valiant

# disclosures of capital adequacy and liquidity valiant holding ag 31/12/2017

# Valiant Holding AG

Disclosures of capital adequacy and liquidity

# 1. Composition of eligible capital/reconciliation

The scope of consolidation is as follows:

| Company name and domicile | Business activity | Company capital in CHF thousands | Share of capital as % | Share of votes as % | Financial statements | Under regulatory scope of consolidation |
|---|---|---|---|---|---|---|
| Valiant Bank AG, Bern | Bank | 153,800 | 100.00 | 100.00 | Fully consolidated | Fully consolidated |
| Valiant Immobilien AG, Bern | Real estate | 2,000 | 100.00 | 100.00 | Fully consolidated | Fully consolidated |
| Entris Holding AG, Muri b. Bern[1] | Financial services | 25,000 | 58.83 | 58.83 | Equity method | Proportionately consolidated |
| Triba Partner Bank AG, Triengen[2] | Bank | 11,000 | 97.87 | 97.87 | Fully consolidated | Fully consolidated |

[1] New name as from 1 January 2018, previously known as RBA-Holding AG.
[2] Fully consolidated since 1 July 2017.

In a deviation from the scope of consolidation for accounting purposes, the service company Entris Holding AG (new name as from 1 January 2018; previously known as RBA-Holding AG) is proportionally consolidated for the calculation of capital. In the consolidated financial statements, this company is recognised by means of equity consolidation.

Although Valiant's holding amounts to 58.83 %, Entris Holding AG is recognised using the equity method in the consolidated financial statements because:

- Under the Entris shareholder agreement, key decisions require a two-thirds majority. Essentially, the agreement contains provisions relating to 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 collaboration among all Entris banks.

For the purposes of the calculation of capital, the holding in Entris Holding AG is proportionally consolidated pursuant to Article 9 para. 2 of the Capital Adequacy Ordinance.

The scope of consolidation changed versus the previous year as a result of the acquisition of Triba Partner Bank AG. This bank was fully consolidated as at 31 December 2017 (2016: risk weighting).

There are no material majority holdings that are not fully or proportionally consolidated.

# Reconciliation of consolidated balance sheet

| | Based on financial reporting | Based on regulatory consolidated group | Reference |
|---|---|---|---|
| **Assets** | 31/12/2017 in CHF thousands | 31/12/2017 in CHF thousands | |
| Cash and cash equivalents | 2,558,070 | 4,359,905 | |
| Due from banks | 124,791 | 282,415 | |
| Amounts due from securities financing transactions | 0 | 78,832 | |
| Due from customers | 1,608,815 | 1,667,284 | |
| Mortgage loans | 21,911,710 | 21,911,710 | |
| Trading portfolio assets | 10,261 | 10,261 | |
| Positive replacement values of derivative financial instruments | 17,194 | 52,836 | |
| Financial investments | 941,437 | 1,368,195 | |
| Accrued income and prepaid expenses | 23,329 | 31,699 | |
| Non-consolidated holdings | 203,139 | 54,254 | |
| Tangible fixed assets | 140,149 | 159,152 | |
| Intangible assets | 2,615 | 2,615 | |
| of which other intangible assets | 2,615 | 2,615 | A |
| Other assets | 22,077 | 33,960 | |
| **Total assets** | **27,563,587** | **30,013,117** | |
| **Liabilities and equity** | | | |
| **Debt capital** | | | |
| Due to banks | 755,443 | 2,646,780 | |
| Liabilities from securities financing transactions | 0 | 488,634 | |
| Customer deposits | 18,479,867 | 18,488,317 | |
| Negative replacement values of derivative financial instruments | 20,944 | 51,746 | |
| Medium-term notes | 243,085 | 243,085 | |
| Bond issues and central mortgage institution loans | 5,641,162 | 5,641,162 | |
| Accrued expenses and deferred income | 124,986 | 136,551 | |
| Other liabilities | 59,749 | 63,635 | |
| Provisions | 35,769 | 50,626 | |
| of which deferred taxes for temporary differences | 3,708 | 15,441 | |
| **Total debt capital** | **25,361,005** | **27,810,535** | |
| of which subordinated liabilities, eligible as supplementary capital (Tier 2) | 150,000 | 150,000 | B |
| **Equity capital** | | | |
| Reserves for general banking risks | 25,786 | 25,786 | C |
| Share capital | 7,896 | 7,896 | |
| of which eligible as CET1 | 7,896 | 7,896 | D |
| Capital reserve | 592,750 | 592,750 | E |
| Retained earnings reserve | 1,454,964 | 1,454,964 | C |
| Consolidated net profit | 119,201 | 119,201 | C |
| Minority interests | 1,985 | 1,985 | F |
| **Total equity capital** | **2,202,582** | **2,202,582** | |
| **Total liabilities and equity** | **27,563,587** | **30,013,117** | |

