valiant

disclosures of capital adequacy and liquidity valiant holding ag 31 december 2019

valiant holding ag

Disclosures of capital adequacy and liquidity

KM1: Key regulatory figures

		a	c	e
Eligible capital (in CHF thousands)		**T**	**T-1**	**T-2**
1	Common Equity Tier1 capital (CET1)	2,217,836	2,175,979	2,181,738
2	Tier1 capital	2,217,836	2,175,979	2,181,738
3	**Total capital**	**2,217,836**	**2,175,979**	**2,181,738**
Risk-weighted assets (RWA) (in CHF thousands)				
4	RWA	13,475,177	13,397,058	13,221,662
4a	Minimum equity	1,078,014	1,071,765	1,057,733
Risk-based capital ratios (as a % of RWA)				
5	CET1 ratio	16.46	16.24	16.50
6	Core capital ratio	16.46	16.24	16.50
7	Total capital ratio	16.46	16.24	16.50
CET1 buffer requirements (as a % of RWA)				
8	Capital buffer in accordance with the Basel minimum requirements (2.5% from 2019)	2.50	2.50	1.88
9	Countercyclical buffer (Art. 44a CAO) in accordance with the Basel minimum requirements	0.00	0.00	0.00
11	Overall buffer in accordance with the Basel minimum CET1 requirements	2.50	2.50	1.88
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)	8.46	8.24	8.50
Target capital ratios in accordance with Annex 8 of CAO (as a % of RWA)				
12a	Capital buffer in accordance with Annex 8 of CAO	4.00	4.00	4.00
12b	Countercyclical buffer (Art. 44 and 44a CAO)	1.13	1.12	1.11
12c	CET1 minimum requirement in accordance with Annex 8 of CAO plus the countercyclical capital buffer in accordance with Art. 44 and 44a CAO	8.93	8.92	8.91
12d	T1 minimum requirement in accordance with Annex 8 of CAO plus the countercyclical capital buffer in accordance with Art. 44 and 44a CAO	10.73	10.72	10.71
12e	Total capital minimum requirement in accordance with Annex 8 of CAO plus the countercyclical capital buffer in accordance with Art. 44 and 44a CAO	13.13	13.12	13.11
Basel III leverage ratio				
13	Total exposure (in CHF thousands)	31,876,364	29,956,858	29,039,106
14	Basel III leverage ratio (core capital as a % of the total exposure)	6.96	7.26	7.51

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 thousands)	4,051,749	3,238,044	3,044,605	3,032,720	2,805,404
16	LCR denominator: Total net cash outflow (in CHF thousands)	2,835,211	2,508,749	2,655,888	2,594,379	2,598,571
17	**Liquidity coverage ratio (LCR) (as a %)**	**143**	**129**	**115**	**117**	**108**

T = Quarter

OVA: The bank's risk management approach

Valiant's chosen risk management approach is explained in the following sections of its 2019 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 118–127

OV1: Overview of risk-weighted assets

		b	b	c
Required group equity		RWA **31/12/2019** in CHF thousands	RWA 30/06/2019 in CHF thousands	Minimum capital requirements **31/12/2019** in CHF thousands
1	Credit risk (excluding CCR – counterparty credit risk)	12,494,322	12,436,345	999,546
2	of which standardised approach (SA)	12,494,322	12,436,345	999,546
6	Counterparty credit risk	76,653	83,559	6,132
7	of which standardised approach (SA-CCR)	54,857	67,069	4,389
7b	of which determined using the market value method	21,795	16,490	1,744
10	Value adjustment risk of derivatives (CVA)	59,613	42,388	4,769
20	Market risk	13,111	13,304	1,049
21	of which standardised approach	13,111	13,304	1,049
24	Operational risk	810,414	800,163	64,833
25	Amounts below the thresholds for deduction (subject to 250% risk weight)	21,064	21,300	1,685
27	**Minimum capital requirements**	**13,475,177**	**13,397,059**	**1,078,014**

