

# Valiant investor presentation

London, 27 June 2016

**valiant**

# Overview

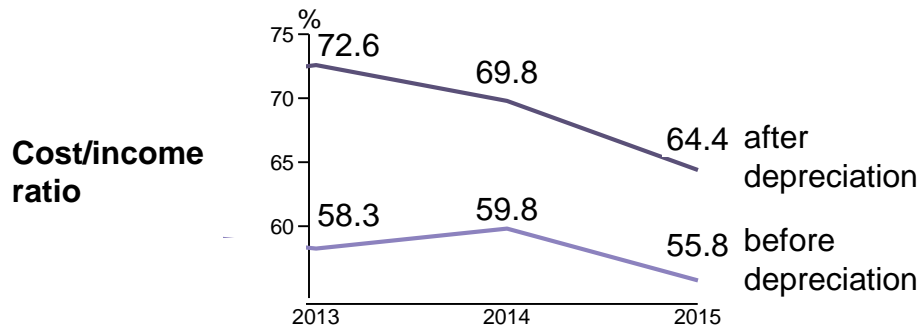
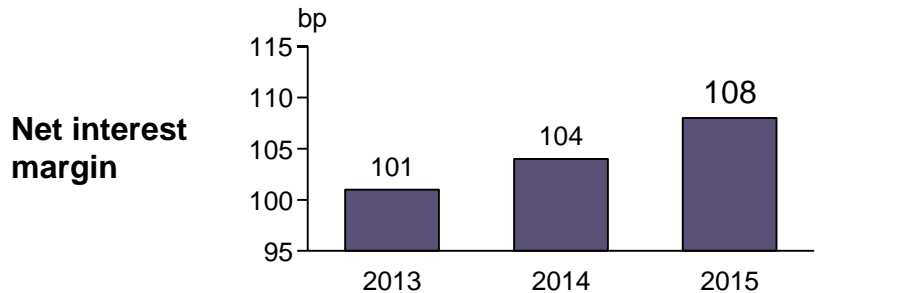
1. **Valiant: 100% focused on retail banking in Switzerland**
2. Strategy until 2020: market expansion and digital services
3. Financials: continued strong focus on margins and costs
4. Facts and figures

# Clear positioning in Swiss retail banking

- Independent retail and SME bank operating exclusively in Switzerland
- Successful turnaround since 2014 despite challenging interest-rate environment
- Balanced client structure with strong long-term client relationships
- Simple and understandable products and excellent service
- Low risk profile with high-quality assets

We're simply a bank

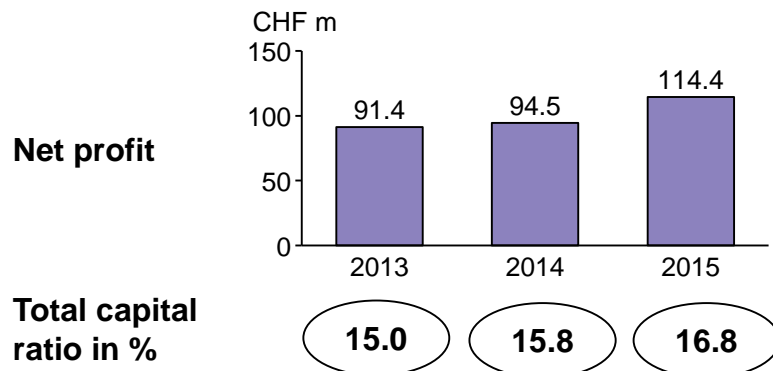
# Successful turnaround since 2014



- Rising margins despite interest-rate environment

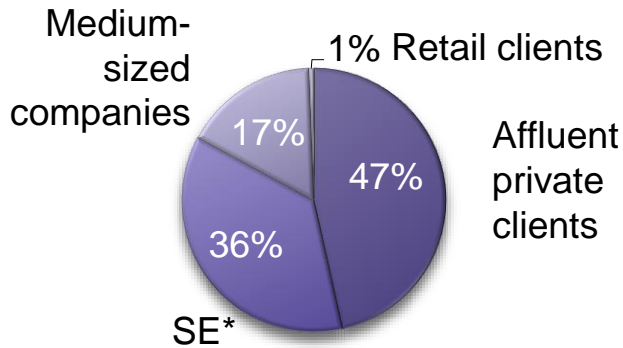
- Significant cost and efficiency improvements