## 2. Composition of eligible capital / Presentation of eligible capital

| | Common Equity Tier 1 capital (CET1) | Net figures in CHF thousands | Reference |
|---|---|---|---|
| 1 | Issued, paid-in share capital, completely eligible | 7,896 | D |
| 2 | Retained earnings reserves, including reserves for general banking risks/profit (loss) carry forwards and profit (loss) for the period | 1,593,188 | C |
| 3 | Capital reserve | 592,750 | E |
| 5 | Minority interests | 1,985 | F |
| **6** | **Total CET1 capital, before adjustments** | **2,195,819** | |
| | **Adjustments to CET1 capital** | | |
| | Distribution of dividends (incl. minorities) | –63,170 | |
| 9 | Other intangible assets (after deduction of deferred taxes) | –2,615 | A |
| 10 | Deduction of deferred taxes due to a holding | –6,979 | |
| **28** | **Total adjustments to CET1 capital** | **–72,764** | |
| **29** | **Total Common Equity Tier 1 capital (net CET1)** | **2,123,055** | |
| **45** | **Core capital (net Tier 1)** | **2,123,055** | |
| | **Supplementary capital (Tier 2)** | | |
| 46 | Subordinate bond | 150,000 | B |
| **58** | **Total supplementary capital (net Tier 2)** | **150,000** | |
| **59** | **Regulatory capital (net Tier 1 and net Tier 2)** | **2,273,055** | |
| **60** | **Total risk-weighted positions** | **13,176,503** | |

| | Capital ratios | Net figures in CHF thousands | Reference |
|---|---|---|---|
| 61 | CET1 ratio (Common Equity Tier 1 capital as % of risk-weighted positions) | 16.11 | |
| 62 | Tier 1 ratio (core capital as % of risk-weighted positions) | 16.11 | |
| 63 | Ratio in relation to regulatory capital (as % of risk-weighted positions) | 17.25 | |
| | Ratio in relation to regulatory capital (incl. countercyclical buffer) | 16.16 | |
| 64 | CET1 requirements in accordance with the Basel minimum standards (minimum requirements + capital buffer + countercyclical buffer) plus the capital buffer for systemically important banks) (as a % of risk-weighted assets) | 6.84 | |
| | of which minimum requirements in accordance with CAO transitional provisions (as % of risk-weighted positions) | 4.50 | |
| 65 | of which capital buffer in accordance with Basel minimum standards (as % of risk-weighted assets) | 1.25 | |
| 66 | of which countercyclical capital buffer (as % of risk-weighted positions) | 1.09 | |
| 68 | CET1 available to meet minimum and buffer requirements as per the Basel mini-mum standards, after deduction of the AT1 and T2 requirements met by CET1 (as % of risk-weighted assets) | 13.75 | |
| 68a | CET1 total requirement target in accordance with Annex 8 of the CAO plus the countercyclical buffer (as % of risk-weighted assets) | 8.89 | |
| 68b | Available CET1 (as % of risk-weighted positions) | 13.05 | |
| 68c | T1 total requirement in accordance with Annex 8 of the CAO plus the countercyclical buffer (as % of risk-weighted assets) | 10.69 | |
| 68d | Available Tier 1 (as % of risk-weighted positions) | 14.85 | |
| 68e | Total requirement for regulatory capital as per Annex 8 of the CAO plus the countercyclical buffer (as % of risk-weighted assets) | 13.09 | |
| 68f | Available regulatory capital (as % of risk-weighted positions) | 17.25 | |

| | Amounts under the thresholds for deductions (before risk weighting) | Net figures in CHF thousands | Reference |
|---|---|---|---|
| 72 | Non-eligible holdings in the financial sector | 41,656 | |
| 73 | Other eligible holdings in the financial sector (CET1) | 8,016 | |

## 3. The bank's risk management approach (OVA)

Valiant's chosen risk management approach is explained in the following sections of its 2017 Annual Report, which can be found at valiant.ch/results:

- Management Report, Strategy and goals section: pages 9–13
- Management Report, Risk management section: pages 17–19
- Notes on risk management: pages 102–108

## 4. Overview of risk-weighted assets (OV1)

| | | a | c |
|---|---|---|---|
| | **Required group equity** | **RWA 31/12/2017 in CHF thousands** | **Minimum capital requirements 31/12/2017 in CHF thousands** |
| 1 | Credit risk (excluding CCR – counterparty credit risk) | 12,165,633 | 973,252 |
| 2 | of which standardised approach (SA) | 12,165,633 | 973,252 |
| 4 | Counterparty credit risk | 184,622 | 14,769 |
| 5 | of which standardised approach (SA-CCR) | 13,939 | 1,115 |
| 16 | Market risk | 38,191 | 3,055 |
| 17 | of which standardised approach | 38,191 | 3,055 |
| 19 | Operational risk | 768,019 | 61,442 |
| 20 | of which basic indicator approach | 768,019 | 61,442 |
| 23 | Amounts below the thresholds for deduction (subject to 250% risk weight) | 20,038 | 1,603 |
| **25** | **Minimum capital requirements** | **13,176,503** | **1,054,120** |