LI1: Differences between accounting and regulatory scopes of consolidation

	a	b	c	d	e	f	g
			Carrying values				
Assets	Carrying values as reported in the 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	3,795,630	6,406,380	6,406,380			10,003	6,396,377
Due from banks	121,937	237,566	216,295	21,271		116,009	
Amounts due from securities financing transactions		14,710		14,710			
Due from customers	1,470,960	1,471,412	1,471,412			115,783	
Mortgage loans	23,332,077	23,332,077	23,332,077			45,576	
Trading portfolio assets	108	108				108	
Positive replacement values of derivative financial instruments	9,499	21,577		21,577		11,021	
Financial investments	765,076	1,185,834	1,185,834			60,365	
Accrued income and prepaid expenses	23,536	32,863	32,863			6	
Non-consolidated holdings	214,156	54,432	54,432				8,426
Tangible fixed assets	121,789	121,857	121,857				
Intangible assets	2,154	2,154					2,154
of which other intangible assets	2,154	2,154					2,154
Other assets	49,055	73,473	35,598			92	37,875
Total assets	**29,905,977**	**32,954,442**	**32,856,747**	**57,558**		**358,963**	**6,444,832**
Liabilities							
Due to banks	871,397	3,397,964		10,885		643,034	2,744,045
Liabilities from securities financing transactions		423,498		423,498		231,680	–0.0
Customer deposits	19,090,256	19,143,794				391,242	18,752,552
Negative replacement values of derivative financial instruments	43,288	66,003		22,715		10,880	32,408
Medium-term notes	104,602	104,602					104,602
Bond issues and central mortgage institution loans	7,269,700	7,269,700					7,269,700
Accrued expenses and deferred income	139,318	145,702				1	145,701
Other liabilities	40,316	43,514				63	43,451
Provisions	28,839	41,390					41,390
of which deferred taxes for temporary differences	2,889	14,703					14,703
Total debt capital	**27,587,716**	**30,636,166**		**457,098**		**1,276,900**	**29,133,848**

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)	32,954,442	32,856,747		57,558	358,963
2	Liabilities carrying value amount under regulatory scope of consolidation (as per LI1)	1,733,998			457,098	1,276,900
3	Total net amount under regulatory scope of consolidation	31,220,444	32,856,747		−399,540	−917,937
4	Off-balance-sheet amounts	941,218	491,762		59,511	
5	Differences in valuations	97,541			97,541	
6	Differences due to different netting rules, other than those already included in Row 2	931,048				931,048
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	847,793			847,793	
10	Exposure amounts considered for regulatory purposes	34,038,044	33,348,509		605,305	13,111

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 purposes (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	1,703,245	C
3	Capital reserve	592,684	E
6	**Total CET1 capital, before regulatory adjustments**	**2,303,825**	
Regulatory adjustments to CET1 capital			
9	Other intangible assets (after deduction of deferred taxes)	−2,154	A
10	Deduction of deferred taxes due to a holding	−4,873	
28	**Total adjustments to CET1 capital**	**−85,989**	
29	**Total Common Equity Tier1 capital (net CET1)**	**2,217,836**	
45	**Core capital (net Tier1)**	**2,217,836**	
Supplementary capital (Tier 2)			
46	Subordinate bond	0	B
58	**Total supplementary capital (net Tier2)**	**0**	
59	**Regulatory capital (net Tier1 and net Tier2)**	**2,217,836**	
60	**Total risk-weighted assets (RWA)**	**13,475,177**	

Capital ratios		**Amounts in CHF thousands**	**Reference**
61	CET1 ratio (as % of RWA)	16.46	
62	Tier1 ratio (as % of RWA)	16.46	
63	Total capital ratio (as % of RWA)	16.46	
64	Institution-specific CET1 buffer requirements in accordance with the Basel minimum standards (as % of RWA)	2.50	
65	of which capital buffer in accordance with Basel minimum standards (as % of RWA)	2.50	
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 % of RWA)	8.46	
68a	CET1 minimum requirement in accordance with Annex 8 of the CAO plus the countercyclical buffer (as % of RWA)	8.93	
68b	of which countercyclical capital buffer Art. 44 and 44a CAO (as % of RWA)	1.13	
68c	Available CET1 (as % of RWA)	12.26	
68d	T1 minimum requirement in accordance with Annex 8 of the CAO plus the countercyclical buffer (as % of RWA)	10.73	
68e	Available Tier1 (as % of RWA)	14.06	
68f	Total requirement for regulatory capital in accordance with Annex 8 of the CAO plus the countercyclical buffer (as % of RWA)	13.13	
68g	Available regulatory capital (as % of RWA)	16.46	

