

The new FINMA Accounting Ordinance entered into force on 1 January 2020 along with FINMA Circular 2020/1 "Accounting – banks". Both apply to Valiant. On the basis of Article 98 of the transitional arrangements, Valiant will apply the rules on the recognition of value adjustments for inherent default risks to non-impaired receivables from the financial year beginning 1 January 2021 and therefore elected not to apply these provisions early, in the year ending 31 December 2020 (Article 98 (2), FINMA Accounting Ordinance). There were therefore no significant changes to the accounting policies or any corrections of errors affecting the financial statements during the year.

# Notes on risk management

## Risk policy/risk governance

### **Board of Directors**

The Board of Directors bears overall responsibility for risk management. It sets the risk policy, which determines the risk strategy, including the identification, measurement and monitoring of risk and the responsibilities of the Executive Board, Risk Control, Compliance and Internal Audit. It also approves strategic limits on the maximum risk tolerance and limits on individual risks within the different risk categories, in line with the risk tolerance. The risk tolerance limit requires that the capital adequacy requirements imposed by law be complied with even after the occurrence of the stress scenarios specified by the Board of Directors. The stress scenarios involve subjecting the bank's businesses to major macroeconomic downturns, in particular credit risks, interest rate risks and funding and liquidity risks. The Board of Directors also approves limits on individual risks, which are aligned with risk-bearing capacity limits. The Board of Directors is informed of all relevant risks at least twice a year.

In addition to quantitative risk-appetite and risk-tolerance requirements, the Board of Directors has laid down the following qualitative risk policy guidelines:

- Valiant deliberately takes on risks that generate risk-adjusted added value for the bank and contribute to achieving its business goals.
- The bank strives to achieve a balanced risk-return trade-off in all its business transactions.
- Risks that are deliberately assumed must be measured, limited, monitored and reported. Net risks must lie within the defined risk tolerance.
- Diversification of risks is a central principle. Whenever diversification cannot be achieved, the risks that are inseparable from transactions are to be minimised.
- Valiant cultivates a risk culture based on responsible action. Employees are responsible for the gains or losses arising from the risks they enter into. All employees, especially managers at all levels, are required to be aware of and recognise the risks in their business areas and foster an understanding of risks.
- Valiant takes appropriate risk-mitigation measures (e.g. a comprehensive directives policy, collateral and quality requirements, hedging, limits, process optimisation, double-checking, key checks, independent control bodies (Legal and Compliance, Risk Control), business continuity management, insurance, training) to ensure that the bank complies with the risk-tolerance level specified by the Board of Directors and by regulatory requirements.
- Valiant's code of conduct sets out the values to be put into practice in the bank's day-to-day work.

Risk Control reports regularly to the Board of Directors on compliance with risk-policy requirements. Its reports contain not only a review of compliance with all quantitative limits but also – looking ahead on the basis of the macroeconomic environment at the time the report is made – a qualitative assessment of overall and individual risks.

The risk policy is reviewed periodically by the Board of Directors to check it is still appropriate, and adjusted if necessary. It also forms the framework for all aspects of directives related to risk.

**Audit and Risk Committee**

The Audit and Risk Committee prepares the information that serves as the basis for the Board of Directors' risk-policy decisions. It evaluates the risk situation and compliance with risk-policy requirements at least every three months, and informs the Board of Directors about the risk situation, any changes in the framework conditions and the measures taken. The Audit and Risk Committee also assesses the reports from the external and internal auditors and the internal control system (ICS).

**Executive Board**

The Executive Board is responsible for implementing the risk policy. This mainly entails creating an appropriate organisational structure and comprehensive directives, developing suitable processes for identifying, measuring, assessing, managing and monitoring the risks assumed, and establishing, maintaining and reviewing the adequacy of internal controls.

**Risk Control**

Headed by the Chief Risk Officer (CRO), Risk Control performs a risk function that is independent of core business processes. It analyses the implementation of, and compliance with, risk-policy requirements, assesses all risks (both overall risk tolerance and individual risks) and is responsible for quarterly reporting to the Executive Board and the Audit and Risk Committee as well as for half-year reporting to the Board of Directors. Risk Control is also responsible for the design and ongoing development of the ICS and for adjusting it in response to significant changes in processes and/or the launch of new products. This involves assessing the effectiveness of methods for identifying and mitigating risks on an ongoing basis. The CRO reports directly to the CEO and has unlimited rights to information, access and inspection. The CRO can refer issues to the Audit and Risk Committee or the Board of Directors at any time.

**Compliance**

The Compliance department is independent of business processes and is managed by the Head of Legal and Compliance. The department ensures that business activities are consistent with the law and internal bank requirements. For this reason, its rights to information, access and inspection are unlimited. It ensures that regulatory requirements are enforced and that internal directives are duly updated in line with them, communicated to staff and complied with. It also supports and advises the bank's managers in unusual or complex cases relating to compliance, and examines any breaches of the relevant regulations. The Head of Legal and Compliance reports regularly on compliance risks and the findings of its activities to the Audit and Risk Committee and the Board of Directors. The Head of Legal and Compliance reports directly to the CEO. He can refer issues to the Audit and Risk Committee or the Board of Directors for consideration at any time.

**Internal Audit**

Internal Audit reports directly to the Board of Directors, which approves the annual risk budget each year and takes note of the activity report. The Audit and Risk Committee is responsible for managing Internal Audit. Internal Audit regularly reviews and assesses the internal control system. This includes assessing risks as well as the appropriateness and effectiveness of controls (design and operational effectiveness). The audit reports submitted by Internal Audit are discussed by the Audit and Risk Committee.

## Risk management

Risk management is one of the main ongoing tasks of the bank; its purpose is to fully and systematically manage risks within the defined risk tolerance set by the Board of Directors. It includes identifying, measuring, assessing, controlling and reporting on individual as well as aggregate risks.

As a financial institution, Valiant is exposed to a variety of risks specific to banks. These include credit, market and liquidity risks, as well as operational and legal risks.

### Credit risks

Due to the type of business in which it engages, Valiant primarily faces credit risk on loans to clients. This entails the risk of a loss caused by the borrower being partly or wholly unable to meet their obligations, or by collateral such as real assets or securities losing value. This type of risk can involve not only loans to clients, contingent liabilities and irrevocable commitments, but also other counterparty-related transactions (e.g. interbank business, financial investments and derivatives).

**Client loans** Valiant only lends to creditworthy clients who have the capacity and intention to pay back the loan. Issues such as the client's integrity, understanding the purpose of the loan and the plausibility and proportionality of each transaction are thus key to the lending decision.

Valiant's main lending activity is real estate financing for retail and affluent, self-employed individuals, and small and medium-sized businesses. In addition, it offers loans for working capital and other basic services for businesses. Unsecured loans are granted only to solvent companies and public-sector entities. Consumer loans or lines of credit to retail and affluent clients are granted only on an exceptional basis.

Valiant's lending business operates primarily in those cantons in which it has branches, although loans are also available in other cantons to a limited extent. Such loans can be arranged through or granted by the branches directly or by partner organisations.

As part of capital planning, default risks are simulated for multiple scenarios determined by the Board of Directors and must remain within the risk tolerance limits set by the Board.

**Risk-mitigation measures** In its core business, Valiant has adequate organisational structures and processes, along with a comprehensive directives policy, to monitor credit risks at both the individual transaction and portfolio level. The responsibility for managing risks relating to individual client loans lies with the Credit Office, which works independently of the front offices and is responsible for credit analysis, loan monitoring, credit processing and the restructuring of loans. The Credit Restructuring department is a skills centre specialising in restructurings and disposals. It also manages overdue, at-risk and non-performing loans. Credit risks in portfolios are also monitored by the Credit Risk Management department, which reports directly to the CRO.

Credit risks are kept within limits through risk diversification, quality requirements and maximum loan-to-value ratios. The repayment requirements for loans secured by mortgages vary depending on the nature of the property, the amount borrowed and how the borrowed funds are used. For loan approvals there are risk-oriented levels of decision-making authority for assessing creditworthiness on the basis of uniform criteria. The Board of Directors has delegated the highest loan approval authority to the Credit Committee. This committee consists of representatives from the Executive Board and the front line, together with specialists from the Credit Office. Approval for lower-risk loans is delegated to various levels of decision-making authority in the regions.

As part of the normal processes, exception-to-policy loans are carefully tracked, monitored and reported. Exception to policy (ETP) is the classification applied to loans secured by mortgages in which at least one of the criteria (amount lent, the borrower's ability to service the debt, minimum repayment) does not comply with internal bank requirements. The process of monitoring credit commitments is underpinned by close relationships and familiarity with clients. Depending on the type and amount of the loan as well as the collateral, a risk-oriented follow-up procedure is adopted in which the borrower's creditworthiness is assessed and the value of any collateral is reviewed. Client- and collateral-related events of relevance to creditworthiness are also actively monitored. Credit exposures are re-evaluated where necessary.

Credit risks in portfolios are also monitored through the use of early warning systems and by means of valuation reviews and stress tests. Portfolio analysis involves assessing diversification on the basis of a number of structural features (including type of loan, rating of the counterparty, sector, collateral, geographical features, value adjustments and exception-to-policy loans).

**Counterparty risks** Counterparty risks are taken on primarily in relation to cash holdings (cash and cash reserves as well as high-quality liquid assets in accordance with liquidity guidelines). The quality requirements used to determine individual limits are largely based on ratings by recognised rating agencies. Limits are reviewed periodically and adapted in line with changes in conditions where necessary. The Asset Liability Committee (ALCO) approves the limits to be set. Compliance with the limits is monitored on an ongoing basis and reported.

OTC derivatives are only concluded with selected counterparties. The counterparties sign a standardised framework agreement (including credit support annex) containing a close-out netting agreement in the event of the insolvency/bankruptcy of the counterparty. Credit support annexes generally set out an obligation on both sides to exchange collateral in order to cover variation margins.

Collateral in the form of bank guarantees must meet internal quality requirements. Changes in the ratings of counterparties and in collateral are actively monitored, and appropriate measures are taken in the event of a ratings downgrade or any significant losses in value of collateral. Wrong-way risks (relationship between a counterparty's creditworthiness and the value of the instruments deposited by and associated with it) play a minor role given the bank's business model. At present, a potential downgrade of Valiant's ratings would not result in the need to provide significant additional margins/collateral to banks. The only exception is Mortgage Bond Bank of Swiss Mortgage Institutions (Pfandbriefbank schweizerischer Hypothekarinstutute AG), which could raise the collateral margin for pledged mortgages if Valiant's rating was downgraded materially. Concentration risks associated with collateral received are monitored.

**Country risk** Country risk arises if country-specific, political or economic conditions affect the value of an international commitment. Country risks are not very important given the type of business activities in which Valiant engages. This type of risk comes almost exclusively from counterparty risks (banks, financial investments) and is taken into consideration in measuring, limiting and monitoring counterparty risks.

## Market risks

**Interest rate risk** Interest operations are the largest revenue source for Valiant, and income from them is affected by changes in market interest rates. Balance-sheet and off-balance-sheet transactions are subject to interest rate risks, as a result of the differing interest rate sensitivity of assets, liabilities and derivative financial instruments. The Board of Directors has therefore set risk limits for asset/liability management (ALM) for reasons of sensitivity and earnings considerations.

The Asset Liability Committee (ALCO), which is chaired by the Chief Financial Officer, is responsible for measuring and monitoring interest rate risk. All relevant data is measured at least once a month to ensure compliance with interest rate risk limits.