# 5. Differences between accounting and regulatory scopes of consolidation (LI1)

| | a | b | c | d | e | f | g |
|---|---|---|---|---|---|---|---|
| | | | Carrying values of items | | | | |
| **Assets** | Based on financial reporting in CHF thousands | Based on regulatory consolidated group in CHF thousands | Subject to credit risk framework in CHF thousands | Subject to counterparty credit risk framework in CHF thousands | Subject to securitisation framework in CHF thousands | Subject to market risk framework in CHF thousands | Not subject to capital requirements or subject to deduction from capital in CHF thousands |
| Cash and cash equivalents | 2,558,070 | 4,359,905 | 4,359,905 | | | 12,514 | 4,347,391 |
| Due from banks | 124,791 | 282,415 | 266,690 | 15,725 | | 92,572 | |
| Amounts due from securities financing transactions | | 78,832 | | 78,832 | | | |
| Due from customers | 1,608,815 | 1,667,284 | 1,667,284 | | | 58,163 | |
| Mortgage loans | 21,911,710 | 21,911,710 | 21,911,710 | | | 0 | |
| Trading portfolio assets | 10,261 | 10,261 | | | | 10,261 | |
| Positive replacement values of derivative financial instruments | 17,194 | 52,836 | | 52,836 | | 21,014 | |
| Financial investments | 941,437 | 1,368,195 | 1,368,195 | | | 141,273 | |
| Accrued income and prepaid expenses | 23,329 | 31,699 | 31,699 | | | 6 | |
| Non-consolidated holdings | 203,139 | 54,254 | 54,254 | | | | 8,096 |
| Tangible fixed assets | 140,149 | 159,152 | 159,152 | | | | |
| Intangible assets | 2,615 | 2,615 | | | | | 2,615 |
| of which other intangible assets | 2,615 | 2,615 | | | | | 2,615 |
| Other assets | 22,077 | 33,960 | 20,585 | | | 239 | 13,375 |
| **Total assets** | **27,563,587** | **30,013,117** | **29,839,473** | **147,393** | **0** | **336,042** | **4,371,477** |
| **Liabilities and equity** | | | | | | | |
| Due to banks | 755,443 | 2,646,780 | | 17,555 | | 623,869 | 2,005,356 |
| Liabilities from securities financing transactions | 0 | 488,634 | | 488,634 | | 488,634 | |
| Customer deposits | 18,479,867 | 18,488,317 | | | | 275,542 | 18,212,775 |
| Negative replacement values of derivative financial instruments | 20,944 | 51,746 | | 30,802 | | 20,862 | 82 |
| Medium-term notes | 243,085 | 243,085 | | | | | 243,085 |
| Bond issues and central mort-gage institution loans | 5,641,162 | 5,641,162 | | | | | 5,641,162 |
| Accrued expenses and deferred income | 124,986 | 136,551 | | | | 1 | 136,550 |
| Other liabilities | 59,749 | 63,635 | | | | 14 | 63,621 |
| Provisions | 35,769 | 50,626 | | | | | 50,626 |
| of which deferred taxes for temporary differences | 3,708 | 15,441 | | | | | 15,441 |
| **Total debt capital** | **25,361,005** | **27,810,535** | **0** | **536,991** | **0** | **2,152,662** | **26,353,256** |

Balance-sheet items in foreign currencies are subject to both credit and market risk treatment. Financial sector holdings of > 10% have a separate capital requirement, which is added to credit risk.

# 6. Main sources of differences between regulatory exposure amounts and carrying values in financial statements (annual financial statements and consolidated financial statements) (LI2)

| | | a | b | c | d | e |
|---|---|---|---|---|---|---|
| | | | Positions subject to | | | |
| | | Total in CHF thousands | Credit risk framework in CHF thousands | Counterparty credit risk framework in CHF thousands | Securitisation framework in CHF thousands | Market risk framework in CHF thousands |
| 1 | Asset carrying value amount under regulatory scope of consolidation (as per Table 5) | 30,013,117 | 29,839,473 | | 147,393 | 336,042 |
| 2 | Liabilities carrying value amount under regulatory scope of consolidation (as per Table 5) | 2,689,653 | | | 536,991 | 2,152,662 |
| 3 | Total net amount under regulatory scope of consolidation | 27,323,464 | 29,839,473 | | −389,598 | −1,816,620 |
| 4 | Off-balance-sheet amounts | 1,038,033 | 585,005 | | 69,953 | |
| 5 | Differences in valuations | 87,070 | | | 87,070 | |
| 6 | Differences due to different netting rules, other than those already included in Row 2 | 1,854,811 | | | | 1,854,811 |
| 7 | Differences due to consideration of value adjustments and provisions | 0 | | | | |
| 8 | Differences due to prudential filters | 0 | | | | |
| 9 | SFT assets, taking account of risk-minimisation measures according to the simple approach | 898,471 | | | 898,471 | |
| 10 | Exposure amounts considered for regulatory purposes | 31,201,849 | 30,424,478 | | 665,896 | 38,191 |

# 7. Explanations of differences between accounting and regulatory exposure amounts (LIA)

The differences between accounting amounts as reported in the financial statements and regulatory exposure amounts relate exclusively to the proportional consolidation of Entris Holding AG (new name as from 1 January 2018; previously known as RBA-Holding AG) for the calculation of capital (see table 1).

The assets of Entris Holding AG consist primarily of cash held with the Swiss National Bank and a fixed-income portfolio carried under financial investments.

The recognised measurement differences relate to exposures from derivatives transactions, which are calculated for regulatory purposes but not for accounting treatment.

