valiant

disclosures of capital adequacy and liquidity valiant holding ag 31/12/2018

Valiant Holding AG

Disclosures of capital adequacy and liquidity

KM1: Key regulatory figures

		a	c	e
Eligible capital (CHF)		T	T-1	T-2
1	Common Equity Tier1 capital (CET1)	2,181,738	2,130,383	2,123,055
2	Tier1 capital	2,181,738	2,130,383	2,123,055
3	**Total capital**	**2,181,738**	**2,130,383**	**2,273,055**
Risk-weighted assets (RWA) (CHF)				
4	RWA	13,221,662	13,256,002	13,176,503
4a	Minimum equity (CHF)	1,057,733	1,060,480	1,054,120
Risk-based capital ratios (as a % of RWA)				
5	CET1 ratio	16.50	16.07	16.11
6	Core capital ratio	16.50	16.07	16.11
7	Total capital ratio	16.50	16.07	17.25
CET1 buffer requirements (as a % of RWA)				
8	Capital buffer in accordance with the Basel minimum requirements (2.5 % from 2019) (as a %)	1.88	1.88	1.25
9	Countercyclical buffer (Art. 44a CAO) in accordance with the Basel minimum requirements (as a %)[1]	0.00	0.00	0.00
11	Overall buffer in accordance with the Basel minimum CET1 requirements (as a %)	1.88	1.88	1.25
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)[1] (as a %)	8.50	8.07	9.25
Target capital ratios in accordance with Annex 8 of CAO (as a % of RWA)				
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 %)	1.11	1.09	1.09
12c	CET1 minimum requirements (as a %) in accordance with Annex 8 of CAO plus the countercyclical capital buffer in accordance with Art. 44 and 44a CAO	8.91	8.89	8.89
12d	T1 minimum requirements (as a %) in accordance with Annex 8 of CAO plus the countercyclical capital buffer in accordance with Art. 44 and 44a CAO	10.71	10.69	10.69
12e	Total capital minimum requirements (as a %) in accordance with Annex 8 of CAO plus the countercyclical capital buffer in accordance with Art. 44 and 44a CAO	13.11	13.09	13.09
Basel III leverage ratio				
13	Total exposure (in CHF)	29,039,106	29,584,810	29,538,027
14	Basel III leverage ratio (core capital as a % of the total exposure)	7.51	7.20	7.19

[1] Last year's figures have been adjusted.
T = Half year

		a	b	c	d	e
Liquidity coverage ratio (LCR)		T	T-1	T-2	T-3	T-4
15	LCR numerator: Total high-quality liquid assets (in CHF)	2,805,404	2,822,076	3,065,022	2,772,703	2,808,482
16	LCR denominator: Total net cash outflow (in CHF)	2,598,571	2,489,379	2,684,126	2,479,551	2,410,378
17	Liquidity coverage ratio (LCR) (as a %)	108.0	113.4	114.2	111.8	116.5

T = Quarter

OVA: The bank's risk management approach

Valiant's chosen risk management approach is explained in the following sections of its 2018 Annual Report, which can be found at valiant.ch/results:

- Management report, Strategy and goals section: Pages 11–15
- Management report, Risk management section: Pages 19–21
- Notes on risk management: Pages 104–111

OV1: Overview of risk-weighted assets

		b	b	c
Required group equity		**RWA 31/12/2018 in CHF thousands**	**RWA 30/06/2018 in CHF thousands**	**Minimum capital requirements 31/12/2018 in CHF thousands**
1	Credit risk (excluding CCR – counterparty credit risk)	12,267,029	12,281,963	981,363
2	of which standardised approach (SA)	12,267,029	12,281,963	981,363
6	Counterparty credit risk[1]	90,894	93,235	7,271
7	of which standardised approach (SA-CCR)[1]	74,626	74,510	5,970
7b	of which determined using the market value method	16,268	18,725	1,301
10	Value adjustment risk of derivatives (CVA)	39,600	46,117	3,168
20	Market risk	17,154	24,029	1,372
21	of which standardised approach	17,154	24,029	1,372
24	Operational risk	786,223	790,333	62,898
25	Amounts below the thresholds for deduction (subject to 250% risk weight)	20,762	20,325	1,661
27	**Minimum capital requirements**	**13,221,662**	**13,256,002**	**1,057,733**

[1] Last year's figures have been adjusted.