ALM reports contain the results of the most important analyses – such as the sensitivity of equity and the income effect of changes in interest rates, the duration of assets and liabilities, the trend in variable- and fixed-rate balance-sheet positions (interest rate gaps), net interest income and the interest margin, value-at-risk analyses – and the utilisation of risk limits. Interest rate risk is managed on the basis of the interest rate gap analysis, which shows all positions at their fixed interest rate. Positions that can be cancelled or are due on demand are monitored using a replication model. The replication rates are reviewed at least annually to check they are still appropriate, and approved by the Board of Directors.

ALCO manages interest rate risks on the basis of these analyses. In addition to traditional balance-sheet transactions, derivatives are also used for hedging purposes. Through regular simulations and stress tests, the impact of future or unusual market situations on the sensitivity of equity (modified duration) and on interest income (income effect) is calculated, and measures for optimising interest income are put in place.

Interest rate risks in foreign currency are insignificant. Early repayment of fixed-rate loans is subject to Valiant's consent.

**Other market risk** Market risks play a minor role given the type of business activities that Valiant engages in. Valiant trades in foreign currencies and notes, precious metals and securities primarily in order to meet its clients' needs. Open foreign currency items and securities booked to the trading portfolio are allocated to the trading book. All other positions in shares, bonds and equity stakes are managed in the banking book. Adherence to limits, which are low in comparison with Valiant's risk tolerance, is monitored by Risk Control, which regularly reports to the Executive Board and the Board of Directors.

### Liquidity and funding risks

The primary goal of liquidity risk management is to ensure that Valiant can meet all its payment obligations, even in stressed situations where funding opportunities are very limited. The Board of Directors determines risk tolerance by defining specific limits that apply to liquidity, funding and stress scenarios.

Valiant's funding mainly comes from its broadly diversified client deposits. The heterogeneous structure of its clients allows it to reduce any excessive concentration in individual client groups. Another source of funding is the capital market, where the emphasis is predominantly on secured funding such as Mortgage Bond Bank loans and covered bonds. Valiant obtains a limited amount of funding from third-party banks on the short- to medium-term money market. The costs of funding and liquidity management are passed onto the business areas by means of fund transfer pricing.

The Executive Board delegates the implementation of liquidity risk management to the Asset Liability Committee (ALCO). The principles of the implementation of liquidity risk management (responsibilities and procedures in the management of liquidity) are regulated in the directives policy. ALM/Treasury, a unit that operates independently of the bank's front line, is responsible for implementing liquidity and funding management. The unit ensures compliance with the regulatory requirements governing liquidity and the monitoring of compliance with limits. ALM/Treasury reports regularly to the Executive Board and ALCO. As the second line of defence, Risk Control monitors the internal control system and assesses liquidity and funding risks on a quarterly basis.

Valiant takes extensive risk-mitigation measures to limit liquidity risks. The Executive Board issues additional warning limits to support compliance with global limits. Any breaches of warning limits trigger precisely defined action plans that ensure communication with the relevant internal committees while ensuring the immediate rectification of the breach. Valiant maintains a certain minimum amount of liquid assets in the form of a liquidity reserve. These assets meet the requirements for high-quality liquid assets. Valiant holds unencumbered collateral with the Mortgage Bond Bank and for the issue of covered bonds. ALM/Treasury produces long-term liquidity and funding plans and tactical liquidity plans based on balance sheet structure planning.

Valiant carries out bank-specific and systemic stress tests at least once a month to identify and quantify stress factors and analyse the effects on its payment inflows and outflows and liquidity position. The results of the stress tests and compliance with stress limits are reported monthly to the Executive Board and quarterly to the Board of Directors. The stress scenarios are reviewed at least annually to check they are still appropriate and are submitted for approval to the Board of Directors.

Valiant has a comprehensive contingency plan in place to address any acute liquidity shortages. The liquidity contingency plan constitutes part of the bank's overall contingency plan. General and specific early warning indicators are defined to identify any latent liquidity shortages, heightened funding risks and nascent liquidity emergencies.

## Operational risks

Operational risk is defined as the "risk of directly or indirectly incurring losses due to the inappropriateness or failure of internal procedures, persons or systems or to external events". The definition covers legal and compliance risks, but not strategic or reputational risks. Operational risks are a consequential risk of engaging in business with clients.

**Risk appetite and risk tolerance** The Board of Directors has issued regulations specifying risk appetite and risk tolerance in connection with operational risks, including the treatment of electronic client data. There is, as a general rule, no appetite for taking on high-impact operational risks and/or those with a high probability of occurrence, unless appropriate measures are in place to mitigate or transfer them. The measures put in place must be sufficient to ensure that the potential impact and probable occurrence of the residual risks are reduced to such an extent that they would be within the risk tolerance specified by the Board of Directors. The prospective assessment of operational risks is based on the inventory of operational risks, which is used to assess both inherent (total risk before risk mitigation measures) and residual risks, taking into account measures (in particular tailored controls) to mitigate them. The Board of Directors has also issued quantitative parameters (reportable incidents) and qualitative metrics for the downstream assessment of risk tolerance.

**Instruments for the identification, evaluation and steering of operational risks** The main ways in which Valiant identifies inherent risks are as follows:

- appointing individuals with internal control system (ICS) responsibilities in each business unit, who use their specialist expertise to prepare the inventory of operational risks together with Risk Control;
- collecting and analysing loss data with which to estimate potential losses;
- reports of the internal and external auditors;
- internal reports (compliance reports, client complaints, financial reports, etc.);
- analysing information from external sources such as FINMA, the Swiss National Bank, the Swiss Bankers Association, the Swiss Banking Ombudsman, IT outsourcing providers, the Reporting and Analysis Centre for Information Assurance (MELANI), the press and specialist journals;
- risk and performance indicators (e.g. outsourcing KPIs and confirmation by the control officers that key checks have been carried out) for the monitoring of operational risks and indicators of the effectiveness of the internal control system.

**Internal control system (ICS)** Measures to mitigate inherent operational risks require, in particular, an appropriate ICS. Tailored controls are integrated into the processes used to provide services and are applied on a continuous basis and documented appropriately. An appropriate segregation of functions is incorporated into the organisational structure and the relevant processes. The people responsible for the ICS evaluate the design effectiveness of the internal controls in their area at least once per year. Responsibility for the management of operational risks and implementation of suitable processes and systems lies with the respective line manager. The Board of Directors assesses the appropriateness and effectiveness of the ICS on a regular basis. The assessment of the ICS is preceded by a detailed discussion of it by the Audit and Risk Committee.

Valiant's ICS has three lines of defence.

- In the first line, the ICS ensures that, for all relevant bank processes, the risks are systematically identified, measured, managed and monitored. Tailored controls are integrated into the processes used to provide services and are applied on a continuous basis and documented appropriately. An appropriate segregation of functions is

incorporated into the organisational structure and the relevant processes. The people-responsible for the ICS (i.e. the risk owners) evaluate the design effectiveness of the internal controls in their area at least once per year. Responsibility for the management of operational risks and implementation of suitable processes and systems lies with the respective line manager.

- The second line of defence is Risk Control and Compliance, which perform their monitoring and oversight functions independently of the revenue-generating departments.
- As the third line, the bank is audited by Internal Audit.

**Business Continuity Management (BCM)** Actions for securing, maintaining and restoring critical business processes in the event of internal or external events with a major and critical impact are governed by the BCM strategy and BCM manual. The BCM strategy issued by the Board of Directors defines the internal crisis response set-up including the crisis management team, evaluates critical threats to Valiant and assesses their impact. The crisis management team formulates appropriate response plans and tests them at regular intervals. They report annually on their main activities to the Audit and Risk Committee.

**Reporting** Risk Control reports periodically to the Audit and Risk Committee and the Board of Directors on compliance with operational risk regulations. Its reports mainly cover compliance with risk-tolerance requirements, the assessment of operational risks (in particular new risks or changes to risk assessments) and an evaluation of operational losses. They also cover the key checks carried out by control officers and the work of Risk Control.

#### **Compliance and management of legal risks**

The regulations and standards governing banking business are set out in federal acts and ordinances, circulars issued by FINMA, and the rules of professional conduct and guidelines prescribed by the Swiss Bankers Association for the purpose of self-regulation. International regulations also affect the financial industry in Switzerland, either directly or indirectly, and must therefore be duly observed. Legal and Compliance is responsible for ensuring compliance with the regulatory requirements.

**Mechanisms for combating money-laundering** The Financial Action Task Force (FATF) recognises the quality of Switzerland's provisions aimed at combating money laundering and terrorist financing. Switzerland was evaluated for the fourth time in 2016. Although the FATF recognised that Switzerland's anti-money-laundering enforcement is generally effective, it identified a number of weaknesses and made several recommendations in these areas. Since then, Switzerland has been in an "enhanced follow-up process" and is currently rectifying the legislative shortcomings identified by the FATF. The findings of the country report resulted in amendments to the Anti-Money-Laundering Act (AMLA), the FINMA Anti-Money-Laundering Ordinance (AMLO-FINMA) and the Agreement on the Swiss banks' code of conduct with regard to the exercise of due diligence (CDB), as well as the regulations of self-regulatory organisations. The AMLA is currently being debated in parliament, while the new AMLO-FINMA and CDB have been in force since 1 January 2020. Several changes, particularly to the reporting system and with regard to additional risk criteria, were implemented with effect from 1 January 2020. Further requirements regarding the verification of beneficial owners and regular audits are currently being discussed in parliament and are to be integrated into the new AMLA.

Valiant rigorously implements the applicable regulations on the prevention of money laundering. AMLO-FINMA and CDB 20 have been implemented within our operations since the beginning of 2020.

**Financial Services Act (FinSA)/Financial Institutions Act (FinIA)** After publication of the last decree, the FinSA and FinIA acts and associated ordinances have been in force since 1 January 2020. They include various transition periods of up to three years. The main provisions relating to banks must be implemented by the end of 2021.

FinIA will impose stricter obligations on banks to disclose information when selling investment products to clients. They will be required to make systematic enquiries into the client's risk appetite and risk capacity and keep appropriate records of discussions with clients. In addition, requirements regarding the initial and follow-up training of client advisors will be stepped up, while prudential supervision of financial institutions that require a licence is proposed.

Valiant had already largely implemented investment suitability and appropriateness measures that are essentially in line with the requirements of the European Union (EU) Markets in Financial Instruments Directive (MiFID II) and the previous FinSA/FinIA legislative proposals before 2020. Where there are gaps in implementation with regard to the current legislation, the bank will therefore make the appropriate changes.

**Data Protection Act (DPA)** Following the publication of the EU's General Data Protection Regulation (EU-GDPR) and its entry into force in May 2018, Switzerland also took steps to align its data protection legislation with European regulations. The Swiss parliament passed the new Data Protection Act on 25 September 2020. It differs from the GDPR in a number of areas and has even stricter rules in some cases. The revised DPA is currently expected to enter into force in 2022. The act does not contain any relevant transitional periods. Valiant has launched a project to ensure data protection compliance arising from the new legislation. It is evaluating issues such as the possible appointment of a data protection advisor and the changes that need to be made to the IT structure. The data protection statement and internal directives are also being amended to reflect the revised legislation. Valiant is thus making sure that staff are aware of the requirements of the new data protection legislation and that clients can access information about how Valiant handles personal data.

**Cross-border financial services business** As a Swiss-oriented retail bank, Valiant takes a restrictive approach to clients domiciled abroad. Transactions with such clients are only carried out if they have a sufficiently close connection to Switzerland. Business relationships can only be initiated within Switzerland. Valiant does not actively seek to acquire clients domiciled outside Switzerland.