## 8. General information about credit risk (CRA)

A description of the main features and components of the bank's credit risk management approach is provided in the following sections of Valiant's 2017 Annual Report:

- Management Report, Credit risks section: Page 18
- Notes on risk management, Credit risks section: Page 103
- Notes on the methods used to identify credit risk and to determine impairments: Page 109
- Notes on the valuation of collateral: Page 110

## 9. Credit risk: Credit quality of assets (CR1)

| | | a | b | c | d |
|---|---|---|---|---|---|
| | | Gross carrying values of | | | |
| | | Defaulted exposures in CHF thousands | Non-defaulted exposures in CHF thousands | Value adjustments/ impairments in CHF thousands | Net values (a + b - c) in CHF thousands |
| 1 | Loans (excluding debt securities) | 104,866 | 28,734,516 | 46,758 | 28,792,623 |
| 2 | Debt securities | | 1,366,669 | | 1,366,669 |
| 3 | Off-balance-sheet exposures | | 586,729 | 3,129 | 583,600 |
| **4** | **Total** | **104,866** | **30,687,914** | **49,887** | **30,742,893** |

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. 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 of a sale are discounted to the balance-sheet date. The definition of "defaulted exposures" is the same as that of "impaired loans".

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. Overdue and impaired interest payments are not recognised. Instead, value adjustments are made directly.

Impaired loans are only reclassified as performing loans (restructured positions) 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 must be recognised in income.

## 10. Credit risk: Changes in stock of defaulted loans and debt securities (CR2)

| | | a |
|---|---|---|
| | | in CHF thousands |
| 1 | Defaulted loans and debt securities at end of the previous reporting period | 105,383 |
| 2 | Loans and debt securities that have defaulted since the last reporting period | 41,313 |
| 3 | Returned to non-defaulted status | –35,751 |
| 4 | Amounts written off | –6,079 |
| 5 | Other changes (+/–) | |
| **6** | **Defaulted loans and debt securities at end of the reporting period (total)** | **104,866** |

The impaired loan portfolio represented 0.44 % of the lending volume (previous year: 0.47 %). Newly added impaired loans were low relative to the overall lending portfolio. Existing impaired exposures remained stable during the reporting period.

## 11. Credit risk: Additional disclosure related to the credit quality of assets (CRB)

| | Residual maturity | | | |
|---|---|---|---|---|
| Sector | Due within 12 months | Due within 12 months to 5 years | Due after 5 years | Overall result |
| Private clients | 25,421 | 4,512 | 6,747 | 36,680 |
| Trading | 8,772 | | | 8,772 |
| Real estate | 27,465 | | 3,088 | 30,553 |
| Construction industry | 5,644 | | 472 | 6,116 |
| Manufacturing | 9,780 | 250 | 390 | 10,420 |
| Public administration | | | 2,835 | 2,835 |
| Agriculture | 1,156 | | | 1,156 |
| Financial and insurance services | 162 | | 675 | 837 |
| Other | 6,284 | | 1,213 | 7,497 |
| **Overall result** | **84,684** | **4,762** | **15,420** | **104,866** |

Details of overdue and impaired exposures, the methodology for identifying impaired exposures and the bank's internal definition of restructured positions are explained below Table 9 and detailed in Table 10.

In light of the bank's low level of international business no geographical breakdown is provided.

## 12. Credit risk: Qualitative disclosure requirements related to credit risk mitigation techniques (CRC)

Collateral is recognised using the simple method. Collateral can be cash and cash equivalents, securities or bank guarantees that meet the internal quality requirements. Exposures and their coverage are monitored daily. There is no netting of positions on or off the balance sheet. Concentration risks in connection with the collateral received are monitored.

Counterparty risk management is explained on page 105 of Valiant's 2017 Annual Report, under "Other counterparty risk".

## 13. Credit risk mitigation techniques – overview (CR3)

| | | a | b | c | d | e | f | g |
|---|---|---|---|---|---|---|---|---|
| | | **Unsecured exposures / carrying amount in CHF thousands** | **Exposures secured by collateral in CHF thousands** | **Exposures secured by collateral, of which: secured amount in CHF thousands** | **Exposures secured by financial guarantees in CHF thousands** | **Exposures secured by financial guarantees, of which: secured amount in CHF thousands** | **Exposures secured by credit derivatives in CHF thousands** | **Exposures secured by credit derivatives, of which: secured amount in CHF thousands** |
| 1 | Loans (excluding debt securities) | 29,142,900 | 176,186 | 24,080 | 57,138 | 37,317 | | |
| 2 | Debt securities | 1,298,363 | | | 68,306 | 68,306 | | |
| **3** | **Total[1]** | **30,441,263** | **176,186** | **24,080** | **125,444** | **105,623** | **0** | **0** |
| 4 | of which defaulted | 104,866 | | | | | | |

[1] The column "Unsecured exposures" includes mortgage-backed positions amounting to CHF 22,3 billion.

Collateral is recognised against significantly less than 1 % of loans made by Valiant.
As such, the recognition of collateral has only a small impact on risk-weighted assets.

## 14. Credit risk: Qualitative disclosures on the bank's use of external credit ratings under the standardised approach for credit risk (CRD)

External ratings are not taken into account.