Amounts under the thresholds for deductions (before risk weighting)		**Amounts in CHF thousands**	**Reference**
72	Non-eligible holdings in the financial sector	41,503	
73	Other eligible holdings in the financial sector (CET1)	8,426	

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 proportionately consolidated for the calculation of capital. In the consolidated financial statements, this company is recognised using the equity method.

Although Valiant holds 58.84% of Entris Holding AG, this company 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 of Entris group companies.
– The Entris group is a joint venture between all Entris banks.

For the purposes of the calculation of capital, the holding in Entris Holding AG is proportionately consolidated pursuant to Article 9.2 of the Capital Adequacy Ordinance.

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

Reconciliation of consolidated balance sheet

Assets	Based on financial reporting 31/12/2019 in CHF thousands	Based on regulatory consolidated group 31/12/2019 in CHF thousands	Reference
Cash and cash equivalents	3,795,630	6,406,380	
Due from banks	121,937	237,566	
Amounts due from securities financing transactions	0	14,710	
Due from customers	1,470,960	1,471,412	
Mortgage loans	23,332,077	23,332,077	
Trading portfolio assets	108	108	
Positive replacement values of derivative financial instruments	9,499	21,577	
Financial investments	765,076	1,185,834	
Accrued income and prepaid expenses	23,536	32,863	
Non-consolidated holdings	214,156	54,432	
Tangible fixed assets	121,789	121,857	
Intangible assets	2,154	2,154	
of which other intangible assets	2,154	2,154	A
Other assets	49,055	73,473	
Total assets	**29,905,977**	**32,954,442**	
Liabilities and equity			
Debt capital			
Due to banks	871,397	3,397,964	
Liabilities from securities financing transactions	0	423,498	
Customer deposits	19,090,256	19,143,794	
Negative replacement values of derivative financial instruments	43,288	66,003	
Medium-term notes	104,602	104,602	
Bond issues and central mortgage institution loans	7,269,700	7,269,700	
Accrued expenses and deferred income	139,318	145,702	
Other liabilities	40,316	43,514	
Provisions	28,839	41,390	
of which liabilities relating to occupational pension entities	1,396	1,396	
of which deferred taxes for temporary differences	2,889	14,703	
Total debt capital	**27,587,716**	**30,636,166**	
of which subordinated liabilities, eligible as supplementary capital (Tier2)	0	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	592,684	592,684	E
Retained earnings reserve	1,561,836	1,561,836	C
Consolidated net profit	121,059	121,074	C
Total equity capital	**2,318,261**	**2,318,276**	
Total liabilities and equity	**29,905,977**	**32,954,442**	

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	31/12/2019 in CHF thousands
1	Total consolidated assets as per published financial statements	29,905,977
2	Adjustment for capital deductions and entities that are outside the scope of regulatory consolidation	–2,154
4	Adjustments for derivatives	34,003
5	Adjustments for SFTs	1,439
6	Adjustments for off-balance-sheet items	646,753
7	Other adjustments	1,290,346
8	Leverage ratio exposures	31,876,364