They also have a restricted range of financial products to choose from. In anticipation of the MiFID requirements, Valiant has for some time been significantly tightening its internal regulations governing the securities transactions of clients domiciled outside Switzerland. Clients domiciled outside Switzerland are serviced centrally in a single department whose staff are given training specific to these tasks.

**Tax compliance** Valiant consistently fulfils regulatory tax requirements, which are partly based on Swiss regulations but in some cases also have extraterritorial effect. This means that data relating to clients with a foreign tax liability must be reported to the foreign tax authorities. As such, clients are requested to provide the additional tax-relevant information needed to fulfil reporting requirements. These obligations are mainly based on the following regulations:

- Qualified Intermediary (QI), US requirements for withholding tax on investment income that have been in force since 2001. Obtaining QI status is important for banks, as it enables non-US clients holding US securities to benefit from the Swiss/US double taxation agreement.
- Foreign Account Tax Compliance Act (FATCA) and the Federal Act on the Implementation of the FATCA Agreement between Switzerland and the United States (Swiss FATCA Act), a US law requiring banks to verify the US status of bank clients, and
- Automatic exchange of information (AEOI), an agreement of the Council of the Organisation for Economic Co-operation and Development (OECD), ratified by Switzerland, which sets the global standard for the international automatic exchange of information in tax matters (AEOI standard). The standard relates to bank clients whose tax domicile is in a country that has reached a corresponding agreement with Switzerland.

# Notes on the methods used to identify credit risk and determine impairments

## Determination of impairments

Client credit ratings are carried out by means of a client rating system that is used to estimate clients' probability of default. Valiant uses the Creditmaster client rating system developed by RSN Risk Solution Network AG. For retail and affluent clients, the key factor is income, while for corporate clients factors such as profitability, the debt/equity ratio and liquidity are the main criteria. The assessment is mainly based on quantitative factors, although qualitative factors are also taken into consideration for retail and affluent clients and large corporate clients.

As well as assessing the client's creditworthiness by means of the client rating, the collateral used to secure the loan is also reviewed and revalued periodically. For new or known risk positions where the latest credit assessment identifies a latent risk, a specific impairment is recognised for the unsecured portion of the loan resulting from the revaluation of the collateral.

## Monitoring of lending exposure

Information is requested from clients once a year, or more often if needed, for unsecured commercial loans. This information provides an insight into the company's financial situation and thus helps in determining the current rating. In addition, an early warning system is used to detect latent risks.

## Impaired loans/receivables

For impaired loans, i.e. claims for which it is unlikely that the borrower can meet its future commitments, the liquidation value of the collateral is determined and the impairment is covered by individual value adjustments where necessary. The impairment is based on the difference between the book value and the realisable value, taking into account counterparty risk and the net proceeds from the realisation of any collateral held. The estimated proceeds from any sale are discounted to the balance sheet date.

Loans are classified as impaired at the latest when the contractually agreed payments of principal and/or interest have been overdue for more than 90 days. Hence we also analyse and monitor outstanding interest and principal payments. Value adjustments are recognised directly on overdue and impaired interest payments.

Impaired loans are only reclassified as performing loans if the principal and interest are paid as contractually agreed and other credit rating criteria are met. Value adjustments and provisions that are no longer needed are reversed through the income statement.

If a loan is classified as wholly or partly irrecoverable or the claim is waived, it is reversed by booking it against the corresponding value adjustment.

## Notes on the valuation of collateral

The collateral to secure a loan is valued on the basis of the standard criteria used in the banking industry.

### **Mortgage-based loans**

How mortgages that secure loans are valued depends on the use of the property and the type of property. A hedonic valuation model is used for assessing owner-occupied properties; it compares real estate transaction data based on the detailed characteristics of each property. For investment properties, such as multi-family dwellings and office, commercial or industrial properties, the property values are determined using a capitalisation model. This involves calculating the property's earning-capacity value on the basis of its regular income streams. If the credit facility is not to be continued, the property is valued at its liquidation value. Valiant uses the lowest of the internal valuation, the purchase price and any external assessment as the basis for granting a loan.

### **Loans not secured by a mortgage**

Valiant provides loans that are not secured by a mortgage in all the usual forms (line of credit, loan, forward loan). Assets such as current accounts, securities, insurance policy entitlements, assets in fiduciary accounts and other eligible assets are pledged against these loans. The collateral accepted mainly consists of marketable, liquid securities. To cover the market risk associated with the collateral, haircuts are applied to market values when calculating collateral value.

# Business policy on the use of derivative financial instruments and hedge accounting

Derivatives are used in both the trading and the banking book.

The derivatives allocated to the trading book are derivatives traded with third parties to meet client needs and currency swaps used by Treasury for non-speculative balance sheet management purposes.

The derivatives in the banking book are used solely to manage interest rate risks and are subject to hedge accounting. Interest-rate-sensitive loans and commitments in the banking book (underlying transaction) are hedged using interest rate derivatives (hedging transaction). Some interest-rate-sensitive positions in the banking book (in particular amounts due from and to customers, as well as mortgage loans) are grouped into various maturity bands by currency and hedged using macro hedges. When a financial instrument is recognised as a hedging transaction, the bank records the relationship between this instrument and the underlying transaction. The bank also records the risk management goals and strategy for the hedge and the methods for assessing the effectiveness of the hedge relationship. The economic relationship between the underlying and the hedge is continually monitored in a forward-looking manner by means of an effectiveness test, for instance by observing the opposing changes in their values and their correlation.

## Measuring the effectiveness of a hedge

A hedge works most effectively if it meets the following criteria in all material aspects:

- The hedge is assessed as being highly effective both at initiation and throughout its term.
- There is a close economic relationship between the underlying and the hedge.
- Changes in the value of the underlying and the hedge offset each other with respect to the hedged risk.
- The effectiveness of the hedge lies in a range of between 80% and 125%.

## Ineffectiveness

If a hedging transaction no longer meets the effectiveness criteria, it is treated as a trading transaction and the ineffective portion is recognised in "Net trading income and fair-value adjustments".

## **Material events after the balance sheet date**

No extraordinary events have occurred since the balance sheet date that might have a material influence on the assets, financial position or income situation of Valiant during the year under review.

## **Auditors**

The auditors did not resign early from their function during the financial year.

## Information on the balance sheet

### 1. Securities financing transactions

There were no securities financing transactions at the balance sheet date.

### 2. Collateral for loans and off-balance-sheet transactions, as well as impaired loans

	Type of collateral			
Loans	Secured by mortgage in CHF thousands	Other collateral in CHF thousands	Unsecured in CHF thousands	Total in CHF thousands
Due from customers	232,551	855,681	602,108	1,690,340
Mortgage loans	24,227,347			24,227,347
Residential property	20,779,424			20,779,424
Office and business premises	760,284			760,284
Commercial and industrial premises	1,588,884			1,588,884
Other	1,098,755			1,098,755
<b>Total loans (before netting with value adjustments)</b>	<b>24,459,898</b>	<b>855,681</b>	<b>602,108</b>	<b>25,917,687</b>
	Current year			
	Previous year	23,662,992	547,952	24,848,832
<b>Total loans (after netting with value adjustments)</b>	<b>24,427,597</b>	<b>855,681</b>	<b>584,692</b>	<b>25,867,970</b>
	Current year			
	Previous year	23,643,482	547,847	24,803,037
<b>Off-balance-sheet transactions</b>				
Contingent liabilities	15,970	12,207	105,442	133,619
Irrevocable commitments	921,538		109,224	1,030,762
Commitments relating to calls on shares and other equities			55,701	55,701
<b>Total off-balance-sheet transactions</b>	<b>937,508</b>	<b>12,207</b>	<b>270,367</b>	<b>1,220,082</b>
	Current year			
	Previous year	584,314	79,980	941,083

Impaired loans / receivables	Total debt in CHF thousands	Estimated liquidation value of collateral in CHF thousands	Net debt in CHF thousands	Individual value adjustments in CHF thousands
<b>Current year</b>	<b>51,835</b>	<b>32,730</b>	<b>19,105</b>	<b>19,105</b>
Previous year	71,862	47,229	24,633	24,633

Non-performing assets totalled CHF 29.4 million (2019: CHF 23.5 million).

### 3. Trading positions and other financial instruments at fair value

Assets	31/12/2020 in CHF thousands	31/12/2019 in CHF thousands
Trading portfolio assets	5,288	108
Equity securities	5,288	108
Other financial instruments at fair value	0	0
<b>Total assets</b>	<b>5,288</b>	<b>108</b>
of which determined using a valuation model		
of which securities eligible for repo transactions in accordance with liquidity requirements		

## 4. Derivative financial instruments

	Trading instruments			Hedging instruments		
	Positive replacement values in CHF thousands	Negative replacement values in CHF thousands	Contract volume in CHF thousands	Positive replacement values in CHF thousands	Negative replacement values in CHF thousands	Contract volume in CHF thousands
Swaps				4,183	30,521	5,127,000
<b>Interest-rate instruments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,183</b>	<b>30,521</b>	<b>5,127,000</b>
Forward contracts	3,776	7,396	1,353,928			
<b>Foreign exchange/precious metals</b>	<b>3,776</b>	<b>7,396</b>	<b>1,353,928</b>	<b>0</b>	<b>0</b>	<b>0</b>
Options (exchange-traded)	167	167				
<b>Equity securities/indices</b>	<b>167</b>	<b>167</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total before netting agreements</b>	<b>Current year</b>	<b>3,943</b>	<b>7,563</b>	<b>1,353,928</b>	<b>4,183</b>	<b>30,521</b>
	Previous year	3,350	2,970	307,974	6,149	40,318
of which determined using a valuation model	Current year	3,776	7,396		4,183	30,521
	Previous year	3,302	2,922		6,149	40,318
<hr/>						
<b>After netting agreements</b>				Positive replacement values (cumulative) in CHF thousands	Negative replacement values (cumulative) in CHF thousands	
<b>Current year</b>				<b>8,126</b>	<b>38,084</b>	
Previous year				9,499	43,288	
<hr/>						
<b>By counterparty</b>				Central clearing houses in CHF thousands	Banks and securities dealers in CHF thousands	Other customers in CHF thousands
Positive replacement values				0	7,348	778
Negative replacement values				0	37,494	590
<hr/>						
<b>Banks by residual maturity</b>				Positive replacement values in CHF thousands	Negative replacement values in CHF thousands	Contract volume in CHF thousands
With a residual maturity of up to 1 year				3,974	7,117	1,723,663
With a residual maturity of more than 1 year				3,374	30,377	4,691,188

## 5. Financial investments

	Book value	Fair value
	<b>31/12/2020</b> in CHF thousands	<b>31/12/2020</b> in CHF thousands
	<b>31/12/2019</b> in CHF thousands	<b>31/12/2019</b> in CHF thousands
Debt securities		
of which intended to be held to maturity	1,607,563	762,294
of which not intended to be held to maturity (available for sale)	1,607,563	762,294
Equity securities	2,175	2,225
of which qualified holdings <sup>1</sup>	88	88
Precious metals	277	84
Real estate	826	473
<b>Total financial investments</b>	<b>1,610,841</b>	<b>765,076</b>
of which securities eligible for repo transactions in accordance with liquidity regulations	1,605,863	762,264

<sup>1</sup> At least 10% of the capital or voting rights

	AAA to AA <sup>-1</sup> Aaa to Aa <sup>3</sup> <sup>2</sup> in CHF thousands	A+ to A <sup>-1</sup> A1 to A3 <sup>2</sup> in CHF thousands	BBB+ to BBB <sup>-1</sup> Baa1 to Baa3 <sup>2</sup> in CHF thousands	BB+ to B <sup>-1</sup> Ba1 to B3 <sup>2</sup> in CHF thousands	Below B <sup>-1</sup> Below B3 <sup>2</sup> in CHF thousands	Unrated in CHF thousands	Total in CHF thousands
Debt securities at book value	1,595,863	11,700				0	1,607,563

<sup>1</sup> S&P, Fitch, ZKB rating

<sup>2</sup> Moody's rating

The rating of a security is based on the credit rating assigned by one of the three agencies S&P, Moody's and Fitch. If a security has a rating from more than one of these agencies, the second-highest rating is used.