## 15. Credit risk: Standardised approach – credit risk exposure and credit risk mitigation (CRM) effects (CR4)

| | | a | b | c | d | e | f |
|---|---|---|---|---|---|---|---|
| | | Exposures before CCF and CRM | | Exposures post-CCF and CRM | | | |
| **Exposure class** | | **On-balance-sheet amount in CHF thousands** | **Off-balance-sheet amount in CHF thousands** | **On-balance-sheet amount in CHF thousands** | **Off-balance-sheet amount in CHF thousands** | **RWA in CHF thousands** | **RWA density as %** |
| 1 | Central governments and central banks | 30,185 | | 101,012 | | 58,131 | 57.55 |
| 2 | Banks and securities firms | 893,807 | 65,413 | 372,138 | 41,697 | 173,623 | 41.95 |
| 3 | Non-central government public sector entities and multilateral development banks | 916,407 | 112,484 | 903,267 | 56,492 | 336,776 | 35.09 |
| 4 | Corporates | 1,151,944 | 99,510 | 1,152,446 | 95,848 | 798,819 | 63.99 |
| 5 | Retail | 22,723,355 | 751,649 | 22,697,961 | 340,722 | 10,479,121 | 45.48 |
| 6 | Equity | 48,974 | 49,036 | 48,974 | 49,036 | 122,496 | 124.98 |
| 7 | Other exposures | 4,568,832 | 1,210 | 4,569,037 | 1,210 | 196,667 | 4.30 |
| **8** | **Total** | **30,333,503** | **1,079,301** | **29,844,835** | **585,005** | **12,165,633** | **39.98** |

## 16. Credit risk: Standardised approach – exposures by asset classes and risk weights (CR5)

| | | a | b | c | d | e | f | g | h | i | j |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Exposure class/ risk weight** | | **0%** | **10%** | **20%** | **35%** | **50%** | **75%** | **100%** | **150%** | **Other** | **Total[1] in CHF thousands** |
| 1 | Central governments and central banks | 22,927 | | | | 39,909 | | 38,176 | | | 101,012 |
| 2 | Banks and securities firms | | | 155,050 | | 232,345 | | 26,440 | | | 413,835 |
| 3 | Non-central government public sector entities and multilateral development banks | 45,264 | | 437,779 | 24,666 | 422,649 | 554 | 28,848 | | | 959,759 |
| 4 | Corporates | 523 | | 547,519 | 11,471 | | 13,993 | 674,753 | 35 | | 1,248,294 |
| 5 | Retail | 30,382 | | 205 | 18,161,860 | | 2,895,868 | 1,950,051 | 318 | | 23,038,684 |
| 6 | Equity | | | | | | | 49,037 | 48,973 | | 98,010 |
| 7 | Other exposures | 4,373,528 | | | | | 205 | 196,513 | | | 4,570,246 |
| **8** | **Total** | **4,472,624** | **0** | **1,140,552** | **18,197,997** | **694,903** | **2,910,620** | **2,963,817** | **49,327** | **0** | **30,429,840** |
| 9 | of which covered by mortgages | | | | 18,197,997 | 4,445 | 2,694,414 | 1,902,283 | | | |
| 10 | of which past-due loans | | | | | | | 18,521 | 348 | | |

[1] Total credit exposures (post-CCF and post-CRM).

## 17. – 22. Table on the IRB approach

Valiant does not use any rating-based approaches.

## 23. Qualitative disclosure related to counterparty credit risk (CCRA)

Counterparty risk management is explained on page 105 of Valiant's 2017 Annual Report, under "Other counterparty risks".

## 24. Analysis of counterparty credit risk (CCR) exposure by approach (CCR1)

| | | a | b | c | d | e | f |
|---|---|---|---|---|---|---|---|
| | | Replacement cost in CHF thousands | Potential future exposure in CHF thousands | EEPE in CHF thousands | Alpha used for computing regulatory EAD | EAD post-CRM in CHF thousands | RWA in CHF thousands |
| 1 | SA-CCR (for derivatives) | 6,414 | 13,534 | | 1.4 | 27,927 | 13,939 |
| | Market value method under SA-BIS | 20,223 | 28,833 | | | 42,026 | 21,244 |
| 2 | IMM (for derivatives and SFTs) | | | | | | |
| 3 | Simple approach for risk mitigation (for SFTs) | | | | | 488,669 | 97,889 |
| 4 | Comprehensive approach for risk mitigation (for SFTs) | | | | | | |
| 5 | VaR for SFTs | | | | | | |
| **6** | **Total** | | | | | | **133,072** |

## 25. Counterparty risk: Credit valuation adjustment capital charge (CCR2)

| | | a | b |
|---|---|---|---|
| | | EAD post-CRM in CHF thousands | RWA in CHF thousands |
| | Total portfolios subject to the Advanced CVA capital charge | | |
| 1 | VAR component (including the 3×multiplier) | | |
| 2 | Stressed VAR component (including the 3×multiplier) | | |
| 3 | All portfolios subject to the standardised CVA capital charge[1] | 69,953 | 51,550 |
| **4** | **Total subject to the standardised CVA capital charge** | **69,953** | **51,550** |

[1] Simplified standard approach.

## 26. Standardised approach – exposures by asset class and risk weight (CCR3)

| | | a | b | c | d | e | f | g | h | i |
|---|---|---|---|---|---|---|---|---|---|---|
| **Exposure class/risk weight** | | **0 %** | **10 %** | **20 %** | **50 %** | **75 %** | **100 %** | **150 %** | **Other** | **Total[1] in CHF thousands** |
| 1 | Central government and central banks | | | | | | | | | 0 |
| 2 | Banks and securities firms | | | 490,530 | 66,004 | | | | | 556,534 |
| 3 | Non-central government public sector entities and multilateral development banks | | | | | | 15 | | | 15 |
| 4 | Corporates | | | | | | 353 | | | 353 |
| 5 | Retail | | | | | 501 | 1,219 | | | 1,720 |
| 6 | Equity | | | | | | | | | 0 |
| 7 | Other exposures | | | | | | | | | 0 |
| **8** | **Total** | **0** | **0** | **490,530** | **66,004** | **501** | **1,587** | **0** | **0** | **558,622** |

[1] Total credit exposures (post-CCF and post-CRM).