LR2: Leverage ratio – detailed presentation

	Object	31/12/2019 in CHF thousands
	On-balance-sheet exposures	
1	On-balance-sheet items (excluding derivatives and SFTs, but including collateral)	31,160,036
2	(Assets deducted in determining eligible Tier1 capital)	–2,154
3	**Total on-balance-sheet exposures within the leverage ratio framework, excluding derivatives and SFTs**	**31,157,882**
	Derivatives	
4	Replacement values associated with all derivatives transactions, including those with CCPs, taking into account the margin payments received and netting agreements	11,693
5	Add-on amounts for PFE associated with all derivatives transactions	43,887
11	**Total derivative exposures**	**55,580**
	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	14,710
14	CCR exposure for SFT assets	1,439
16	**Total securities financing transaction exposures**	**16,149**
	Other off-balance-sheet exposures	
17	Off-balance-sheet exposure at gross nominal amounts before application of credit conversion factors	2,522,643
18	Adjustments for conversion to credit equivalent amounts	–1,875,890
19	**Total off-balance-sheet items**	**646,753**
	Eligible capital and total exposures	
20	Tier1 capital	2,217,836
21	**Total exposures**	**31,876,364**
	Leverage ratio	
22	Leverage ratio	6.96

Following the deduction of the 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 1,264 million. This corresponds to the sum of the pro-rated exposures of Entris Holding AG less internal offsetting.

LIQA: Liquidity – management of liquidity risks

Qualitative information on the management of liquidity risks is provided in the following sections of Valiant's 2019 annual report:

– Management report, Liquidity and funding risks section: Page 21
– Notes on risk management, Liquidity and funding risks section: Page 123

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**		**3,032,720**		**3,044,605**
B.	**Outflows**				
2	Retail deposits and deposits from small business customers	9,872,216	840,803	9,774,121	844,778
3	of which stable deposits	3,553,684	177,684	3,332,000	166,600
4	of which less stable deposits	6,318,532	663,119	6,442,121	678,178
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	2,267,986	1,525,259	2,414,690	1,644,513
6	of which operational deposits				
7	of which non-operational deposits	2,252,450	1,509,723	2,413,016	1,642,839
8	of which unsecured debt including all notes, bonds and other debt securities	15,536	15,536	1,674	1,674
9	Secured wholesale funding, defined as all collateralised liabilities and general obligations				
10	Additional requirements	670,042	463,964	627,783	416,761
11	of which outflows related to derivative exposures and other collateral requirements	350,176	350,176	315,046	315,046
12	of which outflows of central mortgage institution loans	32,333	32,333	20,000	20,000
13	of which credit and liquidity facilities, including drawdowns on committed or conditionally revocable credit and liquidity facilities	287,533	81,455	292,737	81,715
14	Other contractual funding obligations to extend funds	182,658	182,658	180,664	180,664
15	Other contingent funding obligations	1,616,053	10,918	1,591,658	10,783
16	**Total cash outflows**	**14,608,955**	**3,023,602**	**14,588,916**	**3,097,499**
C.	**Inflows**				
17	Secured lending			333	
18	Inflows from fully performing exposures	235,062	29,946	264,439	48,703
19	Other cash inflows	399,277	399,277	392,908	392,908
20	**Total cash inflows**	**634,339**	**429,223**	**657,680**	**441,611**
	LCR calculation				
21	**Total HQLAs**		**3,032,720**		**3,044,605**
22	**Total net cash outflows**		**2,594,379**		**2,655,888**
23	**LCR (as %)**		**117**		**115**

[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**		**3,238,044**		**4,051,749**
B.	**Outflows**				
2	Retail deposits and deposits from small business customers	9,821,572	849,177	9,963,862	866,001
3	of which stable deposits	3,333,317	166,666	3,343,208	167,160
4	of which less stable deposits	6,488,254	682,511	6,620,655	698,841
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	2,186,087	1,433,985	2,484,165	1,709,424
6	of which operational deposits				
7	of which non-operational deposits	2,182,939	1,430,837	2,426,723	1,651,983
8	of which unsecured debt including all notes, bonds and other debt securities	3,148	3,148	57,441	57,441
9	Secured wholesale funding, defined as all collateralised liabilities and general obligations				
10	Additional requirements	728,769	517,801	761,122	540,429
11	of which outflows related to derivative exposures and other collateral requirements	369,363	369,363	421,505	421,505
12	of which outflows of central mortgage institution loans	66,833	66,833	36,833	36,833
13	of which credit and liquidity facilities, including drawdowns on committed or conditionally revocable credit and liquidity facilities	292,573	81,605	302,783	82,091
14	Other contractual funding obligations to extend funds	147,805	147,805	245,276	245,276
15	Other contingent funding obligations	1,978,114	10,578	2,113,819	10,640
16	**Total cash outflows**	**14,862,347**	**2,959,345**	**15,568,243**	**3,371,771**
C.	**Inflows**				
17	Secured lending				
18	Inflows from fully performing exposures	261,446	35,060	253,120	6,914
19	Other cash inflows	415,536	415,536	529,646	529,646
20	**Total cash inflows**	**676,982**	**450,596**	**782,766**	**536,560**
	LCR calculation				
21	**Total HQLAs**		**3,238,044**		**4,051,749**
22	**Total net cash outflows**		**2,508,749**		**2,835,211**
23	**LCR (as %)**		**129**		**143**