If an issuer has not been rated by one of these three agencies, the rating published by Zürcher Kantonalbank is used.

## 6. Non-consolidated holdings

	Acquisition cost in CHF thousands	Accumulated impairments and changes in book value in CHF thousands	Book value 31/12/2019 in CHF thousands	Reclassifications in CHF thousands	Additions in CHF thousands	Disposals in CHF thousands	Impairments in CHF thousands	Changes in book value in the case of holdings valued using the equity method / impairment reversals in CHF thousands	Book value <b>31/12/2020</b> in CHF thousands
<b>Holdings valued using the equity method</b>	<b>176,186</b>	<b>176,186</b>					1,762	177,948	
without market value	176,186	176,186					1,762	177,948	
<b>Other non-consolidated holdings</b>	<b>38,597</b>	<b>-627</b>	<b>37,970</b>		<b>14,486</b>	<b>0</b>	<b>-997</b>	51,459	
without market value	38,597	-627	37,970		14,486	0	-997	51,459	
<b>Total non-consolidated holdings</b>	<b>214,783</b>	<b>-627</b>	<b>214,156</b>		<b>0</b>	<b>14,486</b>	<b>0</b>	<b>-997</b>	<b>1,762</b>
									229,407

## 7. Companies in which the group holds a permanent significant direct or indirect holding

### Fully consolidated holdings

Company name and domicile	Business activity	Company capital in CHF thousands	Share of capital as %	Share of votes as %
Valiant Bank AG, Bern	Bank	153,800	100.00	100.00
Valiant Immobilien AG, Bern	Real estate	2,000	100.00	100.00

### Non-consolidated holdings

Company name and domicile	Business activity	Company capital in CHF thousands	Share of capital as %	Share of votes as %	Accounted for using the equity method	Carried at cost
AgentSelly Ltd., Risch	Internet services in connection with real estate	144	69.90	69.90		x
Bernexpo Holding AG, Bern	Event management	3,900	18.69	18.69		x
Crédit Mutuel de la Vallée SA, Le Chenit	Bank	1,200	41.49	41.49	x	
Entris Holding AG, Muri b. Bern	Financial services	25,000	58.84	58.84	x	
Gerag Gewerberevisions AG, Bern	Commercial accounting and auditing	100	40.00	40.00		x
Parkhaus Kesselturn AG, Luzern	Car-park management	2,825	7.96	7.96		x
Pfandbriefbank schweizerischer Hypothekarinstutute AG, Zurich	Procurement of capital-market funding	1,000,000	9.92	9.92		x
SIX Group Ltd., Zurich	Safekeeping of securities	19,522	0.33	0.33		x
ValFinance AG, Bern	Financial services	100	100.00	100.00		x
Valiant Mortgages Ltd, Bern	Granting of guarantees	100	98.00	98.00		x

### Indirect holdings

Company name and domicile	Business activity	Company capital in CHF thousands	Share of capital as %	Share of votes as %
Viseca Holding AG, Zurich <sup>1</sup>	Holding of equity interests and financing of subsidiaries	25,000	8.24	8.24

<sup>1</sup> New name as from 18 June 2020, previously known as Aduno Holding AG. Participation Entris Banking Group

AgentSelly AG is a start-up company offering a full range of real estate services. Valiant Bank AG increased its stake in AgentSelly AG from 38.0% to 69.9% in 2020. Valiant now has a majority within the company's highest governing body. As this stake is not material for the Valiant Group's financial reporting or risk exposures, we have decided not to consolidate it. The investment is valued at historical cost less economically necessary impairments.

Although Valiant's holding amounts to 58.84%, Entris Holding AG is accounted for using the equity method because:

- Under the Entris shareholder agreement, key decisions require a two-thirds majority. These primarily relate to decisions concerning senior management and strategic tasks of the shareholder pool.
- Valiant representatives do not have a majority on the Board of Directors of Entris Holding AG and/or Entris group companies.
- The Entris group is a joint venture among all Entris banks.

As it is not material, Gerag Gewerberevisions AG is recognised at historical cost less economically necessary impairments.

ValFinance AG is an inactive company and its capital is not material relative to the group. The investment is valued at historical cost less economically necessary impairments.

Valiant Hypotheken AG was founded with the specific and sole purpose of issuing covered bonds (see note 15). It functions as a guarantor of the covered bonds issued by Valiant Bank AG. Valiant Hypotheken AG does not have a material impact on total assets or the income statement and is therefore recognised at historical cost less economically necessary impairments.

Indirect holdings are listed above a materiality threshold of 5% of the votes and a capital share of CHF 2 million.

## 8. Tangible fixed assets

	Acquisition cost in CHF thousands	Accumulated depreciation in CHF thousands	Book value 31/12/2019 in CHF thousands	Additions in CHF thousands	Disposals in CHF thousands	Depreciation in CHF thousands	Book value 31/12/2020 in CHF thousands
Real estate	203,777	-101,271	102,506	2,107	-2,988	-6,050	95,575
Bank buildings <sup>1</sup>	182,420	-92,003	90,417	2,107	-2,963	-5,721	83,840
Other real estate	21,357	-9,268	12,089		-25	-329	11,735
Other tangible fixed assets	33,466	-14,183	19,283	12,921		-11,258	20,946
<b>Total tangible fixed assets</b>	<b>237,243</b>	<b>-115,454</b>	<b>121,789</b>	<b>15,028</b>	<b>-2,988</b>	<b>-17,308</b>	<b>116,521</b>

<sup>1</sup> Incl. installations in rented properties

There are no liabilities from future leasing instalments under operating leases. The bank has rental agreements for offices and branches with residual terms of less than a year but does not consider these to be operating leases.

## 9. Intangible assets

	Cost in CHF thousands	Accumulated amortisation in CHF thousands	Book value 31/12/2019 in CHF thousands	Additions in CHF thousands	Amortisation in CHF thousands	Book value 31/12/2020 in CHF thousands
Other intangible assets	4,690	-2,536	2,154	2,179	-2,825	1,508
<b>Total intangible assets</b>	<b>4,690</b>	<b>-2,536</b>	<b>2,154</b>	<b>2,179</b>	<b>-2,825</b>	<b>1,508</b>

## 10. Other assets and other liabilities

	Other assets	Other liabilities	
	<b>31/12/2020</b> in CHF thousands	<b>31/12/2019</b> in CHF thousands	<b>31/12/2020</b> in CHF thousands
			31/12/2019 in CHF thousands
Offset account	16,325	32,075	
Amount recognised as assets in respect of employer contribution reserves	1,487	1,407	
Indirect taxes	6,507	7,089	2,015
Gains on financial investments sold prior to maturity	2,014	2,470	26,259
Other	5,510	6,014	1,372
<b>Total other assets and other liabilities</b>	<b>31,843</b>	<b>49,055</b>	<b>29,646</b>
			<b>40,316</b>

## 11. Assets pledged or assigned to secure own commitments and assets under reservation of ownership

	Amount due	Of which drawn down	
	<b>31/12/2020</b> in CHF thousands	<b>31/12/2019</b> in CHF thousands	<b>31/12/2019</b> in CHF thousands
			31/12/2019 in CHF thousands
Mortgages pledged or assigned for central mortgage institution loans	6,487,154	6,407,174	5,095,700
Amounts due from customers pledged or assigned for the covered bonds	1,500	1,000	5,266,700
Due from customers assigned under the COVID-19 refinancing facility	287,266	271,600	
Mortgages pledged or assigned for the covered bonds	3,866,538	2,821,950	2,068,000
Due from banks	58,400	63,550	1,953,000
<b>Total pledged assets</b>	<b>10,700,858</b>	<b>9,293,674</b>	<b>7,435,300</b>
			<b>7,219,700</b>

## 12. Liabilities relating to own pension funds, as well as equity instruments of the bank held by own pension schemes

Valiant Holding pension fund	<b>31/12/2020</b> in CHF thousands	<b>31/12/2019</b> in CHF thousands
Liabilities	16,221	15,022
<b>Total liabilities</b>	<b>16,221</b>	<b>15,022</b>

The pension fund of Valiant Holding does not have any holdings in Valiant Holding AG.

## 13. Economic situation of the bank's own pension schemes

Employer contribution reserves (ECR)	Nominal value 31/12/2020 in CHF thousands	Waiver of use 31/12/2020 in CHF thousands	Net amount 31/12/2020 in CHF thousands	Net amount 31/12/2019 in CHF thousands	Impact on personnel expenses 30/12/2020 in CHF thousands	Impact on personnel expenses 30/12/2019 in CHF thousands
Pension scheme of Valiant Holding	1,487		1,487	1,407		

The employer contribution reserves correspond to the nominal value, according to the calculation made by the pension fund. They are recognised in "Other assets". The nominal amount of the employer contribution reserves is not discounted. Interest is paid on the employer contribution reserves. The interest payments are recognised in "Personnel expenses".

Economic benefit / liability and pension expenses	Overfunding/ underfunding 31/12/2020 in CHF thousands <sup>1</sup>	Economic share of Valiant 31/12/2020 in CHF thousands	Economic share of Valiant 31/12/2019 in CHF thousands	Change in economic benefit versus previous year in CHF thousands	Contributions paid for the current period in CHF thousands	Pension expense in personnel expenses 31/12/2020 in CHF thousands	Pension expense in personnel expenses 31/12/2019 in CHF thousands
avenirplus.ch Sammelstiftung	p.m.	0	0	0	991	991	999
Pension plans with overfunding	p.m.	0	0	0	9,193	8,997	8,589

<sup>1</sup> Unaudited

The provisional coverage ratio of the pension fund of Valiant Holding was 106.9% at the end of 2020, with a technical interest rate of 1.75% (previous year: 2.00 %). The provisional fluctuation reserve was CHF 29.7 million.

Since the target figure for the fluctuation reserve will not be achieved, there is no economic benefit for the bank. The Board of Directors assumes that, even if there is overfunding under Swiss GAAP FER 26, there will not be any economic benefit for the employer for the foreseeable future; this should go to the benefit of the insured members.

Members of the Executive Board and senior management are in addition insured under a supplementary pension fund that does not have legal personality. It is affiliated to avenirplus.ch Sammelstiftung, a joint occupational pension fund. According to the current pension fund regulations, neither a future benefit nor a future commitment is foreseeable.

Accounting for the pension fund of Valiant Holding and the avenirplus.ch Sammelstiftung is done according to Swiss GAAP FER 26. The employer does not have any additional liabilities.

## 14. Issued structured products

There are no holdings in structured products issued by the bank.