LI1: Differences between accounting and regulatory scopes of consolidation

	a	b	c	d	e	f	g
			Carrying values				
Assets	Carrying values as reported in published financial statements in CHF thousands	Carrying values under scope of regulatory consolidation 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	1,972,228	3,818,100	3,818,100			12,595	3,805,505
Due from banks	154,134	323,725	301,626	22,100		66,881	
Amounts due from securities financing transactions		3,474		3,474			
Due from customers	1,538,649	1,556,668	1,556,668			85,912	
Mortgage loans	22,482,749	22,482,749	22,482,749				
Trading portfolio assets	187	187				187	
Positive replacement values of derivative financial instruments	8,316	29,585		29,585		16,962	
Financial investments	830,932	1,238,673	1,238,673			72,702	
Accrued income and prepaid expenses	19,920	28,121	28,121			6	
Non-consolidated holdings	214,079	54,450	54,450				8,305
Tangible fixed assets	130,314	148,858	148,858				0
Intangible assets	1,621	1,621					1,621
of which other intangible assets	1,621	1,621					1,621
Other assets	29,546	44,006	24,088			58	19,918
Total assets	**27,382,675**	**29,730,217**	**29,653,333**	**55,159**	**0**	**255,303**	**3,835,349**

Liabilities							
Due to banks	544,311	2,437,276		13,592		457,243	1,966,441
Liabilities from securities financing transactions		395,400		395,400		308,316	
Customer deposits	18,100,855	18,107,423				289,186	17,818,237
Negative replacement values of derivative financial instruments	22,976	49,795		26,819		16,679	6,297
Medium-term notes	190,054	190,054					190,054
Bond issues and central mortgage institution loans	6,044,227	6,044,227					6,044,227
Accrued expenses and deferred income	127,669	136,674				1	136,673
Other liabilities	51,596	54,837				28	54,809
Provisions	34,306	47,850					47,850
of which deferred taxes for temporary differences	5,865	17,679					17,679
Total debt capital	**25,115,994**	**27,463,536**	**0**	**435,811**	**0**	**1,071,453**	**26,264,588**

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.

LI2: Main sources of differences between regulatory exposure amounts and carrying values in financial statements

		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 LI1)	29,730,217	29,653,333		55,159	255,303
2	Liabilities carrying value amount under regulatory scope of consolidation (as per LI1)	1,507,264			435,811	1,071,453
3	Total net amount under regulatory scope of consolidation	28,222,953	29,653,333		−380,652	−816,150
4	Off-balance-sheet amounts	1,028,518	508,801		55,861	
5	Differences in valuations	82,137			82,137	
6	Differences due to different netting rules, other than those already included in Row 2	833,304				833,304
7	Differences due to consideration of value adjustments and provisions					
8	Differences due to prudential filters					
9	SFT assets, taking account of risk-minimisation measures according to the simple approach	621,594			621,594	
10	Exposure amounts considered for regulatory purposes	30,788,506	30,162,134		378,940	17,154

LIA: Explanations of differences between accounting and regulatory exposure amounts

Differences between the accounting and capital adequacy figures are solely due to the proportionate consolidation of Entris Holding AG for capital adequacy (see CC2).

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 resulting from derivatives transactions, which are calculated for regulatory purposes but not for accounting treatment.

PV1: Prudential value adjustments

Valiant did not make any prudential value adjustments.