## 27. CCR exposures by portfolio and PD scale (CCR4: IRB)

Valiant does not use any model-based approaches.

## 28. Composition of collateral for CCR exposure (CCR5)

| | a | b | c | d | e | f |
|---|---|---|---|---|---|---|
| | **Collateral used in derivative transactions** | | | | **Collateral used in SFTs** | |
| | **Fair value of collateral received** | | **Fair value of posted collateral** | | | |
| | **Segregated in CHF thousands** | **Unsegregated in CHF thousands** | **Segregated in CHF thousands** | **Unsegregated in CHF thousands** | **Fair value of collateral received in CHF thousands** | **Fair value of posted collateral in CHF thousands** |
| Cash – CHF | | 23,415 | | 25,475 | | |
| Swiss Confederation sovereign debt | | | | | | 11,403 |
| Other sovereign debt | | | | | 6,131 | 12,267 |
| Due from mortgage bond banks | | | 10,990 | | 55,061 | 226,557 |
| Due from Swiss cantons | | | 17,502 | | 10,489 | 155,709 |
| Government agency debt | | | | | | 3,948 |
| Corporate bonds | | | 6,600 | | 314 | 45,357 |
| Equity securities | 1,171 | | | | | |
| Other collateral | | | 1,000 | | 6,477 | 33,069 |
| **Total** | **1,171** | **23,415** | **36,092** | **25,475** | **78,472** | **488,310** |

## 29. Counterparty risk: Credit derivatives exposures (CCR6)

Valiant has incurred no potential liabilities in connection with credit derivatives, whether as a provider or a recipient of collateral.

## 30. RWA flow statements of CCR exposures under the internal model method (the EPE model method) (CCR7)

Valiant does not use any model approaches.

## 31. Counterparty risk: Exposures to central counterparties (CCR8)

There are no exposures to central counterparties.

## 32.–36. Table on securitisations

Valiant has no securitised exposures.

## 37. Qualitative disclosure requirements related to market risk (MRA)

Market risk is described in the following sections of Valiant’s 2017 Annual Report:
- Management Report, Other market risks section: Page 19
- Notes on risk management, Other market risks section: Page 106

## 38. Market risk: Qualitative disclosures for banks using the internal models approach (IMA) (MRB)

Valiant does not use any model-based approaches.

## 39. Market risk under the standardised approach (MR1)

| | | a |
|---|---|---|
| | | RWA in CHF thousands |
| | **Outright products** | |
| 1 | Interest-rate risk (general and specific) | 11,294 |
| 2 | Equity risk (general and specific) | 20,522 |
| 3 | Foreign exchange risk | 3,175 |
| 4 | Commodity risk | 3,200 |
| **9** | **Total** | **38,191** |

## 40.–42. Table on the market risk model approach

Valiant does not use any model-based approaches.

## 43. Operational risks: General information

Operational risks are described in the following sections of Valiant's 2017 Annual Report:
- Management Report, Operational risks section: Page 19
- Notes on risk management, Operational risks section: Page 106
- Notes on risk management, Compliance and management of legal risks section: Page 107

The basic indicator approach is used to calculate the capital requirement.

## 44. Interest-rate risk in the banking book

Interest-rate risk in the banking book is described in the following sections of Valiant's 2017 Annual Report:
- Management Report, Interest rate risks section: Page 19
- Notes on risk management, Interest rate risks section: Page 105

## 45. Presentation of the key characteristics of regulatory capital instruments

The presentation of the regulatory capital instruments can be found on the Valiant Bank AG website at valiant.ch/results.

## 46. Leverage ratio: comparison of total assets with total exposure

| | Object | 31/12/2017 in CHF thousands |
|---|---|---|
| 1 | Total consolidated assets as per published financial statements | 27,563,587 |
| 2 | Adjustment for capital deductions and entities that are outside the scope of regulatory consolidation | –3,003 |
| 3 | Adjustment for fiduciary assets | |
| 4 | Adjustments for derivatives | 38,446 |
| 5 | Adjustments for SFTs | 1,846 |
| 6 | Adjustments for off-balance-sheet items | 757,867 |
| 7 | Other adjustments | 1,179,284 |
| 8 | Leverage ratio exposures | 29,538,027 |

