



# Kepler Cheuvreux Swiss Seminar 2018: Valiant investor presentation

Zürich 23 March 2018

**valiant**

# Summary

## 100% focus on retail banking

- Simple business model with a clear focus on mortgages
- Very high loan quality, with 97% of loans secured
- Stable or increasing dividend since 1997

## Sustainable and stable earnings

- Growth while keeping margins stable
- Interest rate risk: already low exposure further reduced
- Costs under control despite expansion

## Strategy implementation on track

- Market expansion: new innovative branches opened
- Full integration of Triba Bank AG on track
- Funding diversified through Triple-A covered bonds

# Overview

**Part 1: 100% Focus on retail banking in Switzerland**

**Part 2: Sustainable and stable earnings**

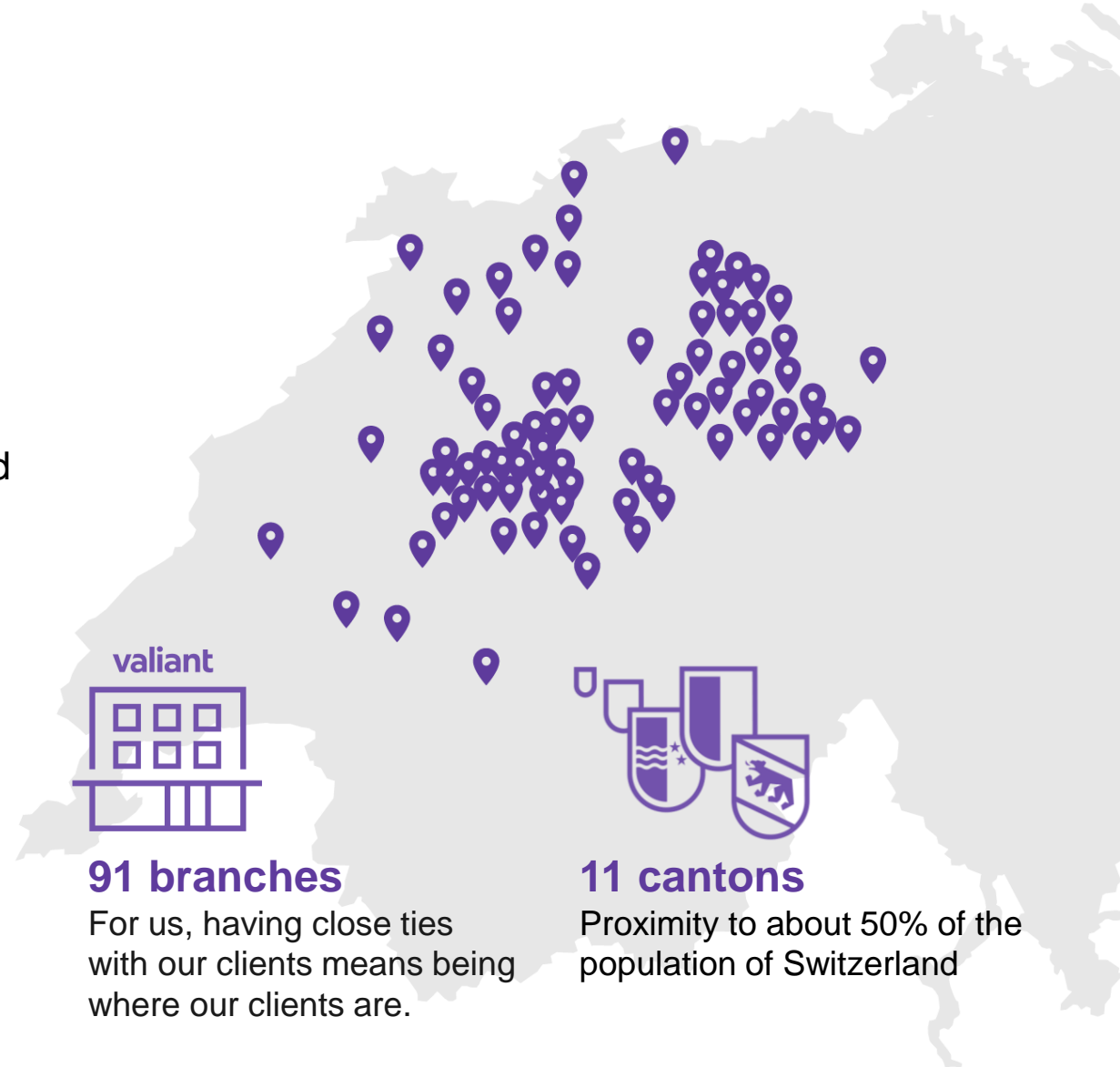
**Part 3: Stringent strategy implementation**