CC1: Presentation of eligible capital

		a	b
Common Equity Tier1 capital (CET1)		**Amounts 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	1,660,141	C
3	Capital reserve	592,676	E
6	**Total CET1 capital, before regulatory adjustments**	**2,260,713**	
Regulatory adjustments to CET1 capital			
9	Other intangible assets (after deduction of deferred taxes)	−1,621	A
10	Deduction of deferred taxes due to a holding	−7,867	
28	**Total adjustments to CET1 capital**	**−78,975**	
29	**Total Common Equity Tier1 capital (net CET1)**	**2,181,738**	
45	**Core capital (net Tier1)**	**2,181,738**	
Supplementary capital (Tier2)			
46	Subordinate bond	0	B
58	**Total supplementary capital (net Tier2)**	**0**	
59	**Regulatory capital (net Tier1 and net Tier2)**	**2,181,738**	
60	**Total risk-weighted assets (RWA)**	**13,221,662**	

Capital ratios		**Amounts in CHF thousands**	**Reference**
61	CET1 ratio (as % of RWA)	16.50	
62	Tier1 ratio (as % of RWA)	16.50	
63	Total capital ratio (as % of RWA)	16.50	
64	Institution-specific CET1 buffer requirements in accordance with the Basel minimum standards (as a % of RWA)	1.88	
65	of which capital buffer in accordance with Basel minimum standards (as % of RWA)	1.88	
66	of which countercyclical capital buffer (Art. 44a CAO, as % of RWA)	0.00	
68	Available CET1 to cover the buffer requirements in accordance with the Basel minimum standards (after deduction of CET1 to cover the minimum requirements and, where necessary, to cover the TLAC requirements)(as a %)	8.50	
68a	CET1 minimum requirements in accordance with Annex 8 of the CAO plus the countercyclical buffer (as % of RWA)	8.91	
68b	of which countercyclical capital buffer Art. 44 and 44a CAO (as % of RWA)	1.11	
68c	Available CET1 (as % of RWA)	12.30	
68d	T1 minimum requirements in accordance with Annex 8 of the CAO plus the countercyclical buffer (as % of risk-weighted assets)	10.71	
68e	Available Tier1 (as % of RWA)	14.10	
68f	Minimum requirements for regulatory capital as per Annex 8 of the CAO plus the countercyclical buffer (as % of RWA)	13.11	
68g	Available regulatory capital (as % of RWA)	16.50	

Amounts under the thresholds for deductions (before risk weighting)		**Amounts in CHF thousands**	**Reference**
72	Non-eligible holdings in the financial sector	41,657	
73	Other eligible holdings in the financial sector (CET1)	8,305	

CC2: Reconciliation of eligible capital to the balance sheet

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	Financial services	25,000	58.84	58.84	Equity method	Proportionately consolidated

In a deviation from the scope of consolidation for accounting purposes, the service company Entris Holding AG is proportionally consolidated for the calculation of capital. In the consolidated financial statements, this company is recognised using the equity method.

Although Valiant's holding amounts to 58.84 %, 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 relates 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 venture 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.

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	31/12/2018 in CHF thousands	31/12/2018 in CHF thousands	
Cash and cash equivalents	1,972,228	3,818,100	
Due from banks	154,134	323,725	
Amounts due from securities financing transactions		3,474	
Due from customers	1,538,649	1,556,668	
Mortgage loans	22,482,749	22,482,749	
Trading portfolio assets	187	187	
Positive replacement values of derivative financial instruments	8,316	29,585	
Financial investments	830,932	1,238,673	
Accrued income and prepaid expenses	19,920	28,121	
Non-consolidated holdings	214,079	54,450	
Tangible fixed assets	130,314	148,858	
Intangible assets	1,621	1,621	
of which other intangible assets	1,621	1,621	A
Other assets	29,546	44,006	
Total assets	**27,382,675**	**29,730,217**	
Liabilities and equity			
Debt capital			
Due to banks	544,311	2,437,276	
Liabilities from securities financing transactions		395,400	
Customer deposits	18,100,855	18,107,423	
Negative replacement values of derivative financial instruments	22,976	49,795	
Medium-term notes	190,054	190,054	
Bond issues and central mortgage institution loans	6,044,227	6,044,227	
Accrued expenses and deferred income	127,669	136,674	
Other liabilities	51,596	54,837	
Provisions	34,306	47,850	
of which liabilities relating to occupational pension entities	2,195	2,195	
of which deferred taxes for temporary differences	5,865	17,679	
Total debt capital	**25,115,994**	**27,463,536**	
of which subordinated liabilities, eligible as supplementary capital (Tier2)	0		B
Equity capital			
Share capital	7,896	7,896	
of which eligible as CET1	7,896	7,896	D
Reserves for general banking risks	34,786	34,786	C
Capital reserve	592,676	592,676	E
Retained earnings reserve	1,510,995	1,510,995	C
Consolidated net profit	120,328	120,328	C
Total equity capital	**2,266,681**	**2,266,681**	
Total liabilities and equity	**27,382,675**	**29,730,217**	