# 47. Leverage ratio: detailed presentation

| | Object | 31/12/2017 in CHF thousands |
|---|---|---|
| | **On-balance-sheet exposures** | |
| 1 | On-balance-sheet items (excluding derivatives and SFTs, but including collateral) | 28,611,203 |
| 2 | (Assets that must be deducted in determining the eligible Tier 1 capital) | −3,003 |
| **3** | **Total on-balance-sheet exposures within the leverage ratio framework, excluding derivatives and SFTs** | **28,608,200** |
| | **Derivatives** | |
| 4 | Replacement values associated with all derivatives transactions, including those with CCPs, taking into account the margin payments received and netting agreements | 52,836 |
| 5 | Add-on amounts for PFE associated with all derivatives transactions | 38,446 |
| 6 | Gross up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework | |
| 7 | Deduction of receivables assets for cash variation margin provided in derivatives transactions | |
| 8 | Deduction relating to exposures to QCCPs if there is no obligation to reimburse the client in the event of the QCCP defaulting | |
| 9 | Adjusted effective notional amount of written credit derivatives, after deduc-tion of negative replacement values | |
| 10 | Adjusted effective notional offsets of bought/written credit derivatives | |
| **11** | **Total derivative exposures** | **91,282** |
| | **Securities financing transaction exposures** | |
| 12 | Gross SFT assets with no recognition of netting (except in the case of novation with a QCCP as per margin no. 57 FINMA Circ. 15/3) including sale accounting transactions | 78,832 |
| 13 | Netted amounts of cash payables and cash receivables relating to SFT counterparties | |
| 14 | CCR exposure for SFT assets | 1,846 |
| 15 | Agent transaction exposures | |
| **16** | **Total securities financing transaction exposures** | **80,678** |
| | **Other off-balance-sheet exposures** | |
| 17 | Off-balance-sheet exposure at gross nominal amounts before application of credit conversion factors. | 2,799,473 |
| 18 | Adjustments for conversion to credit equivalent amounts | −2,041,606 |
| **19** | **Total off-balance-sheet items** | **757,867** |
| | **Eligible capital and total exposures** | |
| 20 | Tier 1 capital | 2,123,055 |
| 21 | Total exposures | 29,538,027 |
| | **Leverage ratio** | |
| 22 | Leverage ratio (as %) | 7.19 |

Following the deduction of derivatives carried on the balance sheet, the difference between the total assets in the published financial statements and item 1 of this table is CHF 1,048 million. This corresponds to the pro-rata addition of the exposures of Entris Holding AG (new name as from 1 January 2018; previously known as RBA-Holding AG) less internal offsetting.

# 48. Information on short-term liquidity

| | | Monthly average Q1[1] | | Monthly average Q2[1] | |
|---|---|---|---|---|---|
| | | Unweighted values in CHF thousands | Weighted values in CHF thousands | Unweighted values in CHF thousands | Weighted values in CHF thousands |
| **A.** | **High-quality liquid assets (HQLA)** | | | | |
| 1 | Sum of all eligible HQLAs | | 2,706,172 | | 2,822,611 |
| **B.** | **Outflows** | | | | |
| 2 | Retail deposits and deposits from small business customers | 11,851,379 | 965,677 | 9,518,776 | 795,632 |
| 3 | of which stable deposits | 5,044,087 | 252,204 | 3,730,802 | 186,540 |
| 4 | of which less stable deposits | 6,807,292 | 713,473 | 5,787,974 | 609,092 |
| 5 | Unsecured wholesale funding, defined as those liabilities and general obligations from customers other than natural persons and small business customers that are not collateralised | 2,200,866 | 1,474,233 | 2,304,318 | 1,612,051 |
| 6 | of which operational deposits | | | | |
| 7 | of which non-operational deposits | 2,187,714 | 1,461,081 | 2,284,666 | 1,592,399 |
| 8 | of which unsecured debt including all notes, bonds and other debt securities | 13,152 | 13,152 | 19,652 | 19,652 |
| 9 | Secured wholesale funding, defined as all collateralised liabilities and general obligations | | | | |
| 10 | Additional requirements | 777,858 | 427,407 | 764,956 | 455,291 |
| 11 | of which outflows related to derivative exposures and other collateral requirements | 274,922 | 274,922 | 306,968 | 306,968 |
| 12 | of which outflows of central mortgage institution loans | 51,291 | 51,291 | 52,923 | 52,923 |
| 13 | of which credit and liquidity facilities, including drawdowns on committed or conditionally revocable credit and liquidity facilities | 451,645 | 101,194 | 405,065 | 95,400 |
| 14 | Other contractual funding obligations to extend funds | 244,847 | 235,058 | 169,204 | 141,971 |
| 15 | Other contingent funding obligations | 1,138,503 | 15,179 | 1,110,242 | 15,373 |
| **16** | **Total cash outflows** | | **3,117,554** | | **3,020,318** |
| **C.** | **Inflows** | | | | |
| 17 | Secured lending | | | | |
| 18 | Inflows from fully performing exposures | 187,152 | 22,191 | 244,052 | 57,953 |
| 19 | Other cash inflows | 360,530 | 360,530 | 398,300 | 398,300 |
| **20** | **Total cash inflows** | **547,682** | **382,721** | **642,352** | **456,253** |
| | **LCR calculation** | | | | |
| **21** | **Total HQLAs** | | **2,706,172** | | **2,822,611** |
| **22** | **Total net cash outflows** | | **2,734,833** | | **2,564,065** |
| **23** | **LCR (as %)** | | **99** | | **110** |

[1] Average month-end values.