**Appendix**

# Valiant: 100% focused on retail and SME banking

- Independent retail and SME bank operating exclusively in Switzerland
- Close to clients through 91 branches, with strong local roots in 11 cantons (~50% of Swiss population). Digital presence across Switzerland
- Acquisition of Triba Partnerbank AG in Q3 2017
- 1,000 employees,\* including 500 client advisors
- Total capital ratio: 17.2%
- Moody's A1/P-1, stable outlook
- 100% free float. Market cap ~ CHF 1.8bn

→ **“We’re simply a bank”**



\* 31/12/2017: 873 FTE

# Simple business model. Clear focus on mortgages.

“Take in the money, look after the money, lend money.”



Payment



Savings



Pensions



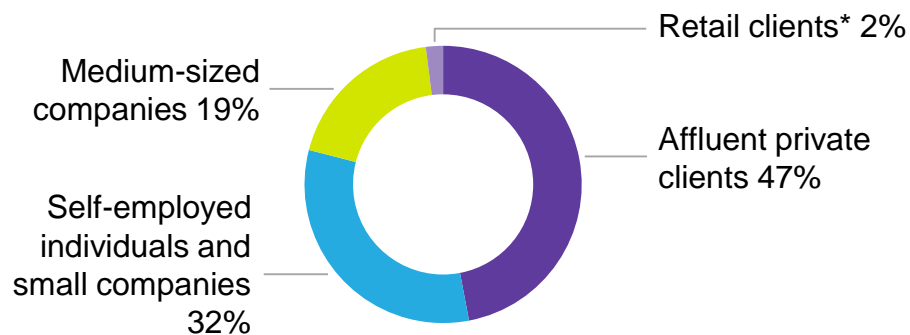
Funding



Investment

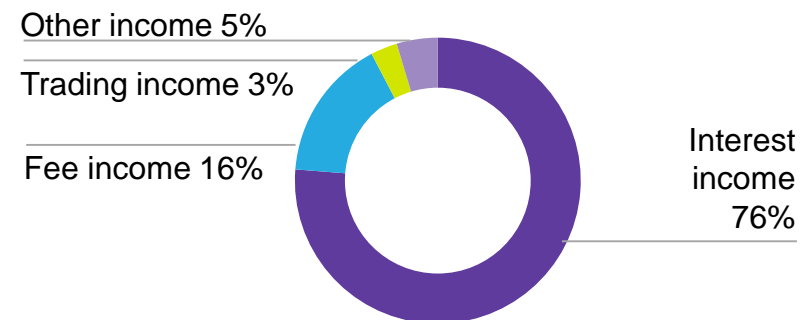
## 51% of revenues from SME and self-employed