CCA: Main features of regulatory capital instruments and other TLAC instruments

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

LR1: Leverage ratio – comparison of total assets and total exposure for the leverage ratio

	Object	31/12/2018 in CHF thousands
1	Total consolidated assets as per published financial statements	27,382,675
2	Adjustment for capital deductions and entities that are outside the scope of regulatory consolidation	–1,621
3	Adjustment for fiduciary assets	
4	Adjustments for derivatives	34,506
5	Adjustments for SFTs	1,262
6	Adjustments for off-balance-sheet items	665,273
7	Other adjustments	957,011
8	Leverage ratio exposures	29,039,106

LR2: Leverage ratio – detailed presentation

	Object	31/12/2018 in CHF thousands
	On-balance-sheet exposures	
1	On-balance-sheet items (excluding derivatives and SFTs, but including collateral)	28,306,626
2	(Assets deducted in determining eligible Tier1 capital)	–1,621
3	**Total on-balance-sheet exposures within the leverage ratio framework, excluding derivatives and SFTs**	**28,305,005**
	Derivatives	
4	Replacement values associated with all derivatives transactions, including those with CCPs, taking into account the margin payments received and netting agreements	29,586
5	Add-on amounts for PFE associated with all derivatives transactions	34,506
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	0
7	Deduction of receivables assets for cash variation margin provided in derivatives transactions	0
8	Deduction relating to exposures to QCCPs if there is no obligation to reimburse the client in the event of the QCCP defaulting	0
9	Adjusted effective notional amount of written credit derivatives, after deduction of negative replacement values	0
10	Adjusted effective notional offsets of bought/written credit derivatives	0
11	**Total derivative exposures**	**64,092**
	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) after adjusting for sale accounting transactions	3,474
13	Netted amounts of cash payables and cash receivables relating to SFT counterparties	0
14	CCR exposure for SFT assets	1,262
15	Agent transaction exposures	0
16	**Total securities financing transaction exposures**	**4,736**
	Other off-balance-sheet exposures	
17	Off-balance-sheet exposure at gross nominal amounts before application of credit conversion factors	2,664,456
18	Adjustments for conversion to credit equivalent amounts	–1,999,183
19	**Total off-balance-sheet items**	**665,273**
	Eligible capital and total exposures	
20	Tier1 capital	2,181,738
21	Total exposures	29,039,106
	Leverage ratio	
22	Leverage ratio	7.51

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 924 million. This corresponds to the pro-rata addition of the exposures of Entris Holding AG less internal offsetting.

LIQA: Liquidity – management of liquidity risks

Qualitative data on the management of liquidity risks is set out in the following sections of Valiant’s 2018 Annual Report:

- Management report, Liquidity and funding risks section: Page 21
- Notes on risk management, Liquidity and funding risks section: Page 108

LIQ1: Liquidity – information on the liquidity ratio

		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		2,772,703		3,065,022
B.	**Outflows**				
2	Retail deposits and deposits from small business customers	9,210,734	760,242	9,370,447	799,232
3	of which stable deposits	3,830,407	191,520	3,415,967	170,798
4	of which less stable deposits	5,380,327	568,722	5,954,480	628,434
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	2,373,799	1,639,262	2,229,727	1,515,763
6	of which operational deposits				
7	of which non-operational deposits	2,318,107	1,583,570	2,224,520	1,510,556
8	of which unsecured debt including all notes, bonds and other debt securities	55,692	55,692	5,207	5,207
9	Secured wholesale funding, defined as all collateralised liabilities and general obligations				
10	Additional requirements	727,179	467,275	726,483	503,446
11	of which outflows related to derivative exposures and other collateral requirements	364,648	364,648	381,413	381,413
12	of which outflows of central mortgage institution loans	16,508	16,508	37,667	37,667
13	of which credit and liquidity facilities, including drawdowns on committed or conditionally revocable credit and liquidity facilities	346,023	86,119	307,403	84,366
14	Other contractual funding obligations to extend funds	183,393	183,019	298,371	298,371
15	Other contingent funding obligations	1,224,637	14,678	1,609,474	14,571
16	**Total cash outflows**	**13,719,742**	**3,064,476**	**14,234,502**	**3,131,383**
C.	**Inflows**				
17	Secured lending				
18	Inflows from fully performing exposures	255,202	32,005	255,651	52,284
19	Other cash inflows	552,921	552,920	394,973	394,973
20	**Total cash inflows**	**808,123**	**584,925**	**650,624**	**447,257**
	LCR calculation				
21	**Total HQLAs**		**2,772,703**		**3,065,022**
22	**Total net cash outflows**		**2,479,551**		**2,684,126**
23	**LCR (as %)**		**112**		**114**