- Strengthened profitability and capitalisation

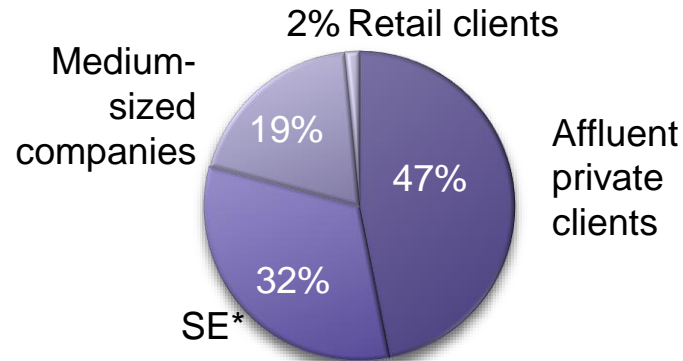


# Balanced client structure

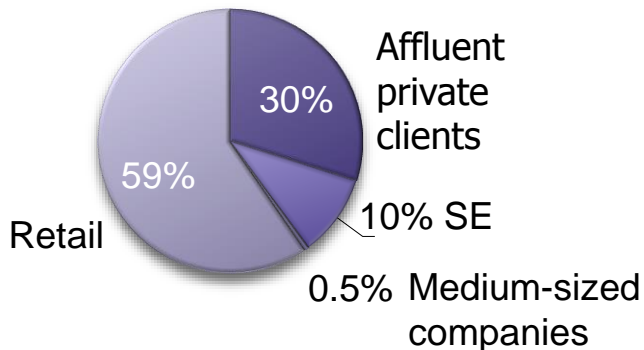
**Loans: CHF 22.1bn**



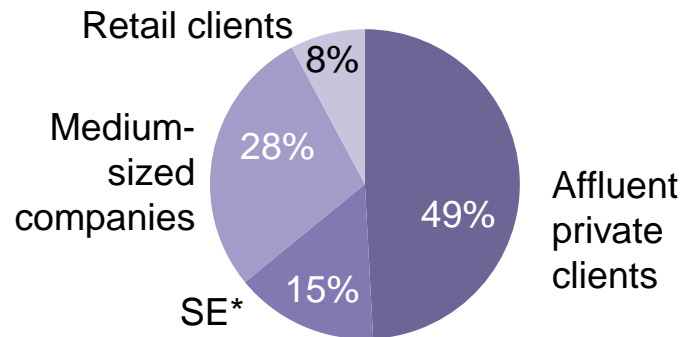
**Gross income: CHF 468m**



**Clients: around 400,000**



**Assets under management: CHF 27.0bn**

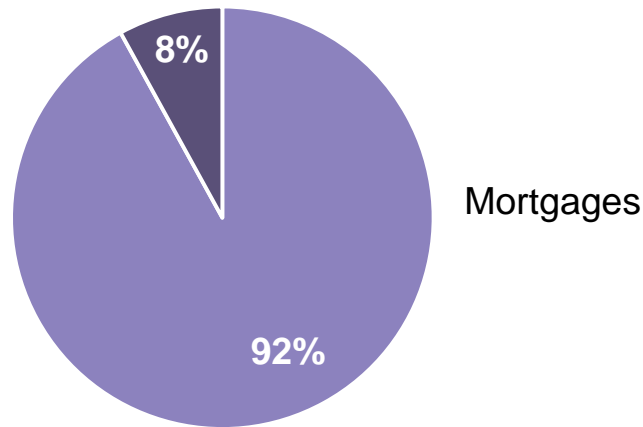


SMEs and self-employed individuals account for >50% of gross income

# High-quality assets

**Client loans: CHF 22.1 billion**

Due from customers

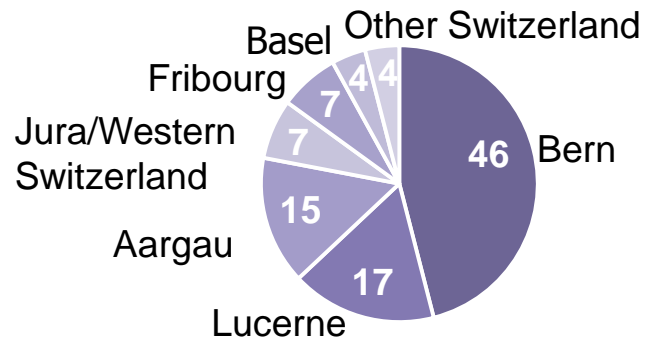
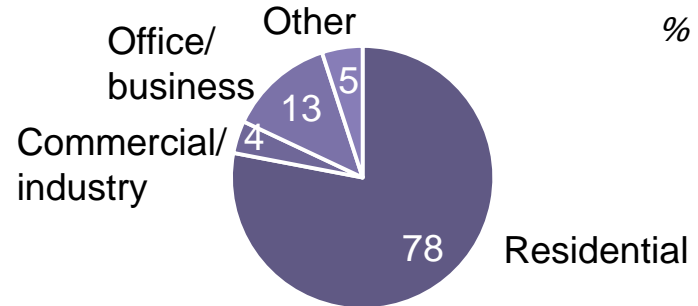


## Loan-to-value (net)

- All objects and financing: 63.5%

**Mortgage loans: CHF 20.4 billion**

*% breakdown*



- First mortgages: 93%
- Fixed-rate mortgages: 97%
- Average residual term: 3.5 years

# Low risk profile

- Long-term relationships and very high customer loyalty
- Very transparent, stable earnings
- Very high-quality assets
- No legacy of hidden accounts or major legal costs in 20 years
- No intangibles/goodwill despite a long history of takeovers

## Credit risk

- Restrictive lending policy, diversified portfolio, no exposure to potential real estate hot spots:  
→ Low credit risk

## Market risk

- Prudent management of interest-rate risk, no proprietary trading:  
→ Low market risk

## Operating risk

- Retail banking as main income source:  
→ Low operational risk

In June 2016, Moody's upgraded Valiant's baseline credit assessment one notch to a3