Total income: CHF 438m



## 76% of revenues from interest income

Net income: CHF 388m

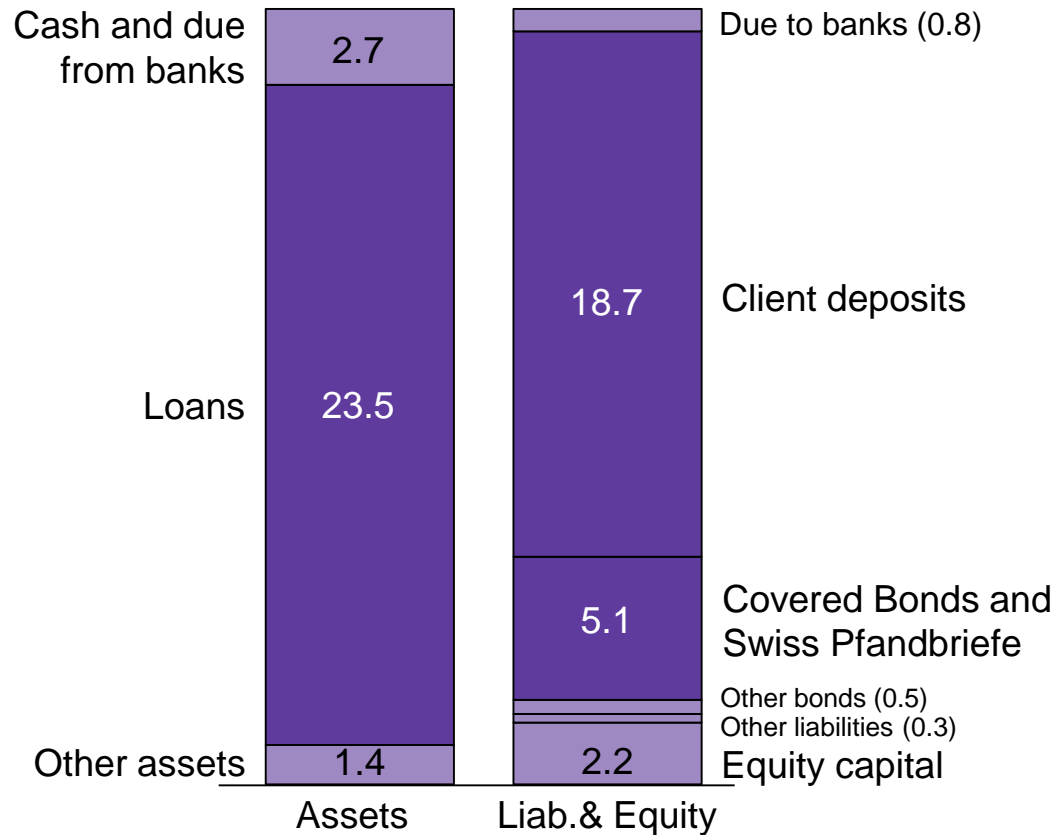


At 31/12/2017

\* Private clients without financing or assets with Valiant

# Straightforward balance sheet

as per 31/12/2017 (CHF27.6bn)



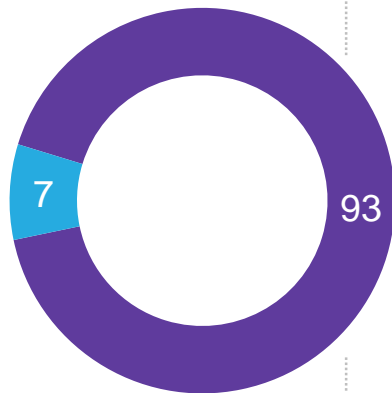
- 85% of assets in loans
- Valuation differences and provisions account for <0.2% of total assets
- No goodwill despite a long history of take-overs
- Client deposit coverage ratio: 79.6%
- Asset encumbrance ratio: 20.8%
- Leverage ratio: 7.2%