[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 quantity of unencumbered high-quality liquid assets (HQLAs). These assets are used to cover liquidity requirements in the event of a major liquidity stress scenario, as defined by FINMA 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, as stipulated in Article 13 LiqO, is at least 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. Forward currency transactions account for the majority of derivatives. For further information, see the section “Derivative positions and collateral requirements”. Liquidity inflows come primarily from unimpaired receivables (loans to clients and banks falling due, and interest payments), from derivatives (see outflows from derivatives above) and from liquidity inflows from debt financing already agreed as at month-end. An example of the latter is the issue of a covered bond carried out in November with a payment date in December. Liquidity inflows from unimpaired 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. From September 2019, holdings of high-quality liquid assets (HQLAs) steadily increased through issuance of covered bonds totalling CHF 500 million and an inflow of client deposits. As net cash outflows were relatively stable, the LCR rose significantly.

Depositor protection
Private clients of Valiant Bank AG are protected by the Swiss depositor protection scheme (esisuisse). As at 31 December 2019, Valiant Bank AG had client deposits of CHF 19.19 billion, of which CHF 10.01 billion were preferential deposits.

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.

Concentrations of funding sources
Funding sources that make up more than 1% of total assets are carefully monitored. The single largest funding source is the Mortgage Bond Bank of Swiss Mortgage Institutions. The loans obtained from this entity are long term.

Derivative positions and collateral requirements
The interest-rate swaps and forward currency transactions used for asset and liability management lead to some liquidity inflows and outflows each month. These 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 at Valiant. 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 No. 299–314. The LCR in Swiss francs is thus generally slightly above the LCR for all currencies.

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 2019 Annual Report:

- Management report, Credit risks section: Page 20
- Notes on risk management, Credit risks section: Page 120
- Notes on the methods used to identify credit risk and to determine impairments: Page 128
- Notes on the valuation of collateral: Page 129

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)	71,937	31,953,763	45,871	31,979,828
2	Debt securities		1,185,251		1,185,251
3	Off-balance-sheet exposures		534,045	3,276	530,769
4	**Total**	**71,937**	**33,673,059**	**49,147**	**33,695,848**

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	70,551
2	Loans and debt securities that have defaulted since the last reporting period	37,147
3	Returned to non-defaulted status	–29,989
4	Amounts written off	–5,772
6	**Defaulted loans and debt securities at end of the reporting period (total)**	**71,937**

Of the loans held, 0.29% were impaired (previous year: 0.29%). Newly impaired loans were low relative to the overall lending portfolio.

In the year under review, there were no significant changes in defaulted loans and debt securities.

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	16,718	6,128	3,350	26,196
Trading	1,710			1,710
Real estate	8,594	7,129		15,723
Construction industry	3,145	758		3,902
Manufacturing	10,645	950		11,595
Health care	156		427	583
Agriculture	766	750	1,168	2,683
Financial and insurance services	4,003			4,003
Other	4,394	948	200	5,542
Total	**50,129**	**16,663**	**5,145**	**71,937**

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

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

CRC: Credit risk – disclosures 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 121 of Valiant's 2019 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)	32,308,338	202,259	29,070	38,981	
2	Debt securities	1,144,138	41,113		41,113	
3	**Total** [1]	**33,452,476**	**243,372**	**29,070**	**80,094**	**0**
4	of which defaulted	71,937				