# Proven implementation skills

## Operational progress in 2015

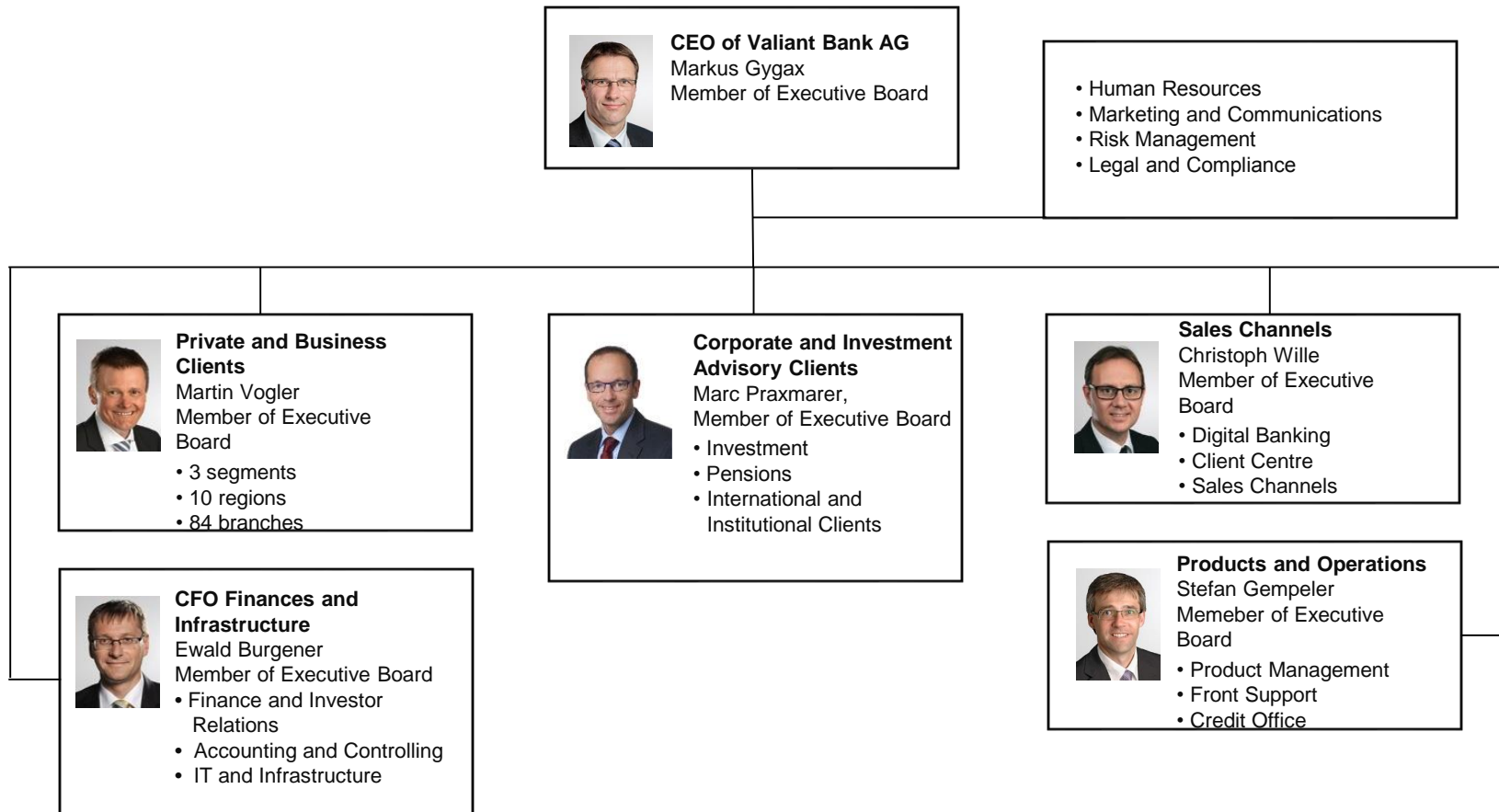
- Client advisory service expanded and branch opening times optimised
- Account types reduced from 12 to 7
- 2,500 training days for client advisors
- Mobile banking app launched
- IT service contract with Swisscom renewed, with substantial savings from 2017 onwards
- A payment solution (with TWINT) introduced for private clients
- Asset management advisory restructured
- Quarterly reporting and English publications introduced

## Operational progress in 2016

- Renewed market appearance focusing on “We’re simply a bank”
- Leap in digital services
  - The first Swiss bank to launch 100% online client identification
  - Launch of SME services portal
- Implemented Fidleg\*-compliant investment consulting process
- Continued cost control, with operating expenses continuing to fall in Q1 2016
- Key challenge in 2016: historically low interest-rate environment



# Distribution-oriented organisation



# Overview

1. Valiant: 100% focused on retail banking in Switzerland
2. **Strategy until 2020: market expansion and digital services**
3. Financials: continued strong focus on margins and costs
4. Facts and figures