# Very high quality of loans

## 93% of total loans in mortgages

Client loans: CHF 23.5bn

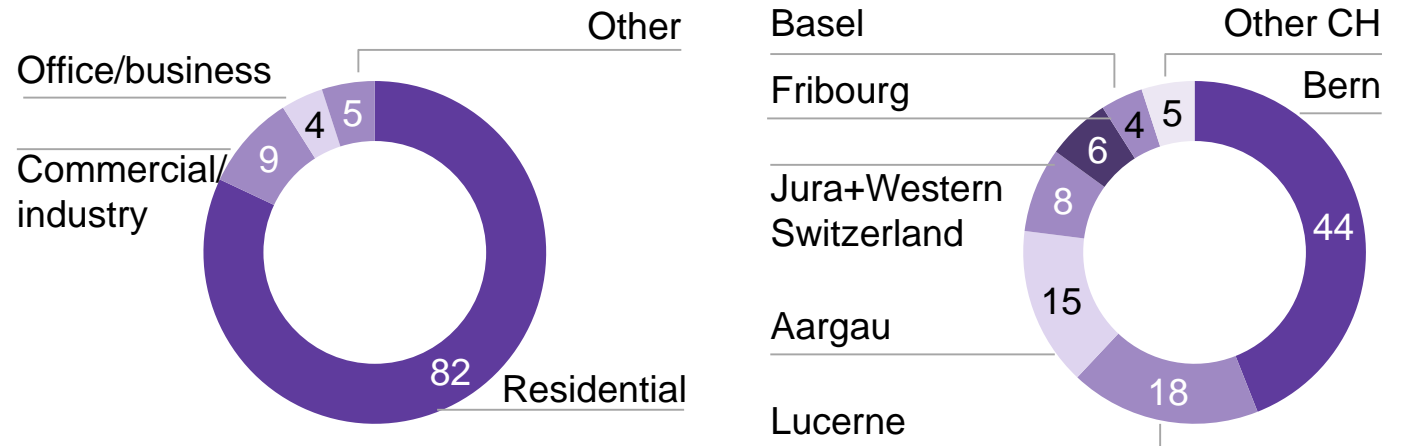
Due from clients



- 97% of loans are covered (31/12/2016: 97%)

## Mortgages: 82% residential, with 77% in Bern, Lucerne and Aargau

Mortgages: CHF 21.9bn



- First tier mortgages: 94% (31/12/2016: 94%)
- Average residual term: 3.8 years (31/12/2016: 3.6 years)
- Loan-to-value (net): 63.0% (31/12/2016: 63.1%)

\* Increase of residential mortgages share due to new detailed allocation of properties with dual use  
At 31/12/2017

→ **Achieving growth while maintaining high quality**

# Low risk profile

## Low-risk retail banking business

- Long-term relationships and very high customer loyalty
- Very transparent, stable earnings
- Easy to understand balance sheet
- Asset quality very high
- No major legal costs in 20 years
- No goodwill despite a long history of takeovers

## Low credit risk

- Restrictive lending policy
- Diversified client portfolio
- No exposure to potential real estate hot spots

## Low market risk

- Prudent management of interest rate risk
- No proprietary trading

## Low operational risk

- Retail banking as main income source

→ **Moody's deposit ratings A1/P-1, outlook stable**



# 21 years with stable or increasing dividends

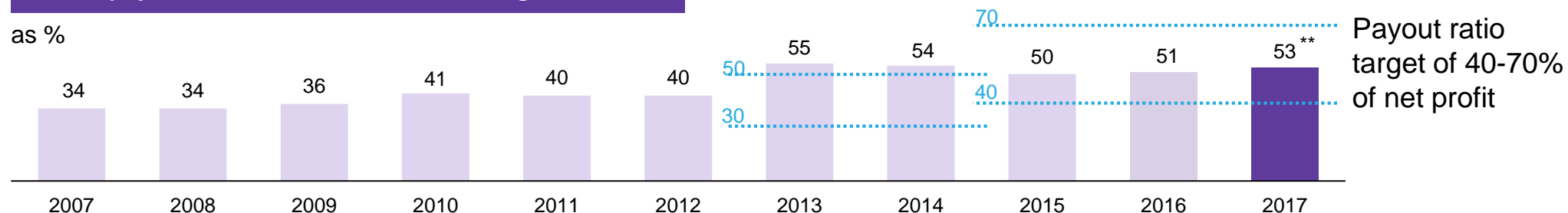
## Stable, increasing distributions to shareholders since Valiant was founded in 1997

CHF, rebased



## Stable payout ratios since 2007, increasing since 2013

as %



\* For the financial year 2006, an extraordinary jubilee dividend of CHF 1.40 was distributed