[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		2,822,076		2,805,404
B.	**Outflows**				
2	Retail deposits and deposits from small business customers	9,624,080	825,320	9,658,257	828,417
3	of which stable deposits	3,412,300	170,615	3,385,305	169,265
4	of which less stable deposits	6,211,780	654,705	6,272,952	659,152
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	2,264,222	1,515,096	2,350,686	1,535,174
6	of which operational deposits				
7	of which non-operational deposits	2,261,723	1,512,597	2,289,238	1,473,726
8	of which unsecured debt including all notes, bonds and other debt securities	2,499	2,499	61,448	61,448
9	Secured wholesale funding, defined as all collateralised liabilities and general obligations				
10	Additional requirements	646,504	457,733	661,806	455,337
11	of which outflows related to derivative exposures and other collateral requirements	328,280	328,280	328,528	328,528
12	of which outflows of central mortgage institution loans	48,633	48,633	45,333	45,333
13	of which credit and liquidity facilities, including drawdowns on committed or conditionally revocable credit and liquidity facilities	269,591	80,820	287,945	81,476
14	Other contractual funding obligations to extend funds	154,708	154,708	206,897	206,897
15	Other contingent funding obligations	1,600,474	14,497	1,363,411	11,826
16	**Total cash outflows**	**14,289,988**	**2,967,354**	**14,241,057**	**3,037,651**
C.	**Inflows**				
17	Secured lending				
18	Inflows from fully performing exposures	278,143	46,047	207,495	13,660
19	Other cash inflows	431,929	431,928	425,421	425,420
20	**Total cash inflows**	**710,072**	**477,975**	**632,916**	**439,080**
	LCR calculation				
21	**Total HQLAs**		**2,822,076**		**2,805,404**
22	**Total net cash outflows**		**2,489,379**		**2,598,571**
23	**LCR (as %)**		**113**		**108**

[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 a 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 if the ratio stipulated in Article 13 LiqO is at least 90 %. From the 2019 calendar year, the target requirement will be 100 %.

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.

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 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, as well as interest payments) 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 2018. The covered bond issue carried out by Valiant in March 2018 resulted in a larger inflow of payments in April 2018 (issued in March, payment date in April), which had a positive impact on the liquidity inflow in the LCR calculation for the corresponding month.

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 Circular 2015/2 margin notes 299-314. The LCR in Swiss francs is thus generally slightly above the LCR for all currencies.

Integration of Triba Partner Bank AG (Triba)
Valiant reports all LCR values at the level of Valiant Bank AG. Up until May 2018, Triba was carried as a holding of Valiant Holding AG and therefore had no impact on the LCR reporting of Valiant Bank AG. In May 2018, the balance-sheet positions of Triba were transferred to the IT system of Valiant Bank AG and since then have been included in the LCR values of Valiant Bank AG. However, given the sizes of the institutions and the similar liquidity inflows and outflows, the integration had no material impact on the LCR reporting of Valiant Bank AG.