# Strategy until 2020: Market expansion

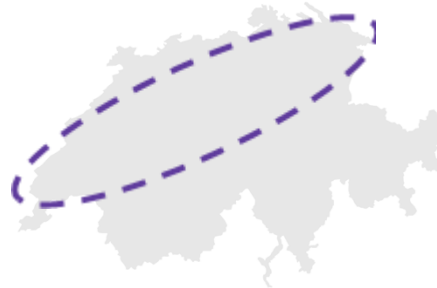
+ 80 additional client advisors



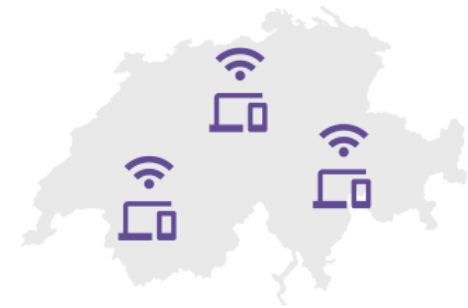
10 new branches



Strengthening  
existing regions



New branches between  
Lake Geneva and Lake  
Constance



Digital expansion  
all over Switzerland

# Strategy until 2020: Development of digital services

## Partners for digital services



TWINT



## Achievements so far

- New mobile banking app introduced in April 2015
- Mobile payment solution TWINT launched in October 2015
- 100% online client identification and account opening begun in April 2016
- Financial portal for SMEs launched jointly with Swisscom in April 2016.

# Ambitious financial targets until 2020

- **Profitable growth**
  - 3 to 6 per cent p.a.
  - Continued distribution in current markets
  - Expansion: 80 additional client advisors, four channels
- **Increased efficiency**
  - Additional growth will be achieved with existing middle- and back-office resources
- **Capital management**
  - Total capital ratio: > 15 per cent
  - ROE: 6 to 8 per cent
  - Payout ratio: 40 to 70 per cent
  - Dividend: at least CHF 3.60

Valiant will maintain its cautious risk profile.

# Overview

1. Valiant is 100% focused on retail banking in Switzerland
2. Strategy until 2020: market expansion and digital services
3. **Financials: continued strong focus on margins and costs**
4. Facts and figures

# Q1 2016: the positive trend continues

<b>Group profit</b>	<b>+ 16.6%</b>
<b>Operating result</b>	<b>+ 24.3%</b>
<b>Net interest income</b>	<b>+ 6.0%</b>
<b>Operating net interest margin</b>	<b>107 bp</b>
<b>Operating expenses</b>	<b>- 0.4%</b>
<b>Client deposits</b>	<b>+ 0.3%</b>
<b>Lending</b>	<b>+ 0.5%</b>

- Q1 2016: Profitable growth maintained despite adverse market conditions

## Successful ALM, with low risk profile

	31.03.2016	31.12.2015	Change
Asset duration	3.06 %	3.07 %	- 1 bp
Liability duration	2.70 %	2.70 %	+ 0 bp
Present value sensitivity			
▪ +100 bp	- 4.29 %	- 4.17 %	- 12 bp
▪ +200 bp	- 8.63 %	- 8.32 %	- 31 bp
Present value of equity	2,683 m	2,652 m	+ 31 m
Swap volume	1,584 m	1,684 m	- 100 m