\*\* proposed

# Overview

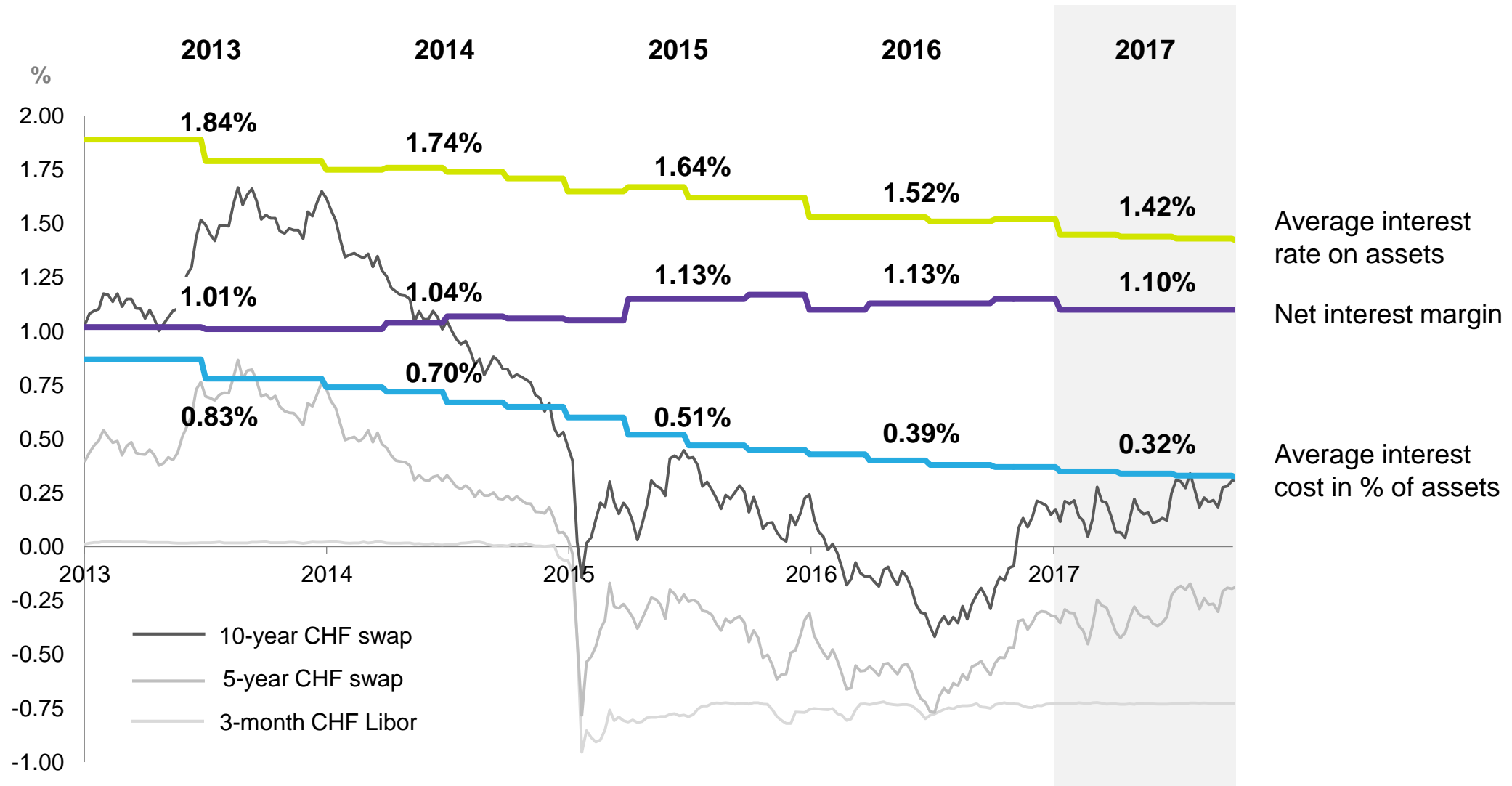
Part 1: 100% Focus on retail banking in Switzerland