CRA: Credit risk – general information

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 2018 Annual Report:

- Management report, Credit risks section: Page 20
- Notes on risk management, Credit risks section: Page 105
- Notes on the methods used to identify credit risk and to determine impairments: Page 112
- Notes on the valuation of collateral: Page 113

CR1: Credit risk – credit quality of assets

		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)	70,551	28,542,888	43,140	28,570,299
2	Debt securities		1,237,530		1,237,530
3	Off-balance-sheet exposures		752,175	3,440	748,735
4	**Total**	**70,551**	**30,532,593**	**46,580**	**30,556,564**

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 an individual valuation allowance. 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. 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 are reversed through the income statement.

CR2: Credit risk – changes in stock of defaulted loans and debt securities

		a
		in CHF thousands
1	Defaulted loans and debt securities at end of the previous reporting period	104,866
2	Loans and debt securities that have defaulted since the last reporting period	35,386
3	Returned to non-defaulted status	–62,525
4	Amounts written off	–7,176
6	**Defaulted loans and debt securities at end of the reporting period (total)**	**70,551**

Of the loans held, 0.29 % are impaired (previous year: 0.44 %).
Newly impaired loans were low relative to the overall lending portfolio. The decrease in defaulted loans and debt securities was due in particular to previously impaired exposures that had improved credit ratings and were reclassified as performing.

CRB: Credit risk – additional disclosure related to the credit quality of assets

	Residual maturity			
Sector	**Due within 12 months**	**Due in over 12 months and under 5 years**	**Due after 5 years**	**Total**
Private clients	18,623	6,734	5,843	31,200
Trading	4,396	–	–	4,396
Real estate	6,816	839	1,565	9,220
Construction industry	1,337	700	–	2,037
Manufacturing	11,563	250	–	11,813
Public administration	52	–	–	52
Health care	138	448		586
Agriculture	870	1,977		2,847
Financial and insurance services	1,230		675	1,905
Other	6,402	–	93	6,495
Total	**51,427**	**10,948**	**8,176**	**70,551**

Details of overdue and impaired exposures, the methodology for identifying impaired exposures and the bank's internal definition of restructured positions are explained inTable CR1 and figures for them shown in Table CR2.

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

CRC: Credit risk – qualitative disclosure requirements related to credit risk mitigation techniques

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 associated with collateral received are monitored.

Counterparty risk management is explained on page 106 of Valiant's 2018 Annual Report, under "Counterparty risks".

CR3: Credit risk – overview of credit risk mitigation techniques

		a	b1	b	d	f
		Unsecured exposures / carrying values in CHF thousands	Secured exposures / carrying values in CHF thousands	Of which: exposures secured by collateral in CHF thousands	Of which: exposures secured by financial guarantees in CHF thousands	Of which: exposures secured by credit derivatives in CHF thousands
1	Loans (excluding debt securities)	29,110,419	208,615	29,736	47,233	
2	Debt securities	1,191,148	46,382	0	46,382	
3	**Total**[1]	**30,301,567**	**254,997**	**29,736**	**93,615**	**0**
4	of which defaulted	70,551				

[1] The column "Unsecured exposures" includes mortgage-backed positions amounting to CHF 22.8 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.

CRD: Credit risk – qualitative disclosures on the bank's use of external credit ratings under the standardised approach

External raitings are not used.

CR4: Credit risk – standardised approach – credit risk exposure and credit risk mitigation (CRM) effects

		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	11,080		59,616		25,610	42.96
2	Banks and securities firms	718,108	63,400	404,149	40,401	182,702	41.10
3	Non-central government public sector entities and multilateral development banks	809,591	109,988	796,016	54,994	310,812	36.52
4	Corporates	1,118,802	60,210	1,121,353	57,230	765,610	64.96
5	Retail	23,250,310	787,900	23,214,223	305,793	10,676,100	45.39
6	Equity	48,763	50,383	48,763	50,383	123,527	124.59
7	Other exposures	4,020,946		4,020,946		182,668	4.54
8	**Total**	**29,977,600**	**1,071,881**	**29,665,066**	**508,801**	**12,267,029**	**40.65**

CR5: Credit risk – standardised approach – exposures by asset class and risk weight