- Low risk profile and optimal management within the given risk limits



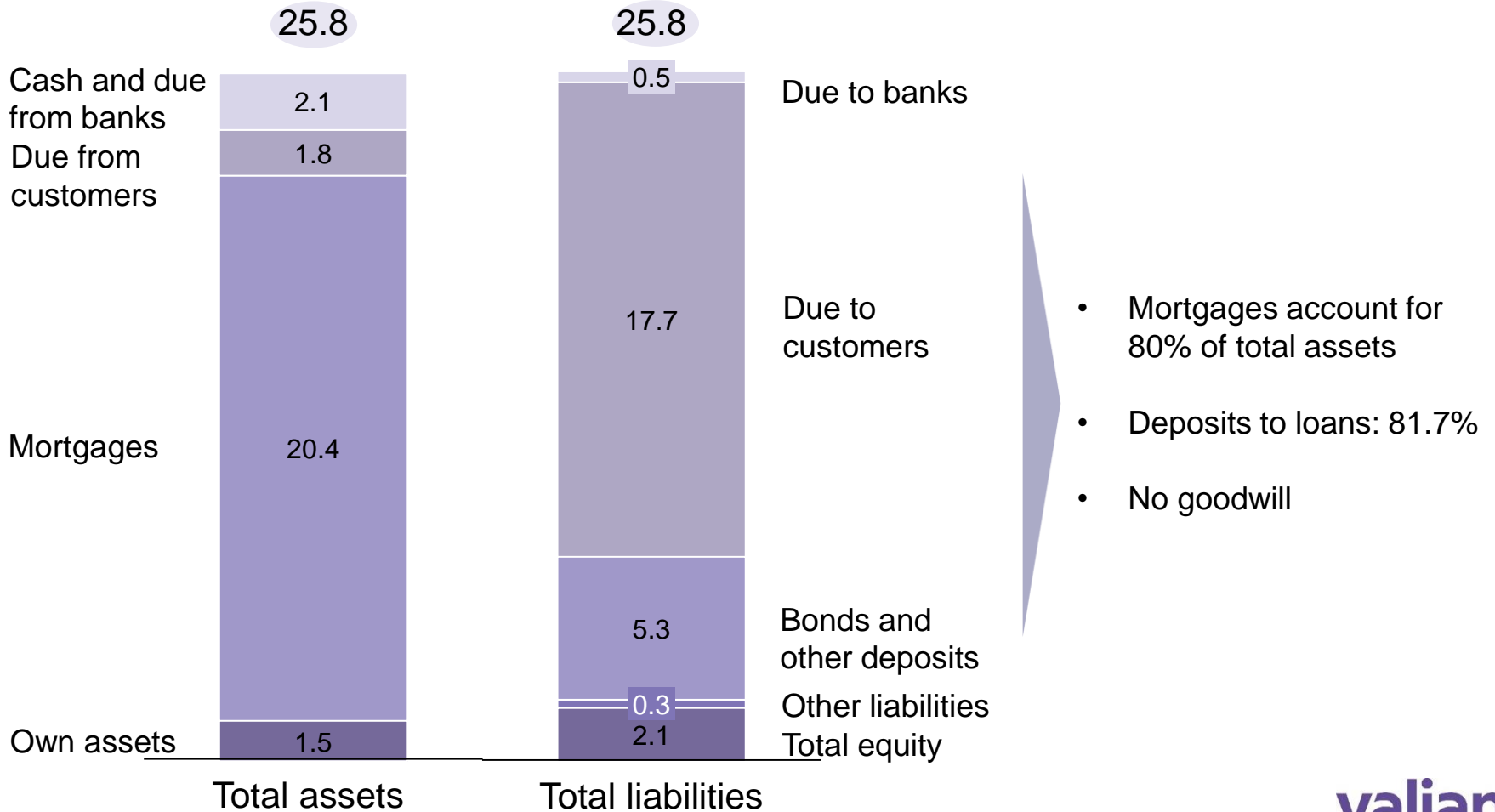
# Growth in client business

	31.03.2016	31.12.2015	Change
	in CHF millions	in CHF millions	in %
Total assets	25,782	25,449	+ 1.3%
Client loans*	22,190	22,085	+ 0.5%
▪ Mortgage loans	20,436	20,428	+ 0.0%
▪ Due from customers	1,754	1,657	+ 5.9%
Client deposits	18,084	18,084	+ 1.1%

- Coverage ratio for client loans by client deposits: 81.7% (2014: 81.9%)

# Balance sheet strength

CHF bn at 31 March 2016



# Solid capital base

	31.3.2016	31.12.2015
	in CHF millions	in CHF millions
Total eligible capital (Tier 1 + Tier 2)	2,127	2,126
Core Tier 1 capital ratio	15.4%	15.6%
Capital ratio (Tier 1 + Tier 2)	16.5%	16.8%
Capital ratio (Tier 1 + Tier 2) with countercyclical capital buffer*	15.5%	15.7%

- Valiant's capital base clearly exceeds the regulatory requirements
- Shift to SA BIS in Q1 2016 (impact: -0.2 percentage points)
- Target capital ratio (Tier 1 + Tier 2) >15%

# New sources to finance growth

The client always talks with Valiant.