## 15. Outstanding bonds and mandatory convertible bonds

Issuer		Interest rate	Year of issue	Early termination option	Maturity	Amount in CHF thousands
Valiant Bank AG	Valiant covered bond	0.000	2020	None	20/08/2021	115,000
Valiant Bank AG	Valiant covered bond	0.125	2018	None	23/04/2024	500,000
Valiant Bank AG	Valiant covered bond	0.000	2019	None	31/10/2025	190,000
Valiant Bank AG	Valiant covered bond	0.200	2019	None	29/01/2027	303,000
Valiant Bank AG	Valiant covered bond	0.375	2017	None	06/12/2027	250,000
Valiant Bank AG	Valiant covered bond	0.000	2019	None	31/07/2029	400,000
Valiant Bank AG	Valiant covered bond	0.125	2019	None	04/12/2034	310,000
Mortgage Bond Bank of Swiss Mortgage Institutions	Morgage bond note	0,840 <sup>1</sup>				5,095,700
<b>Total</b>						<b>7,163,700</b>

<sup>1</sup> Average interest rate

The Valiant covered bonds are backed by mortgage loans (exclusively residential property). The mortgage loans are ceded to the guarantor of the covered bond, Valiant Hypotheken AG. Based on the Articles of Association and the voting regulations set out in the shareholder agreement, Valiant exercises no control over Valiant Hypotheken AG, despite its majority holding. Please refer to the issue prospectus for further information.

	Due 2021 in CHF thousands	Due 2022 in CHF thousands	Due 2023 in CHF thousands	Due 2024 in CHF thousands	Due 2025 in CHF thousands	Due >2025 in CHF thousands	Total in CHF thousands
Bonds	115,000			500,000	190,000	1,263,000	2,068,000
Mortgage bond notes of the Mortgage Bond Bank of Swiss Mortgage Institutions	367,900	574,500	504,400	384,400	505,300	2,759,200	5,095,700
<b>Total</b>	<b>482,900</b>	<b>574,500</b>	<b>504,400</b>	<b>884,400</b>	<b>695,300</b>	<b>4,022,200</b>	<b>7,163,700</b>

## 16. Value adjustments, provisions and reserves for general banking risks

	31/12/2019 in CHF thousands	Used as allocated in CHF thousands	Reclassifications in CHF thousands	Past due interest, recoveries in CHF thousands	Additions charged to income statement in CHF thousands	Releases credited to income statement in CHF thousands	31/12/2020 in CHF thousands
Provisions for deferred taxes	2,891				17		2,908
Provisions for pension commitments	1,407				80		1,487
Provisions for credit risk	5,257		4,403				9,660
Provisions for restructuring <sup>1</sup>	10,187	-3,677			430		6,940
Other provisions <sup>2</sup>	9,097	-742			2,957		11,312
<b>Total provisions</b>	<b>28,839</b>	<b>-4,419</b>	<b>4,403</b>	<b>0</b>	<b>3,484</b>	<b>0</b>	<b>32,307</b>
<b>Reserves for general banking risks<sup>3</sup></b>	<b>34,786</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>167</b>	<b>-167</b>	<b>34,786</b>
Value adjustments for credit risk in respect of impaired loans / receivables	24,633	-6,304	280	997	8,853	-9,354	19,105
Value adjustments for latent risks	21,162	-663	-4,683		23,290	-8,494	30,612
<b>Value adjustments for credit and country risks</b>	<b>45,795</b>	<b>-6,967</b>	<b>-4,403</b>	<b>997</b>	<b>32,143</b>	<b>-17,848</b>	<b>49,717</b>

<sup>1</sup> Projects to implement the client areas and Strategy 2020–2024

<sup>2</sup> Provisions for legal risks and for the implementation of strategic projects

<sup>3</sup> CHF 0.5 million, not taxed

## 17. Share capital

Disclosure at group level is not required under the accounting rules for banks (FINMA Circular 2020/1). For information on share capital, please refer to the annual financial statements of Valiant Holding AG.

## 18. Shares or share options allocated during the year to management and administrative bodies and employees

	Number Equity securities		Value Equity securities
	<b>31/12/2020</b>	31/12/2019	<b>31/12/2020</b>
			in CHF thousands
Members of the Board of Directors	5,424	3,882	371
Members of the Executive Board	4,646	4,707	317
Members of Senior Management	7,660	5,567	523
<b>Total</b>	<b>17,730</b>	<b>14,156</b>	<b>1,211</b>
			1,356

The Board of Directors was paid 30% of its compensation in the form of Valiant shares that are blocked for a period of three years. Members of the Executive Board and senior management receive variable compensation, of which 20-30% is paid out in the form of Valiant shares blocked for three years (see the compensation report for further details). Measurement is according to the market value method, with blocked shares being discounted. There are no share ownership plans for employees. There are no option plans.

## 19. Related parties

	Amounts due from		Amounts due to
	<b>31/12/2020</b>	31/12/2019	<b>31/12/2020</b>
			in CHF thousands
Group companies <sup>1</sup>	4,124	3,450	1,730
Transactions with members of governing bodies <sup>2</sup>	3,450	3,450	3,996
Other related parties <sup>3</sup>	5,112,683	3,711,328	5,911
			5,499

<sup>1</sup> ValFinance Ltd, AgentSelly Ltd (from 2020)

<sup>2</sup> Members of the Board of Directors and of the Executive Board of Valiant Holding AG

<sup>3</sup> Entris Holding AG incl. Entris Banking Ltd, Valiant Mortgages Ltd, AgentSelly Ltd (until 2019)

There are off-balance-sheet transactions with related parties totalling CHF 77.9 million. Transactions (such as securities transactions, payment transactions and interest on deposits) with the Board of Directors and related parties are conducted on the same terms as those applied to third parties. Employees are granted preferential terms, which are customary for the sector. The compensation of members of the Board of Directors and Executive Board is set out in detail in the Valiant Holding AG compensation report.

## 20. Significant shareholders

Disclosure at group level is not required under the accounting rules for banks (FINMA Circular 2020/1). For details on significant shareholders, please refer to the statutory financial statements of Valiant Holding AG.

## 21. Treasury shares

	Average transaction price in CHF	No. of shares
<b>Treasury shares</b>		
Registered treasury shares at 1 January 2020		0
+ Purchases	86.16	31,000
- Sales	84.31	-13,270
- Issue of treasury shares for share-based compensation	81.35	-17,730
<b>Registered treasury shares at 31 December 2020</b>		0

Treasury shares were traded at fair value during the period under review. The sale of the registered treasury shares resulted in a loss of CHF 0.115 million, which was charged to the capital reserve. The shares that were sold were treasury shares that were not held for trading purposes. There are no repurchase or disposal obligations or other contingent liabilities associated with the treasury shares that were sold. Subsidiaries and affiliated companies do not hold any equity instruments in the bank. There are no reserved treasury shares.

## 22. Equity holdings held by the governing bodies, and compensation report

Disclosure at group level is not required under the accounting rules for banks (FINMA Circular 2020/1). Within the framework of the ordinance against excessive compensation in listed companies (VegüV), relevant information is published in the compensation report. In addition, please see table 18 of the notes to the annual financial statements of Valiant Holding AG.

## 23. Maturity structure of financial instruments

	Sight deposits in CHF thousands	Callable in CHF thousands	Due within 3 months in CHF thousands	Due within 3 to 12 months in CHF thousands	Due within 12 months to 5 years in CHF thousands	Due in more than 5 years in CHF thousands	No maturity in CHF thousands	Total in CHF thousands
Cash and cash equivalents	5,184,533							5,184,533
Due from banks	97,788	3,976	4,869	680				107,313
Due from customers	2,085	388,108	128,662	169,909	753,865	213,209		1,655,838
Mortgage loans	1,366	328,701	1,920,415	3,246,193	12,034,871	6,680,586		24,212,132
Trading portfolio assets	5,288							5,288
Positive replacement values of derivative financial instruments	8,126							8,126
Financial investments	2,451		12,021	47,528	1,010,775	537,239	827	1,610,841
<b>Total</b>	<b>5,301,637</b>	<b>720,785</b>	<b>2,065,967</b>	<b>3,464,310</b>	<b>13,799,511</b>	<b>7,431,034</b>	<b>827</b>	<b>32,784,071</b>
Previous year	3,924,759	896,889	1,804,679	3,248,298	13,148,908	6,471,281	473	29,495,287
Due to banks	5,955	281,600	1,998,377	105,000				2,390,932
Customer deposits	10,100,750	9,593,683	921,653	319,850	10,000	5,000		20,950,936
Negative replacement values of derivative financial instruments	38,084							38,084
Medium-term notes			6,543	25,244	40,916	4,848		77,551
Bond issues and central mortgage institution loans			76,300	406,600	2,658,600	4,022,200		7,163,700
<b>Total</b>	<b>10,144,789</b>	<b>9,875,283</b>	<b>3,002,873</b>	<b>856,694</b>	<b>2,709,516</b>	<b>4,032,048</b>	<b>0</b>	<b>30,621,203</b>
Previous year	8,935,955	9,358,197	1,476,659	692,986	2,477,048	4,438,398		27,379,243

## 24. Assets and liabilities broken down by domestic and foreign positions

	31.12.2020		31/12/2019	
	Domestic in CHF thousands	Foreign in CHF thousands	Domestic in CHF thousands	Foreign in CHF thousands
<b>Assets</b>				
Cash and cash equivalents	5,183,915	618	3,794,620	1,010
Due from banks	97,966	9,347	108,594	13,343
Due from customers	1,648,284	7,554	1,462,369	8,591
Mortgage loans	24,212,132		23,332,077	
Trading portfolio assets	5,288		108	
Positive replacement values of derivative financial instruments	8,126		9,499	
Financial investments	1,320,757	290,084	616,204	148,872
Accrued income and prepaid expenses	20,887		23,536	
Non-consolidated holdings	229,407		214,156	
Tangible fixed assets	116,521		121,789	
Intangible assets	1,508		2,154	
Other assets	31,843		49,055	
<b>Total assets</b>	<b>32,876,634</b>	<b>307,603</b>	<b>29,734,161</b>	<b>171,816</b>
<b>Liabilities and equity</b>				
Due to banks	1,231,607	1,159,325	450,185	421,212
Customer deposits	20,452,424	498,512	18,760,531	329,725
Negative replacement values of derivative financial instruments	38,084		43,288	
Medium-term notes	77,551		104,602	
Bond issues and central mortgage institution loans	7,163,700		7,269,700	
Accrued expenses and deferred income	139,974		139,318	
Other liabilities	29,646		40,316	
Provisions	32,307		28,839	
Reserves for general banking risks	34,786		34,786	
Share capital	7,896		7,896	
Capital reserve	592,623		592,684	
Retained earnings reserve	1,603,933		1,561,836	
Consolidated net profit	121,869		121,059	
<b>Total liabilities and equity</b>	<b>31,526,400</b>	<b>1,657,837</b>	<b>29,155,040</b>	<b>750,937</b>

## 25. Assets by country and country groups

Foreign assets mainly relate to counterparties in Europe and North America. Assets are not broken down by country or country groups, as fewer than 5% of assets are domiciled abroad.

## 26. Assets by credit rating of country groups

Assets are not broken down by credit rating of country groups, as fewer than 5% of assets are domiciled abroad.