		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	24,375				19,263		15,978			59,616
2	Banks and securities firms			177,278	0	240,052		27,220			444,550
3	Non-central government public sector entities and multilateral development banks	19,715		383,461	24,320	395,464	698	27,352			851,010
4	Corporates	76		502,837	11,992		11,440	652,183	55		1,178,583
5	Retail	39,692		581	18,564,189		2,948,537	1,966,820	197		23,520,016
6	Equity							50,384	48,762		99,146
7	Other exposures	3,838,278						182,668			4,020,946
8	**Total**	**3,922,136**	**0**	**1,064,157**	**18,600,501**	**654,779**	**2,960,675**	**2,922,605**	**49,014**	**0**	**30,173,867**
9	of which covered by mortgages				18,600,501	1,695	2,786,649	1,916,105			
10	of which past-due loans							14,309	252		

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

CCRA: Counterparty credit risk – qualitative disclosures

Counterparty risk management is explained on page 106 of Valiant's 2018 Annual Report, under "Counterparty risks".

CCR1: Counterparty credit risk – exposure by approach

		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)	5,476	11,506		1.4	23,775	11,887
	Market value method under SA-BIS	15,186	27,513			32,086	16,268
2	IMM (for derivatives and SFTs)						
3	Simple approach for risk mitigation (for SFTs)					312,534	62,739
4	Comprehensive approach for risk mitigation (for SFTs)						
5	VaR for SFTs						
6	**Total**	**0**	**0**	**0**	**0**	**368,395**	**90,894**

CCR2: Counterparty risk – credit valuation adjustment capital charge

		a	b
		EAD post-CRM in CHF thousands	RWA in CHF thousands
3	All portfolios subject to the standardised CVA capital charge[1]	55,861	39,600
4	**Total subject to the standardised CVA capital charge**	**55,861**	**39,600**

[1] Simplified standardised approach.

CCR3: Counterparty risk – standardised approach – exposures by asset class and risk weight

		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			314,043	52,065					366,108
3	Non-central government public sector entities and multilateral development banks						170			170
4	Corporates						262			262
5	Retail					933	922			1,855
6	Equity									0
7	Other exposures									0
8	**Total**	**0**	**0**	**314,043**	**52,065**	**933**	**1,354**	**0**	**0**	**368,395**

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

CCR5: Counterparty credit risk – composition of collateral for CCR exposure

	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		Fair value of collateral received in CHF thousands	Fair value of posted collateral in CHF thousands
	Segregated in CHF thousands	Unsegregated in CHF thousands	Segregated in CHF thousands	Unsegregated in CHF thousands		
Cash – CHF		23,563		70,950		
Swiss Confederation sovereign debt						11,170
Other sovereign debt						6,049
Due from mortgage bond banks					3,506	182,063
Due from Swiss cantons						129,850
Government agency debt						3,223
Corporate bonds						34,090
Equity securities	642					
Other collateral						29,451
Total	**642**	**23,563**	**0**	**70,950**	**3,506**	**395,896**

CCR6: Counterparty credit risk – credit derivative positions

Valiant has incurred no potential liabilities in connection with credit derivatives, neither as a provider nor a recipient of collateral.

CCR8: Counterparty risk – exposures to central counterparties (CCR8)

There are no exposures to central counterparties.

SECA – SEC4: Securitisation transactions

Valiant has no securitised exposures.

MRA: Market risk – qualitative disclosures

Market risk is described in the following sections of Valiant’s 2018 Annual Report:
- Management report, Other market risks section: Page 21
- Notes on risk management, Other market risks section: Page 108

MR1: Market risk under the standardised approach

		a
	Outright products	**RWA in CHF thousands**
1	Interest-rate risk (general and specific)	10,013
2	Equity risk (general and specific)	374
3	Foreign exchange risk	3,732
4	Commodity risk	3,035
9	**Total**	**17,154**

IRRBBA – IRRBB1: Interest-rate risk

An extraordinary disclosure of tables IRRBBA, IRRBBA1 and IRRBB1 will be made as at the reference date of 30 June 2019.

ORA: Operational risks – general information

Operational risks are described in the following sections of Valiant's 2018 Annual Report:
- Management report, Operational risks section: Page 21
- Notes on risk management, Operational risks section: Page 109
- Notes on risk management, Compliance and management of legal risks section: Page 110

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

Published by
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