Balance sheet	Deposits	✓
	Central mortgage institution loans	✓
	Bonds - unsecured	✓
	- secured (covered bonds)	★ new
Partner	Investors finance mortgages and take risks	★ new

- **Initial offering of covered bonds planned in 2017/18**
- **Selective intermediation of mortgages to third parties considered**

# Overview

1. Valiant: 100% focused on retail banking in Switzerland
2. Strategy until 2020: market expansion and digital services
3. Financials: continued strong focus on margins and costs
4. **Facts and figures**

# Valiant share: 100% free float

- Market capitalisation of CHF 1.6 billion
- One of the few companies with 100% free float
- Listed on SIX Swiss Exchange Domestic Standard
- Uses Swiss GAAP and new Swiss accounting standards for banks (RVB)
- Around 35,000 shareholders, with 50% of capital held by small private shareholders
- Most private shareholders are among the bank's Swiss clients

Ongoing shift from Swiss retail  
shareholders to institutional investors

# Key figures from 2011 to Q1 2016

Key figures	Q1 2016	2015	2014	2013	2012	2011
Total assets in CHF bn	25.8	25.4	25.3	25.5	25.3	25.2
Client loans in CHF bn	22.2	22.1	21.8	21.8	21.5	21.4
Client deposits in CHF bn	18.1	18.1	17.9	17.4	17.3	17.5
Equity in CHF m	2.07	2.05	1.99	1.94	1.90	1.84
Group profit in CHF m	23.4	114.4	94.5	91.4	127.0	127.6
Cost/income ratio as % <sup>1)</sup>	n/a	55.8	59.8	58.3	59.8	58.9
Return on equity as %	n/a	5.6	5.1	5.1	7.3	8.0

# Key figures per share since 2007

VATN share	2015	2014	2013	2012	2011	2010	2009	2008	2007
Book value / share in CHF	129.90	125.76	122.82	120.89	116.39	102.69	99.62	101.03	98.71
Earnings / share in CHF	7.24	5.98	5.79	8.09	8.08	7.76	8.87	9.02	8.97
P/E ratio	16.29	13.79	13.79	10.7	14.7	16.9	22.8	22.0	19.7
Dividend distribution as %	49.7	53.5	55.3	39.6	39.6	41.2	36.1	34.4	34.0
Dividend yield as %	3.1	3.88	4.0	3.7	2.7	2.4	1.6	1.6	1.8
Dividend in CHF	3.60	3.20	3.20	3.20	3.20	3.20	3.20	3.10	3.10
Share price at 31 December in CHF	118.00	82.55	79.85	86.90	118.90	131.00	202.00	198.70	176.80
Market capitalisation at 31 December in CHF m	1,864	1,304	1,261	1,878	1,878	2,069	3,386	3,272	3,005



# Financial calendar and contact information

## Financial calendar

4 August 2016	H1 2016 results
3 November 2016	9M 2016 results
15 February 2017	FY 2016 results

## Investor relations

Marcus Händel  
marcus.haendel@valiant.ch  
Tel. +41 (31) 310 77 44

[www.valiant.ch/de/aktionaere-und-analysten](http://www.valiant.ch/de/aktionaere-und-analysten)

# Legal information

This document is being supplied to you solely for your information. It does not constitute an offer to sell or a solicitation or recommendation to purchase or sell specific products, engage in financial transactions or conclude any legal transactions. Before you make any decision based on this information, we urgently recommend that you consult your financial or client advisor. Prospective investors should not engage in transactions of this kind unless they are fully aware of the associated risks and are in a position to assume any losses incurred. Please also consult the brochure entitled “Special Risks in Securities Trading”, which you can order from us. The past performance of an investment is no guarantee of future performance, i.e. the value of an investment may fall as well as rise. The preservation of value (or increase in value) of invested capital cannot be guaranteed due to price fluctuations. Although all reasonable care is taken to ensure that the information provided is correct as based on reliable sources, no representation or warranty is made, express or implied, regarding the correctness, reliability, timeliness or completeness of the information provided. To the extent permitted by law, Valiant Bank AG assumes no liability whatsoever for any loss, whether based on this information or as the result of the risks inherent in financial markets. Neither this document nor any copy thereof may be sent to or taken into the United States or distributed in the United States or to any US persons.