## 27. Assets and liabilities by the most significant currencies for the bank

<b>Assets</b>	CHF in CHF thousands	EUR in CHF thousands	USD in CHF thousands	Other in CHF thousands	Total in CHF thousands
Cash and cash equivalents	5,177,083	6,713	458	279	5,184,533
Due from banks	72,256	3,193	6,652	25,212	107,313
Due from customers	1,537,422	109,223	9,193		1,655,838
Mortgage loans	24,212,132				24,212,132
Trading portfolio assets	5,288				5,288
Positive replacement values of derivative financial instruments	8,126				8,126
Financial investments	1,553,617	29,652	27,295	277	1,610,841
Accrued income and prepaid expenses	20,887				20,887
Non-consolidated holdings	229,407				229,407
Tangible fixed assets	116,521				116,521
Intangible assets	1,508				1,508
Other assets	31,808	7		28	31,843
<b>Total assets shown on the balance sheet</b>	<b>32,966,055</b>	<b>148,788</b>	<b>43,598</b>	<b>25,796</b>	<b>33,184,237</b>
Delivery entitlements from spot exchange, forward forex and forex options transactions	69,365	1,035,054	230,029	19,480	1,353,928
<b>Total assets</b>	<b>33,035,420</b>	<b>1,183,842</b>	<b>273,627</b>	<b>45,276</b>	<b>34,538,165</b>
<b>Liabilities and equity</b>					
Due to banks	1,660,149	597,044	133,739		2,390,932
Customer deposits	20,250,717	538,997	119,689	41,533	20,950,936
Negative replacement values of derivative financial instruments	38,084				38,084
Medium-term notes	77,551				77,551
Bond issues and central mortgage institution loans	7,163,700				7,163,700
Accrued expenses and deferred income	139,974				139,974
Other liabilities	29,394	189	60	3	29,646
Provisions	32,307				32,307
Reserves for general banking risks	34,786				34,786
Share capital	7,896				7,896
Capital reserve	592,623				592,623
Retained earnings reserve	1,603,933				1,603,933
Consolidated net profit	121,869				121,869
<b>Total liabilities and equity shown on the balance sheet</b>	<b>31,752,983</b>	<b>1,136,230</b>	<b>253,488</b>	<b>41,536</b>	<b>33,184,237</b>
Delivery commitments from spot exchange, forward forex and forex options transactions	1,286,208	48,200	19,882	3,258	1,357,548
<b>Total liabilities and equity</b>	<b>33,039,191</b>	<b>1,184,430</b>	<b>273,370</b>	<b>44,794</b>	<b>34,541,785</b>
<b>Net position per currency</b>	<b>-3,771</b>	<b>-588</b>	<b>257</b>	<b>482</b>	<b>-3,620</b>

## Information on off-balance-sheet transactions

### 28. Contingent liabilities and contingent assets

	31/12/2020 in CHF thousands	31/12/2019 in CHF thousands
Credit guarantees and similar	18,891	101,811
Performance guarantees and similar	56,469	53,781
Other contingent liabilities	58,259	58,842
<b>Total contingent liabilities</b>	<b>133,619</b>	<b>214,434</b>

There are no contingent assets.

The Valiant Group belongs to the value added tax group of the Entris banking group and bears joint liability for the group's value added tax obligations towards the tax authority. At present, there are no indications of the Entris group not being able to meet its commitments.

As an issuer of the Debit Mastercard, Valiant is part of the Mastercard Scheme Network. In the event of an issuer failure in the Scheme Network, all issuers are jointly and severally liable to the extent of their proportionate transaction volume of the total volume of the network. Even in the event of the failure of a large issuer, Valiant assumes an insignificant loss.

### 29. Credit commitments

	31/12/2020 in CHF thousands	31/12/2019 in CHF thousands
<b>Total credit commitments</b>	<b>0</b>	<b>0</b>

### 30. Fiduciary transactions

	31/12/2020 in CHF thousands	31/12/2019 in CHF thousands
Fiduciary deposits with third-party companies	3,012	113
<b>Total fiduciary transactions</b>	<b>3,012</b>	<b>113</b>

### 31. Assets under management

The threshold for a breakdown of managed assets was not exceeded, so this information is not shown.

## Information on the income statement

### 32. Net trading income and fair-value adjustments

<b>Breakdown of trading income by business area</b>	<b>2020</b> in CHF thousands	<b>2019</b> in CHF thousands
Trading income with clients	12,342	9,956
Other trading	845	1,837
<b>Net trading income<sup>1</sup></b>	<b>13,187</b>	<b>11,793</b>

<b>Breakdown of trading income by risk</b>	<b>2020</b> in CHF thousands	<b>2019</b> in CHF thousands
Securities	-60	1,215
Foreign exchange	12,239	8,761
Commodities/precious metals	1,008	1,817
<b>Net trading income<sup>1</sup></b>	<b>13,187</b>	<b>11,793</b>

<sup>1</sup> Not including fair-value adjustments.

### 33. Refinancing income under "Interest and discount income" and negative interest rates

<b>Negative interest</b>	<b>2020</b> in CHF thousands	<b>2019</b> in CHF thousands
Negative interest on lending (minus interest and discount income)	531	718
Negative interest on borrowing (minus interest expense)	22,583	12,020

No refinancing costs for trading activities were booked to "Interest and discount income".

## 34. Personnel expenses

	2020 in CHF thousands	2019 in CHF thousands
Salaries (meeting-attendance fees and fixed compensation to members of the bank's governing bodies, salaries and benefits)	111,750	107,300
of which expenses related to share-based compensation and alternative forms of variable compensation	1,442	1,615
Social insurance benefits	18,670	17,362
Other personnel expenses	4,270	5,527
<b>Total personnel expenses</b>	<b>134,690</b>	<b>130,189</b>

## 35. General and administrative expenses

	2020 in CHF thousands	2019 in CHF thousands
Office space expenses	16,310	16,679
Expenses for information and communications technology	56,978	53,088
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	2,938	2,326
Fees of audit firm(s) (Art. 961a no. 2 CO)	853	812
of which for financial and regulatory audits including audit-related services	853	810
of which for other services	0	2
Other operating expenses	29,835	31,111
<b>Total operating expenses</b>	<b>106,914</b>	<b>104,016</b>

## 36. Material losses, extraordinary income and expenses, material releases of reserves for general banking risks, and value adjustments and provisions no longer required

	2020 in CHF thousands	2019 in CHF thousands
<b>Extraordinary income</b>		
Gains from the sale of properties	3,460	4,684
Gains from the sale of holdings	73	385
Prior-period input tax	29	52
Other items	3,562	5,121
<b>Total extraordinary income</b>	<b>3,562</b>	<b>5,121</b>
<b>Extraordinary expenses</b>		
Loss from the sale of properties	55	
Prior-period VAT	313	
COVID-19 rent waiver	102	
Other items	89	
<b>Total extraordinary expenses</b>	<b>470</b>	<b>89</b>

There were no material losses during the year under review.

### 37. Revaluation of holdings and tangible fixed assets up to historical cost at maximum

No revaluations were carried out during the year under review.

### 38. Operating profit broken down according to domestic and foreign origin in accordance with the permanent establishment principle

There are no permanent establishments abroad.

### 39. Current and deferred taxes and tax rate

	2020 in CHF thousands	2019 in CHF thousands
Expenses for taxes on capital and income	28,236	26,870
of which expenses for current taxes	28,378	28,272
of which recognition/reversal of tax accruals	-142	-1,402
Recognition/reversal of provisions for deferred taxes	17	2
<b>Total taxes</b>	<b>28,253</b>	<b>26,872</b>

The weighted average tax rate on the basis of operating profit was 19.2% in 2020 (previous year: 18.8 %).

### 40. Earnings per share

	2020	2019
Group profit per share <sup>1</sup> (in CHF)	7.72	7.67
Average number of shares outstanding	15,792,461	15,792,461

<sup>1</sup> Group profit per share is calculated by dividing group profit by the average number of shares outstanding. There is no dilution.

# Auditor's report



## Report of the statutory auditor

to the General Meeting of Valiant Holding AG

Lucerne

### Report on the audit of the consolidated financial statements

#### Opinion

We have audited the consolidated financial statements of Valiant Holding AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2020, consolidated income statement, consolidated cash flow statement, consolidated statement of changes in equity and notes for the year then ended (pages 115 to 159), including a summary of significant accounting policies.

In our opinion, the consolidated financial statements as at 31 December 2020 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with accounting rules for banks and comply with Swiss law as well as with the consolidation and valuation principles described in the notes.

#### Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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#### Overview

Overall group materiality: CHF 7'506'000



We concluded audit work at all three fully consolidated Group companies. Our audit scope addressed 89.1% of the Group's profit and 99.5% of the Group's total assets. The 10.9% of the Group's profit and 0.5% of the Group's total assets not covered by our audits concern Entris Holding AG, which is accounted for according to the equity method. This entity was audited by KPMG AG.

As key audit matter, the following area of focus has been identified:

Valuation of amounts due from customers

**Materiality**

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

Overall group materiality	CHF 7'506'000
How we determined it	5% of Group profit before taxes and changes in reserves for general banking risks
Rationale for the materiality benchmark applied	We chose Group profit before taxes and changes in reserves for general banking risks as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured, and it is a generally accepted benchmark for materiality considerations.

We agreed with the Audit and Risk Committee that we would report to them misstatements above CHF 751'000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

**Audit scope**

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates.

We defined the Group audit approach taking into account the audit work performed at the three consolidated Group companies. As Group auditors we performed the audit of the consolidation process, the presentation and disclosure of the consolidated financial statements as well as the audit of all three Group companies. We assured that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the Group audit.

**Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Valuation of amounts due from customers

Key audit matter	How our audit addressed the key audit matter
We consider the valuation of amounts due from customers as a key audit matter because of the significance of this asset category in relation to total assets and due to the significant scope for judgement involved in assessing the extent and amount of impairment charges for default risk.	Our audit approach primarily contained functional tests on internal controls relating to the amounts due from customers at the consolidated bank. We assessed the key controls and, on a sample basis, tested compliance with them. This gave us a basis to assess compliance with the Board of Directors' requirements.
As at 31 December 2020 the amounts due from customers were CHF 25.9 billion and represented 78% of total assets. They consisted of CHF 1.7 billion due from customers and CHF 24.2 billion mortgage loans. The amounts due from customers were presented net, i.e. less impairment charges for default risks of CHF 49.7 million.	In addition, as part of our substantive audit procedures, where significant scope for judgement exists (e.g. in estimating the future results of corporate customers, this year especially due to COVID-19, or in assessing property values), we challenged the decisions of Management with our own critical opinion.
Management assesses on an individual basis and on the basis of various key factors whether a write-down is necessary following a negative development. These factors include, amongst others, the local economic conditions, the financial net worth, liquidity and profitability of the borrowers, the impairment of the business model (e.g. due to COVID-19) and the value of the collateral provided. In particular, the impairment testing of securities that have no observable market price (e.g. real estate) involves significant scope for judgement by Management.	Our functional tests included, specifically, checking the ratings, the repayment ratio calculation and the collateral valuation; checking loan disbursement controls and key loan file controls; checking impairment testing and the calculation of liquidation values; and examining the use of loan monitoring lists and of the related reports. Our substantive tests of detail included, specifically, sample-based credit reviews.
With regard to the group accounting policies, the approaches used to identify default risks and to determine potential impairment, and the valuation of collateral, please refer to pages 120 and 121 (recognition and measurement principles for amounts due from customers and mortgage loans, and impairments for default risk), page 138 (approaches used to identify default risks and to determine impairments) and page 139 (valuation of collateral).	At our final audit we updated the results obtained from tests of controls and checked that the results of impairment tests of amounts due from customers were appropriately accounted for in the consolidated financial statements.
	The combination of our functional tests and substantive audit procedures gave us sufficient assurance to assess the valuation of amounts due from customers.
	The assumptions made were in line with our expectations, even considering the COVID environment.

#### Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with accounting rules for banks, the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

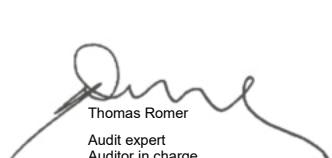
A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTSuisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

**Report on other legal and regulatory requirements**

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG



Thomas Romer  
Audit expert  
Auditor in charge  
Qualifizierte elektronische Signatur - Schweizer Recht  
Lucerne, 15 March 2021



Andreas Aebersold  
Audit expert

# Disclosures of capital adequacy and liquidity

	a	c	e
	31/12/2020	30/06/2020	31/12/2019
<b>Eligible capital (in CHF thousands)</b>			
1 Common Equity Tier1 capital (CET1)	2,261,455	2,230,815	2,217,836
2 Tier1 capital	2,261,455	2,230,815	2,217,836
<b>3 Total capital</b>	<b>2,261,455</b>	<b>2,230,815</b>	<b>2,217,836</b>
<b>Risk-weighted assets (RWA) (in CHF thousands)</b>			
4 RWA	14,037,317	13,888,008	13,475,177
4a Minimum equity (in CHF thousands)	1,122,985	1,111,041	1,078,014
<b>Risk-based capital ratios (as a % of RWA)</b>			
5 CET1 ratio	16.11	16.06	16.46
6 Core capital ratio	16.11	16.06	16.46
<b>7 Total capital ratio</b>	<b>16.11</b>	<b>16.06</b>	<b>16.46</b>
<b>CET1 buffer requirements (as a % of RWA)</b>			
8 Capital buffer in accordance with the Basel minimum requirements (2.5% from 2019) (as a %)	2.50	2.50	2.50
9 Countercyclical buffer (Art. 44a CAO) in accordance with the Basel minimum requirements (as a %)	0.00	0.00	0.00
<b>11 Overall buffer in accordance with the Basel minimum CET1 requirements (as a %)</b>	<b>2.50</b>	<b>2.50</b>	<b>2.50</b>
12 CET1 available after meeting the Basel minimum requirements (after deduction of CET1 to cover the minimum requirements and, where necessary, to cover the TLAC requirements)(as a %)	8.11	8.06	8.46
<b>Target capital ratios in accordance with Annex 8 of CAO (as a % of RWA)</b>			
12a Capital buffer in accordance with Annex 8 of CAO (as a %)	4.00	4.00	4.00
12b Countercyclical buffer (Art. 44 and 44a CAO) (as a %)	0.00	0.00	1.13
12c CET1 minimum requirement (as a %) in accordance with Annex 8 of CAO plus the countercyclical capital buffer in accordance with Art. 44 and 44a CAO	7.80	7.80	8.93
12d T1 minimum requirement (as a %) in accordance with Annex 8 of CAO plus the countercyclical capital buffer in accordance with Art. 44 and 44a CAO	9.60	9.60	10.73
<b>12e Total capital minimum requirement (as a %) in accordance with Annex 8 of CAO plus the countercyclical capital buffer in accordance with Art. 44 and 44a CAO</b>	<b>12.00</b>	<b>12.00</b>	<b>13.13</b>
<b>Basel III leverage ratio</b>			
13 Total exposure (in CHF thousands)	32,323,368	31,949,718	31,876,364
<b>14 Basel III leverage ratio (core capital as a % of the total exposure)</b>	<b>7.00</b>	<b>6.98</b>	<b>6.96</b>

	a	b	c	d	e
	31/12/2020	30/09/2020	30/06/2020	31/03/2020	31/12/2019
<b>Liquidity coverage ratio (LCR)</b>					
15 LCR numerator: total high-quality liquid assets (in CHF thousands)	6,794,971	6,622,367	5,468,448	4,881,634	4,051,749
16 LCR denominator: total net cash outflow (in CHF thousands)	4,412,837	4,111,922	3,706,251	3,132,489	2,835,211
<b>17 Liquidity coverage ratio (LCR) (as a %)</b>	<b>154</b>	<b>161</b>	<b>148</b>	<b>156</b>	<b>143</b>

The Valiant Group's full disclosures pursuant to FINMA Circular 2016/1 can be found on the Valiant Bank AG website at [valiant.ch/results](http://valiant.ch/results).

# Statutory financial statements of Valiant Holding AG

## Balance sheet

	31/12/2020 in CHF thousands	31/12/2019 in CHF thousands	Change in CHF thousands	Change as %
<b>Assets</b>				
Cash and cash equivalents	24,349	25,428	-1,079	-4.2
Current assets with a stock exchange price	5,288	108	5,180	n/a
<b>Total cash and cash equivalents, and current assets with a stock exchange price</b>	<b>29,637</b>	<b>25,536</b>	<b>4,101</b>	<b>16.1</b>
Other current receivables	49	30	19	63.3
Accrued income and prepaid expenses	5,249	5,442	-193	-3.5
of which vis-à-vis subsidiaries	5,247	5,430	-183	-3.4
<b>Total current assets</b>	<b>34,935</b>	<b>31,008</b>	<b>3,927</b>	<b>12.7</b>
Financial investments	1,291	1,291	0	0.0
Holdings	1,221,609	1,221,609	0	0.0
<b>Total fixed assets</b>	<b>1,222,900</b>	<b>1,222,900</b>	<b>0</b>	<b>0.0</b>
<b>Total assets</b>	<b>1,257,835</b>	<b>1,253,908</b>	<b>3,927</b>	<b>0.3</b>
<b>Liabilities and shareholders' equity</b>				
Other current liabilities	157	142	15	10.6
Deferred income and accrued expenses	829	1,047	-218	-20.8
of which vis-à-vis subsidiaries	0	0	0	n/a
<b>Total current liabilities</b>	<b>986</b>	<b>1,189</b>	<b>-203</b>	<b>-17.1</b>
Due to banks	80,000	0	80,000	n/a
of which vis-à-vis subsidiaries	80,000	0	80,000	n/a
Provisions	261	261	0	0.0
<b>Total long-term liabilities</b>	<b>80,261</b>	<b>261</b>	<b>80,000</b>	<b>n/a</b>
<b>Total liabilities</b>	<b>81,247</b>	<b>1,450</b>	<b>79,797</b>	<b>n/a</b>
Share capital	7,896	7,896	0	0.0
Statutory capital reserves	1,591	1,652	-61	-3.7
of which capital contribution reserves	70	70	0	0.0
Statutory retained earnings	711,846	711,846	0	0.0
Voluntary retained earnings	452,095	527,091	-74,996	-14.2
Accumulated profit	3,160	3,973	-813	-20.5
of which profit carried forward	7	7	0	0.0
of which net profit for the year	3,153	3,966	-813	-20.5
Treasury shares	0	0	0	n/a
<b>Total shareholders' equity</b>	<b>1,176,588</b>	<b>1,252,458</b>	<b>-75,870</b>	<b>-6.1</b>
<b>Total liabilities and shareholders' equity</b>	<b>1,257,835</b>	<b>1,253,908</b>	<b>3,927</b>	<b>0.3</b>

# Income statement

	2020 in CHF thousands	2019 in CHF thousands	Change in CHF thousands	Change as %
<b>Income from services</b>				
Management fees	2,877	3,060	-183	-6.0
<b>Income from services</b>	<b>2,877</b>	<b>3,060</b>	<b>-183</b>	<b>-6.0</b>
<b>Operating expenses</b>				
Wages, social security contributions and other personnel expense	-2,689	-2,737	48	-1.8
<b>Staff costs</b>	<b>-2,689</b>	<b>-2,737</b>	<b>48</b>	<b>-1.8</b>
Other operational costs	-1,608	-1,901	293	-15.4
<b>Other operational costs</b>	<b>-1,608</b>	<b>-1,901</b>	<b>293</b>	<b>-15.4</b>
Provisions	0	-250	250	-100.0
<b>Depreciation, amortisation and valuation adjustments</b>	<b>0</b>	<b>-250</b>	<b>250</b>	<b>-100.0</b>
<b>Operating profit before financial income and taxes</b>	<b>-1,420</b>	<b>-1,828</b>	<b>408</b>	<b>-22.3</b>
<b>Net financial income</b>				
Income from holdings	5,000	5,000	0	0.0
Interest expense	-380	-	-380	n/a
of which vis-à-vis subsidiaries	-380	-	-380	n/a
Interest income	40	38	2	5.3
Other financial income	2,194	811	1,383	170.5
of which income from the sale of financial investments	-	757	-757	-100.0
Other financial costs	-2,289	-2	-2,287	n/a
<b>Net financial income</b>	<b>4,565</b>	<b>5,847</b>	<b>-1,282</b>	<b>-21.9</b>
<b>Operating profit before extraordinary income and taxes</b>	<b>3,145</b>	<b>4,019</b>	<b>-874</b>	<b>-21.7</b>
Extraordinary income	0	28	-28	-100.0
Extraordinary expenses	0	0	0	n/a
<b>Net extraordinary income</b>	<b>0</b>	<b>28</b>	<b>-28</b>	<b>-100.0</b>
<b>Operating profit before taxes</b>	<b>3,145</b>	<b>4,047</b>	<b>-902</b>	<b>-22.3</b>
Taxes	8	-81	89	-109.9
<b>Profit for the year</b>	<b>3,153</b>	<b>3,966</b>	<b>-813</b>	<b>-20.5</b>

# Notes to the annual financial statements

Valiant Holding AG is a holding company in the financial sector with its registered office in Lucerne. Its main holding is its 100% stake in its subsidiary Valiant Bank AG, which operates across Switzerland. For the detailed management report, please refer to pages 11 to 30.

## 1. Information on the principles applied to the financial statements

These financial statements have been prepared in accordance with the provisions of Swiss law, in particular the articles of the Code of Obligations concerning commercial book-keeping and accounting (Articles 957 to 962 CO). The principles applied were those permitted by law. The current assets recognised under cash and cash equivalents with market prices are measured at market value. Financial investments are valued at the lower of cost or market. They are written up to the purchase costs if the market value falls below the purchase costs and subsequently rises again. Value adjustments are booked on a net basis under "Other financial income" or "Other financial costs". Shareholdings are recognised at historical cost and tested for impairment at least once a year. There are no other matters relating to accounting treatment that need to be described separately. Treasury shares purchased in the 2020 financial year were used for share-based compensation. The remaining position was sold. The resulting income was recorded in equity under the capital reserve. Pursuant to Article 961d (1) CO, no additional information is provided in the notes and no cash flow statement or management report is provided. In addition, pursuant to Article 962 (3) CO, no financial statements are drawn up using recognised standards.

## 2. Information and notes on positions in the balance sheet and income statement

Financial investments totalling CHF 1.3 million (2019: CHF 1.3 million) consisted exclusively of shares in Swiss companies. The holdings of CHF 1.222 billion comprise the positions mentioned under note 5. Cash and cash equivalents are invested with Valiant Bank AG, a subsidiary in which Valiant Holding AG has a 100% stake.

## 3. Net release of hidden reserves

No hidden reserves were released.

## 4. Employees

Valiant Holding AG employees numbered 3.6 full-time equivalents (FTEs) (2019: 3.6 FTEs).