[1] The column "Unsecured exposures" includes mortgage-backed positions amounting to CHF 23.6 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 ratings 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	23,758		66,729		9,525	14.27
2	Banks and securities firms	762,357	61,686	329,859	41,516	141,519	38.11
3	Non-central government public sector entities and multilateral development banks	728,507	109,762	718,189	54,881	270,102	34.94
4	Corporates	1,101,399	58,696	1,106,289	56,121	750,411	64.56
5	Retail	24,044,039	695,862	24,014,126	289,050	11,041,732	45.43
6	Equity	48,232	50,146	48,232	50,146	122,518	124.54
7	Other exposures	6,616,992		6,602,855		158,516	2.40
8	**Total**	**33,325,283**	**976,153**	**32,886,278**	**491,714**	**12,494,322**	**37.43**

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	47,680				19,049					66,729
2	Banks and securities firms			196,796		144,836		29,742			371,375
3	Non-central government public sector entities and multilateral development banks	19,689		384,679	18,244	327,178	356	22,924			773,070
4	Corporates	96		500,070	13,237		12,977	636,029			1,162,411
5	Retail	34,374		979	19,184,526		3,025,823	2,057,253	221		24,303,176
6	Equity							50,097	48,281		98,378
7	Other exposures	6,444,339						158,516			6,602,855
8	**Total**	**6,546,177**	**0**	**1,082,524**	**19,216,008**	**491,064**	**3,039,156**	**2,954,562**	**48,502**	**0**	**33,377,992**
9	of which covered by mortgages				19,216,008	895	2,865,162	2,069,586			
10	of which past-due loans							9,047	221		

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

CCRA: Counterparty credit risk – qualitative disclosures

Counterparty risk management is explained on page 121 of Valiant's 2019 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)	3,088	8,635		1.4	16,412	8,171
	Market value method under SA-BIS	12,367	37,159			43,147	21,795
2	IMM (for derivatives and SFTs)						
3	Simple approach for risk mitigation (for SFTs)					439,005	46,687
4	Comprehensive approach for risk mitigation (for SFTs)						
5	VaR for SFTs						
6	**Total**	**0**	**0**	**0**	**0**	**498,564**	**76,653**

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]	59,511	59,613
4	**Total subject to the standardised CVA capital charge**	**59,511**	**59,613**

[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	191,828		236,983	51,270					480,081
3	Non-central government public sector entities and multilateral development banks						248			248
4	Corporates						478			478
5	Retail					2,898	722			3,620
6	Equity									0
7	Other exposures	14,137								14,137
8	**Total**	**205,965**	**0**	**236,983**	**51,270**	**2,898**	**1,448**	**0**	**0**	**498,564**

[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			
	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		16,680		84,821		
Swiss Confederation sovereign debt						7,042
Other sovereign debt					284	6,231
Due from mortgage bond banks					5,172	182,934
Due from Swiss cantons					541	133,692
Government agency debt					8,342	12,184
Corporate bonds						39,538
Equity securities	584					
Other collateral					244	42,674
Total	**584**	**16,680**	**0**	**84,821**	**14,583**	**424,295**

CCR6: Counterparty credit risk – credit derivative positions

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

CCR8: Counterparty risk – exposures to central counterparties

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 2019 Annual Report:
- Management report, Other market risks section: Page 21
- Notes on risk management, Other market risks section: Page 122

MR1: Market risk under the standardised approach

		a
Outright products		**RWA in CHF thousands**
1	Interest-rate risk (general and specific)	7,400
2	Equity risk (general and specific)	216
3	Foreign exchange risk	2,144
4	Commodity risk	3,351
9	**Total**	**13,111**

IRRBBA: Interest-rate risk – objectives and guidelines for interest-rate risk in the banking book

a) IRRBB for the purpose of risk management and measurement
Interest-rate risk mainly takes the following forms, which are taken into account in asset and liability management:
- Interest-rate repricing risk results from temporal mismatches relating to the maturity date or the repricing of interest rates on assets, liabilities and off-balance-sheet items.
- Basis risk arises from changes in interest rates for instruments that have similar maturities but are measured on the basis of different interest rates.

b) Strategies for managing and reducing the IRRBB
In view of Valiant's business activities, interest-rate risk is the most significant market risk. Accordingly, interest-rate risk is actively managed, limited, measured and reported. The limits are aligned with Valiant's risk capacity and also allow for future lending growth.