| | | Monthly average Q3[1] | | Monthly average Q4[1] | |
|---|---|---|---|---|---|
| | | Unweighted values in CHF thousands | Weighted values in CHF thousands | Unweighted values in CHF thousands | Weighted values in CHF thousands |
| **A.** | **High-quality liquid assets (HQLA)** | | | | |
| 1 | Sum of all eligible HQLAs | | 2,706,769 | | 2,808,482 |
| **B.** | **Outflows** | | | | |
| 2 | Retail deposits and deposits from small business customers | 8,959,457 | 737,230 | 9,044,509 | 747,456 |
| 3 | of which stable deposits | 3,742,367 | 187,118 | 3,748,875 | 187,444 |
| 4 | of which less stable deposits | 5,217,090 | 550,112 | 5,295,634 | 560,012 |
| 5 | Unsecured wholesale funding, defined as those liabilities and general obligations from customers other than natural persons and small business customers that are not collateralised | 2,164,637 | 1,452,794 | 2,520,572 | 1,476,150 |
| 6 | of which operational deposits | | | | |
| 7 | of which non-operational deposits | 2,159,294 | 1,447,451 | 2,515,323 | 1,470,901 |
| 8 | of which unsecured debt including all notes, bonds and other debt securities | 5,343 | 5,343 | 5,249 | 5,249 |
| 9 | Secured wholesale funding, defined as all collateralised liabilities and general obligations | | | | |
| 10 | Additional requirements | 740,026 | 449,861 | 770,569 | 495,870 |
| 11 | of which outflows related to derivative exposures and other collateral requirements | 355,574 | 355,574 | 302,389 | 302,389 |
| 12 | of which outflows of central mortgage institution loans | 4,469 | 4,469 | 104,870 | 104,870 |
| 13 | of which credit and liquidity facilities, including drawdowns on committed or conditionally revocable credit and liquidity facilities | 379,983 | 89,818 | 363,310 | 88,611 |
| 14 | Other contractual funding obligations to extend funds | 207,220 | 181,184 | 212,935 | 193,146 |
| 15 | Other contingent funding obligations | 1,073,542 | 15,447 | 1,107,784 | 13,738 |
| **16** | **Total cash outflows** | | **2,836,516** | | **2,926,360** |
| **C.** | **Inflows** | | | | |
| 17 | Secured lending | | | | |
| 18 | Inflows from fully performing exposures | 256,053 | 54,011 | 196,175 | 31,519 |
| 19 | Other cash inflows | 443,117 | 443,117 | 484,463 | 484,463 |
| **20** | **Total cash inflows** | **699,170** | **497,128** | **680,638** | **515,982** |
| | **LCR calculation** | | | | |
| **21** | **Total HQLAs** | | **2,706,769** | | **2,808,482** |
| **22** | **Total net cash outflows** | | **2,339,388** | | **2,410,378** |
| **23** | **LCR (as %)** | | **116** | | **117** |

[1] Average month-end values.

**Liquidity coverage ratio (LCR)**

Pursuant to the Ordinance on Bank Liquidity (Liquidity Ordinance, LiqO) and FINMA circular 2015/2, Valiant Bank AG is required to maintain an adequate amount of unencumbered high-quality liquid assets (HQLAs). These assets are used to cover liquidity requirements in the event of major liquidity stress scenario defined by the supervisory authority, over a time horizon of 30 calendar days. The LCR is the ratio of the stock of HQLAs (numerator) to the total net cash outflows expected over a 30-day horizon (denominator) based on the stress scenario. For the reporting year, the bank is deemed to have met the LCR requirement, as the ratio stipulated in Article 13 LiqO is at least 80 %. The requirement will increase by 10 percentage points each year for the next two years to reach 100 % in 2019.

**Influencing factors**

Valiant funds its activities primarily via the deposits of private clients and small and medium-sized firms. Amounts due to clients other than natural persons and small businesses are comparatively far lower. However, due to the higher liquidity requirements, they constitute the largest block of weighted outflows. The remaining outflows are made up of irrevocable commitments, contingent liabilities and derivatives. Liquidity inflows come primarily from non-impaired receivables (loans to clients and banks that are due) and from derivatives. Liquidity inflows from non-impaired receivables consist largely of operational deposits with other banks, which, in light of their low weighting factor, translate into a comparatively small weighted liquidity inflow. HQLAs were relatively stable over the course of 2017. Conversely, liquidity outflows fell as a result of the introduction of withdrawal limits for certain types of accounts. This combination of trends led the LCR to rise slightly in 2017.

**Centralisation of liquidity management**

Valiant calculates and publishes all LCR values for Valiant Bank AG. Other legal entities play only a minor role in liquidity management. FINMA has therefore ruled that they do not have to be included for LCR purposes. Liquidity is planned and managed by a central unit (Treasury), which reports directly to the CFO.

**Composition of HQLAs**

HQLAs consist of clearing credit balances with the Swiss National Bank and financial investments in Swiss francs that are eligible for SNB repos. They also include financial investments in euros and US dollars that are eligible for SNB repos, as well as banknotes and coins.

**Concentration of sources of financing**

Sources of financing that make up more than 1 % of total assets are carefully monitored. The single largest source of financing is the Mortgage Bond Bank of Swiss Mortgage Institutions. The loans obtained there are long term.

**Derivative positions and collateral requirements**

The interest-rate swaps and forward currency transactions used for asset-liability management lead to some liquidity inflows and outflows each month. They offset each other for the most part, and therefore have only a minor impact on net liquidity flows.

**Currency mismatches**

No foreign currencies are significant in a regulatory sense for calculating the LCR. Accordingly, the LCR is only calculated in Swiss francs and on an overall basis for all currencies. The bank also uses the option of recognising additional HQLAs in foreign currency in order to fulfil the LCR in Swiss francs in accordance with FINMA RS 2015/2 margin note 299-314. The LCR in Swiss francs is thus generally slightly above the LCR for all currencies.

**Publisher**
Valiant Holding AG

**Contact**
Valiant Holding AG
Investor Relations
P.O. Box, CH-3001 Bern
valiant.ch
ir@valiant.ch