## 5. Direct and indirect holdings

Company name and domicile	Business activity	Company capital in CHF thousands	Share of capital as %	Share of votes as %	Direct holding	Indirect holding
AgentSelly Ltd., Risch	Internet services in connection with real estate	144	69.90	69.90		x
Bernexpo Holding AG, Bern	Event management	3,900	18.69	18.69		x
Crédit Mutuel de la Vallée SA, Le Chenit	Bank	1,200	41.49	41.49		x
Entris Holding AG, Muri b. Bern	Financial services	25,000	58.84	58.84		x
Gerag Gewerberevisions AG, Bern	Commercial accounting and auditing	100	40.00	40.00		x
Parkhaus Kesselturn AG Luzern, Lucerne	Car-park management	2,825	7.96	7.96		x
Pfandbriefbank schweizerischer Hypothekarinststitute AG, Zurich	Procurement of capital-market funding	1,000,000	9.92	9.92		x
SIX Group Ltd., Zurich	Safekeeping of securities	19,522	0.33	0.33		x
ValFinance AG, Bern	Financial services	100	100.00	100.00	x	
Valiant Bank AG, Bern	Bank	153,800	100.00	100.00	x	
Valiant Hypotheken AG, Bern	Granting of guarantees	100	98.00	98.00		x
Valiant Immobilien AG, Bern	Real estate management	2,000	100.00	100.00	x	
Viseca Holding AG, Zurich <sup>1</sup>	Holding of equity interests and financing of subsidiaries	25,000	8.24	8.24		x

<sup>1</sup> New name as from 18 June 2020, previously known as Aduno Holding AG. Participation Entris Banking Group

## 6. Treasury shares

Treasury shares	Average transaction price in CHF	No. of shares
Registered treasury shares at 1 January 2020		0
+ Purchases	86.16	31,000
- Sales	84.31	-13,270
- Issue of treasury shares for share-based compensation	81.35	-17,730
<b>Registered treasury shares at 31 December 2020</b>		<b>0</b>

Treasury shares were sold or transferred at the respective daily prices during the year under review. All treasury shares were sold, so there was no negative position in equity capital at 31 December 2020.

## 7. Remaining liabilities under finance leases and other lease commitments

There were no lease commitments that do not expire or cannot be terminated within 12 months of the balance sheet date.

## 8. Liabilities due to pension funds

No liabilities were due to pension funds.

## 9. Total collateral provided for third-party liabilities

No collateral was provided for third-party liabilities.

## 10. Total assets pledged or assigned to secure own commitments and assets under reservation of ownership

No assets were used to secure own commitments or were under reservation of ownership.

## 11. Contingent liabilities

Contingent liabilities totalling CHF 0.1 million (2019: CHF 0.1 million) existed in the form of guarantees for the subsidiaries' liabilities.

## 12. Shares or share options allocated during the year to management and administrative bodies and employees

	Number Equity securities	Value Equity securities	
	<b>31/12/2020</b>	<b>31/12/2020 in CHF thousands</b>	<b>31/12/2019 in CHF thousands</b>
Members of the Board of Directors	5,424	3,882	370
Members of the Executive Board	1,364	1,512	93
Members of Senior Management	234	179	16
<b>Total</b>	<b>7,022</b>	<b>5,573</b>	<b>479</b>
			534

The Board of Directors was paid 30% of its compensation in the form of Valiant shares that are blocked for a period of three years. Members of the Executive Board and senior management receive variable compensation, of which 20-30% is paid out in the form of Valiant shares blocked for three years (see the compensation report for further details). Measurement is according to the market value method, with blocked shares being discounted. There are no share ownership plans for employees. There are no option plans.

### 13. Extraordinary and one-off positions, or positions relating to other periods, in the income statement

	31/12/2020 in CHF thousands	31/12/2019 in CHF thousands
Extraordinary income	0	28

### 14. Material events after the balance-sheet date

No extraordinary events have occurred since the balance sheet date that might have a material influence on the assets, financial position or income situation of Valiant Holding AG in 2020.

### 15. Measurement of assets at market values

Current assets with market prices are measured at market value.

### 16. Significant shareholders and shareholder groups with voting rights

UBS Fund Management (Switzerland) AG increased its stake in Valiant Holding AG to 5.00% with effect from 27 April 2018.

Swisscanto Fondsleitung AG increased its stake in Valiant Holding AG to 3.02% with effect from 24 November 2018.

Credit Suisse Funds AG increased its stake in Valiant Holding AG to 3.02% with effect from 5 February 2020.

## 17. Information on the performance of a risk assessment

The risk assessment of Valiant Holding AG is performed in conjunction with the risk assessment of Valiant Bank AG at group level. Information on the risk assessment is set out in the notes to the consolidated financial statements, in the notes on risk management from page 128 onwards.

## 18. Shares held by members of the Board of Directors and Executive Board (including related parties)

	2020 Number of shares	2019 Number of shares
<b>Board of Directors</b>		
Markus Gygax, Chairman from 13 May 2020	8,526	8,083
Jürg Bucher, Chairman until 13 May 2020	-	8,559
Dr Christoph B. Bühler, Vice Chairman	2,791	2,035
Barbara Artmann, Member	1,298	855
Jean-Baptiste Beuret, Member	2,802	2,248
Dr Maya Bundt, Member	1,321	878
Nicole Pauli, Member	1,639	1,104
Ronald Trächsel, Member	0	-
Franziska von Weissenfluh, Member	3,547	3,012
<b>Total</b>	<b>21,924</b>	<b>26,774</b>
of which total Board of Directors	21,161	26,011
of which total related parties	763	763
<b>Executive Board</b>		
Ewald Burgener, CEO	6,085	4,721
Martin Vogler, Head of Private and Business Clients	2,989	2,196
Stefan Gempeler, Head of Products and Operations	2,882	2,552
Hanspeter Kaspar, CFO	166	0
Marc Praxmarer, Head of Corporate and Institutional Clients	1,612	1,424
Christoph Wille, Head of Customer Service and Channels	3,380	2,532
<b>Total</b>	<b>17,114</b>	<b>13,425</b>
of which total Executive Board	14,072	11,065
of which total related parties	3,042	2,360

## 19. Receivables and liabilities in respect of related parties

<b>Receivables and liabilities in respect of direct or indirect owners of holdings, from related parties and from companies</b>	<b>31/12/2020 in CHF thousands</b>	<b>31/12/2019 in CHF thousands</b>
Liabilities to direct owners of holdings	157	129
<b>Receivables and liabilities in respect of companies in which the bank owns a direct or indirect holding</b>		
Receivables from subsidiaries	29,596	30,858
Liabilities from subsidiaries	80,000	0

The Board of Directors decides on variable compensation after each balance sheet date. This means no bonus accruals are disclosed under liabilities to members of governing bodies.

## 20. Distribution of dividends – subsidiaries

The balance sheet date for Valiant Holding AG and all of its subsidiaries is 31 December. Valiant Holding AG recognises as accruals dividend payments made by the subsidiaries that have already held their annual general meetings and consequently have already passed a resolution with regard to their dividend distributions.

## Motion on appropriation of accumulated profit

	2020 in CHF thousands	2019 in CHF thousands
<b>Available for distribution at the Annual General Meeting</b>		
Profit/loss carried forward	7	7
Profit/loss for the year	3,153	3,966
<b>Accumulated profit</b>	<b>3,160</b>	<b>3,973</b>
Withdrawal from voluntary retained earnings	75,802	74,996
<b>Total available for distribution at the Annual General Meeting</b>	<b>78,962</b>	<b>78,969</b>
 <b>Proposed by the Board of Directors</b>		
Allocation to voluntary retained earnings	0	0
Dividend payment	78,962	78,962
<b>Amount carried forward to new accounts</b>	<b>0</b>	<b>7</b>

# Auditor's report Valiant Holding AG



## Report of the statutory auditor

to the General Meeting of Valiant Holding AG

Lucerne

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of Valiant Holding AG, which comprise the balance sheet as at 31 December 2020, income statement and notes for the year then ended, including a summary of significant accounting policies (pages 165 to 172).

In our opinion, the financial statements as at 31 December 2020 comply with Swiss law and the company's articles of incorporation.

#### Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Our audit approach

##### Overview

Overall materiality: CHF 5'031'000



We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

As key audit matter the following area of focus has been identified:

Valuation of equity investments

**Materiality**

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall materiality	CHF 5'031'000
How we determined it	0.4% of total assets
Rationale for the materiality benchmark applied	We chose total assets as the benchmark because, in our view, it represents a standard for the materiality considerations of holding companies.

We agreed with the Audit and Risk Committee that we would report to them misstatements above CHF 503'000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

**Audit scope**

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

**Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Valuation of equity investments

Key audit matter	How our audit addressed the key audit matter
<p>We consider the valuation of equity investments as a key audit matter because of the significance of this asset category in relation to total assets and due to the significant scope for judgement involved in the impairment testing of equity investments.</p> <p>As at 31 December 2020 the equity investments in Valiant Bank AG and other subsidiaries amounted to CHF 1.2 billion and thus represented 97.1% of total assets.</p> <p>If these investments had to be written down, it would have a significant impact on the equity capital of Valiant Holding AG. Testing for impairment depends on the future results of the subsidiaries concerned, especially Valiant Bank AG. There is significant scope for judgement in determining the assumptions with regard to future results.</p> <p>With regard to the accounting policies and details on the equity investments, please refer to pages 167 and 168 in the notes to the financial statements.</p>	<p>Our audit approach comprised the assessment of the impairment testing, Management carried out on the most significant investments.</p> <p>We performed the following:</p> <ul style="list-style-type: none"> <li>• compared the actual results of each subsidiary with its budget in order to identify any assumptions that in retrospect appeared too optimistic regarding the profits;</li> <li>• checked for plausibility the future prospects based on the multi-year plan approved by the Board of Directors and discussed them with Management;</li> <li>• performed sensitivity analyses on the key parameters of the impairment tests (discount rates and long-term growth rates).</li> </ul> <p>Overall, on the basis of the results of our own analyses, we consider the principles and the assumptions applied by Management and the Board of Directors in its impairment testing of equity investments to be appropriate.</p>

#### Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

#### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

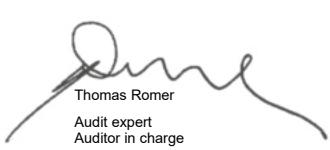
A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERT-suisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

**Report on other legal and regulatory requirements**

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG



Thomas Romer  
Audit expert  
Auditor in charge

Qualifizierte elektronische Signatur - Schweizer Recht  
Lucerne, 15 March 2021



Andreas Aebersold  
Audit expert

# Addresses of Valiant Holding AG

## Registered office

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c/o Valiant Bank AG  
Pilatusstrasse 39  
6003 Lucerne

## Additional address

Valiant Holding AG  
Bundesplatz 4  
3001 Bern

# Locations of Valiant Bank AG

at 31/12/2020

## Head office

Bern Bundesplatz

## Offices

### Aargau

Aarau  
Baden  
Beinwil am See  
Boniswil  
Brugg  
Entfelden  
Gontenschwil  
Gränichen  
Reinach  
Rheinfelden  
Schöftland  
Seengen  
Seon  
Suhr  
Unterkulm

### Basel-Landschaft

Laufen  
Reinach

### Basel-Stadt

Basel

### Bern

Belp  
Bern Bahnhofplatz  
Bern Bethlehem  
Biel  
Burgdorf  
Eggiwil  
Fraubrunnen  
Gümligen  
Ittigen  
Jegenstorf  
Kehrsatz  
Köniz  
Langenthal  
Langnau i.E.  
Laupen  
Lyss  
Moutier  
Mühleberg  
Münchenbuchsee  
Neuenegg  
Ostermundigen  
Signau (agency)  
Steffisburg  
Tavannes  
Thun  
Toffen  
Trubschachen (agency)  
Urtenen-Schönbühl  
Utzenstorf  
Wohlen  
Zollbrück

### Zollikofen

Zweisimmen

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Düdingen  
Flamatt  
Fribourg  
Kerzers  
Murten  
Siviriez

### Jura

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Delémont  
Porrentruy  
Saignelégier

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Zell

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Neuchâtel

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Solothurn

### St. Gallen

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St. Gallen  
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### Vaud

Lausanne  
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Yverdon-les-Bains

### Zug

Zug

### Zurich

Winterthur

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