The management of interest-rate risks is described in the following section of Valiant's 2019 Annual Report:
- Market risks, section on interest-rate risk: Page 122

c) Frequency and description of the specific measures used to gauge sensitivity
The interest-rate risk measures are calculated at least monthly. ΔEVE and ΔNII calculations and simulations are carried out.

d) Interest-rate shock and stress scenarios
Valiant's internal interest-rate risk measurement system includes the following interest-rate shock and stress scenarios:
- Internally selected interest-rate shock scenarios
- Historical and hypothetical interest-rate stress scenarios
- Standard regulatory scenarios (parallel shift up/down, steepener/flattener shock, rise/fall in short-term interest rates)
- Reverse stress tests

e) Divergent model assumptions
The model assumptions used in the bank's internal interest-rate risk measurement system correspond to the information provided in the table (IRRBB1) for ΔEVE and ΔNII, unless other regulatory specifications are made.

f) Hedging

Hedging transactions are described in the following sections of Valiant's 2019 Annual Report:

- Business policy on the use of derivative financial instruments and hedge accounting: Page 130
- Principles of consolidation, Hedging: Page 112

g) Key modelling and parameter assumptions

1–3 Changes in the economic value of equity (ΔEVE)

- Cash flows are shown exclusive of margins.
- The cash flows used to calculate ΔEVE are calculated on an individual contract level.
- The cash flows excluding margins are discounted using swap and LIBOR rates. Linear interpolation is used if necessary.

4 Changes in net interest income (ΔNII)

The simulation parameters are essentially consistent with the assumptions for the internal scenarios described under d) on page 22. However, in line with FINMA Circular 2016/1, a constant balance sheet structure on a portfolio basis and instantaneous interest-rate shocks are assumed. For extensions of transactions falling due, identical characteristics are assumed for volumes and interest-rate repricing dates, and current values are applied for credit rating-dependent spread components. In terms of the net interest margin, an economically meaningful simulation is achieved by means of a floor for client interest rates.

5 Variable-rate positions

Variable-rate positions (positions with no set repricing date or "core deposit products") are represented by a portfolio of "rolling" fixed-interest investments with different maturities. Repricing behaviour is simulated using portfolios of market interest-rate combinations based on specified optimisation criteria (replications). The simulation uses historical product and market interest rates. In addition, the calculated replication rates are critically scrutinised based on expert knowledge, and adjusted if necessary.

6 Positions with repayment options

Valiant's products do not normally contain any behaviour-dependent repayment options.

7 Time deposits

Valiant's products do not normally contain any behaviour-dependent withdrawal options. Any early withdrawals are at market value.

8 Automatic interest options

Valiant's products do not normally contain any automatic interest options not dependent on behaviour (e.g. caps, floors).

9 Derivatives

Interest-rate derivatives are used to hedge and manage interest-rate risk. If required, further interest-rate derivatives are integrated into the framework of simulations and scenarios.

10 Other assumptions

The calculations in tables IRRBBA1 and IRRBB1 are based on all positions, regardless of currency. Foreign currency positions are translated into Swiss francs, and no interest-rate correlations are taken into account. Foreign currencies account for less than 10% of total assets.

IRRBBA1: Interest-rate risk – quantitative information on the position structure and interest-rate resetting

	Volume			Average repricing maturity term		Longest repricing maturity assigned to non-maturity positions	
	Total in CHF millions	of which CHF in CHF millions	of which other major currencies making up more than 10% of assets or liabilities on the balance sheet in CHF millions	Total in years	of which CHF in years	Total in years	of which CHF in years
Positions with a set repricing maturity							
Due from banks	5			0.06	0.08		
Due from clients	1,069	980		2.82	2.69		
Money-market mortgage loans	1,635	1,635		0.26	0.26		
Fixed-rate mortgage loans	21,242	21,196		3.67	3.67		
Financial investments	748	690		4.21	4.28		
Other receivables							
Interest derivative receivables[1]	3,500	3,500		1.38	1.47		
Due to banks	855	448		0.19	0.28		
Customer deposits	856	778		0.43	0.46		
Medium-term notes	105	105		1.92	1.92		
Bonds and mortgage bond loans	7,270	7,270		7.33	7.33		
Other liabilities							
Interest derivative liabilities[1]	**3,500**	**3,500**		**2.20**	**2.20**		
Positions with no set repricing maturity							
Due from banks	105	84		0.08	0.08		
Due from clients	430	404		0.60	0.59		
Variable-rate mortgage loans	467	467		1.64	1.64		
Other sight receivables							
Customer sight deposits	5,317	5,025		0.79	0.79		
Other sight liabilities							
Customer deposits, callable but not transferrable (savings deposits)	12,948	12,948		2.00	2.00		
Total	**60,051**	**59,030**	**0**	**3.03**	**3.08**	**2.40**	**2.40**

[1] Holdings of interest derivatives totalling CHF 3.50 billion. For technical reasons, derivatives are recorded both under interest derivative receivables and interest derivative liabilities. The figures correspond to those given in the interest-rate-risk report submitted to the SNB.

IRRBB1: Interest-rate risk – quantitative information on changes in the economic value of equity and net interest income

	ΔEVE (change in economic value) in CHF thousands		ΔNII (change in capitalised value) in CHF thousands	
	T	T-1	T	T-1
Parallel up	−73,519	−89,942	−17,493	3,279
Parallel down	43,174	54,770	27,596	−6,405
Steepener[1]	8,861	10,844		
Flattener[2]	−28,829	−34,749		
Short rate up	−40,164	−49,241		
Short rate down	41,974	51,435		
Maximum	−73,519	−89,942	27,596	−6,405

Period	T	T-1
Core capital (Tier1)	**2,217,836**	**2,175,979**

[1] Decline in short-term interest rates in combination with an increase in long-term interest rates
[2] Increase in short-term interest rates in combination with a decline in long-term interest rates
T = Half year

ΔEVE shows the change in the present value of capital under the six standardised, instantaneous interest-rate shock scenarios under FINMA Circular 2019/2 "Interest rate risks – banks". The calculation of ΔEVE takes into account interest-rate-sensitive assets, liabilities and off-balance-sheet items in the banking book. The calculation is based on the internal interest-rate risk measurement system and instantaneous interest-rate shocks, assuming that existing positions are amortised and not replaced by new interest business. The table shows that a parallel upward shift in the yield curve would result in the greatest change in the economic value of equity.

ΔNII shows the change in net interest income over a one-year horizon, assuming a constant balance sheet structure with an instantaneous parallel shift in the yield curve compared with the bank's internal baseline scenario. The bank's internal baseline scenario is based on its own interest-rate forecast. In the case of an instantaneous parallel upward shift, the higher interest expense on customer deposits more than cancels out the additional revenue in the form of income on the assets side. In the case of an instantaneous parallel downward shift, net interest income would improve significantly, mainly as a result of the passing on of negative interest-rate conditions on the liabilities side.

ORA: Operational risks – general information

Operational risks are described in the following sections of Valiant's 2019 Annual Report:
- Management report, Operational risks section: Page 21
- Notes on risk management, Operational risks section: Page 124
- Notes on risk management, Compliance and management of legal risks section: Page 125

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

Publisher
Valiant Holding AG

Contact
Valiant Holding AG
Bundesplatz 4
P.O. Box · 3001 Bern
Tel. +41 31 320 91 11
info@valiant.ch

Editorial team
Valiant Holding AG
General Secretariat and Finance

Overall concept, design, production
Linkgroup AG

This text is a translation from the original text in German ("Offenlegung der Eigenmittel und der Liquidität 2019, Valiant Holding AG"). The German version is the sole authoritative version.

simplicity and drive.