**Part 2: Sustainable and stable earnings**

Part 3: Stringent strategy implementation

Appendix

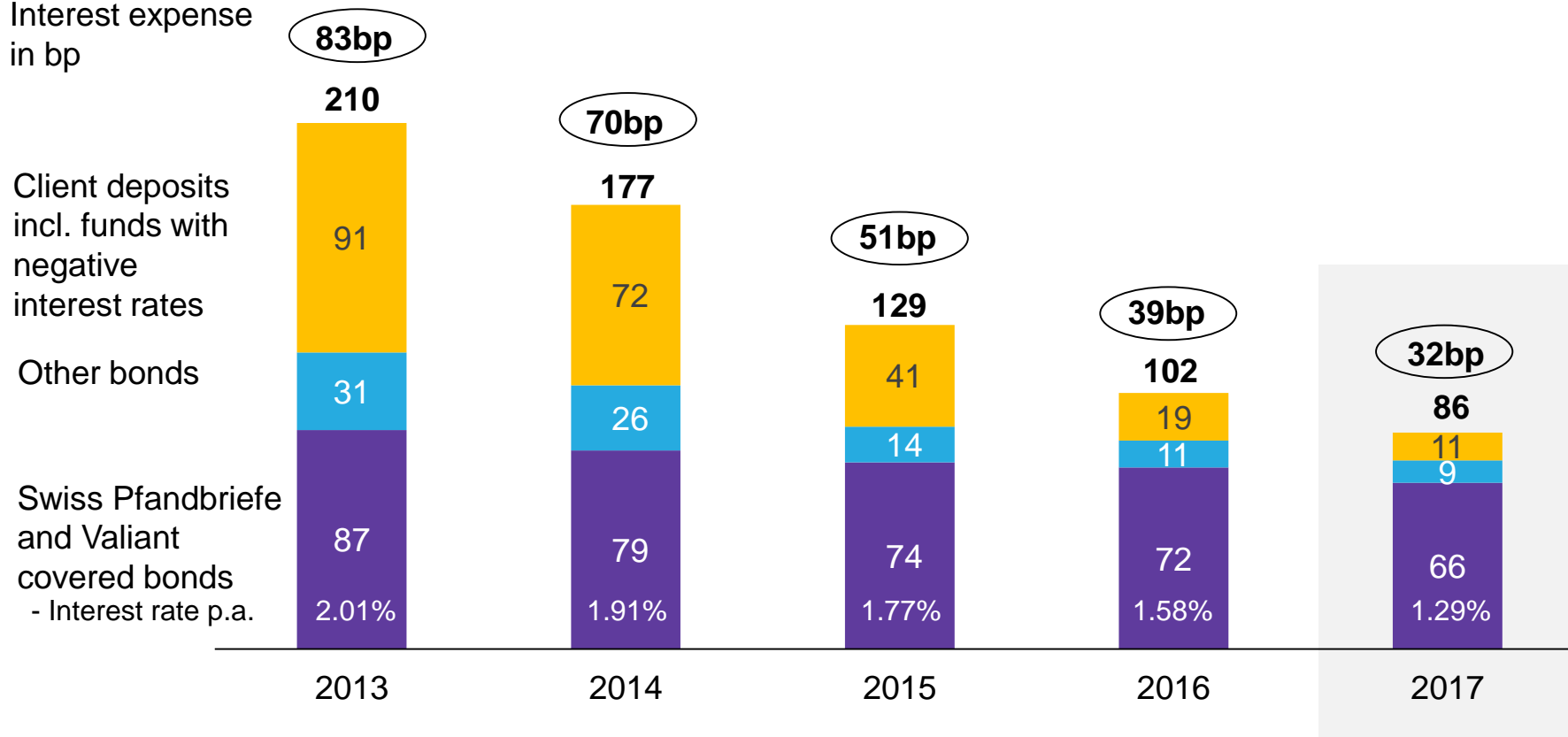
# Stable margins despite declining interest rates



# Interest expense more than halved since 2014

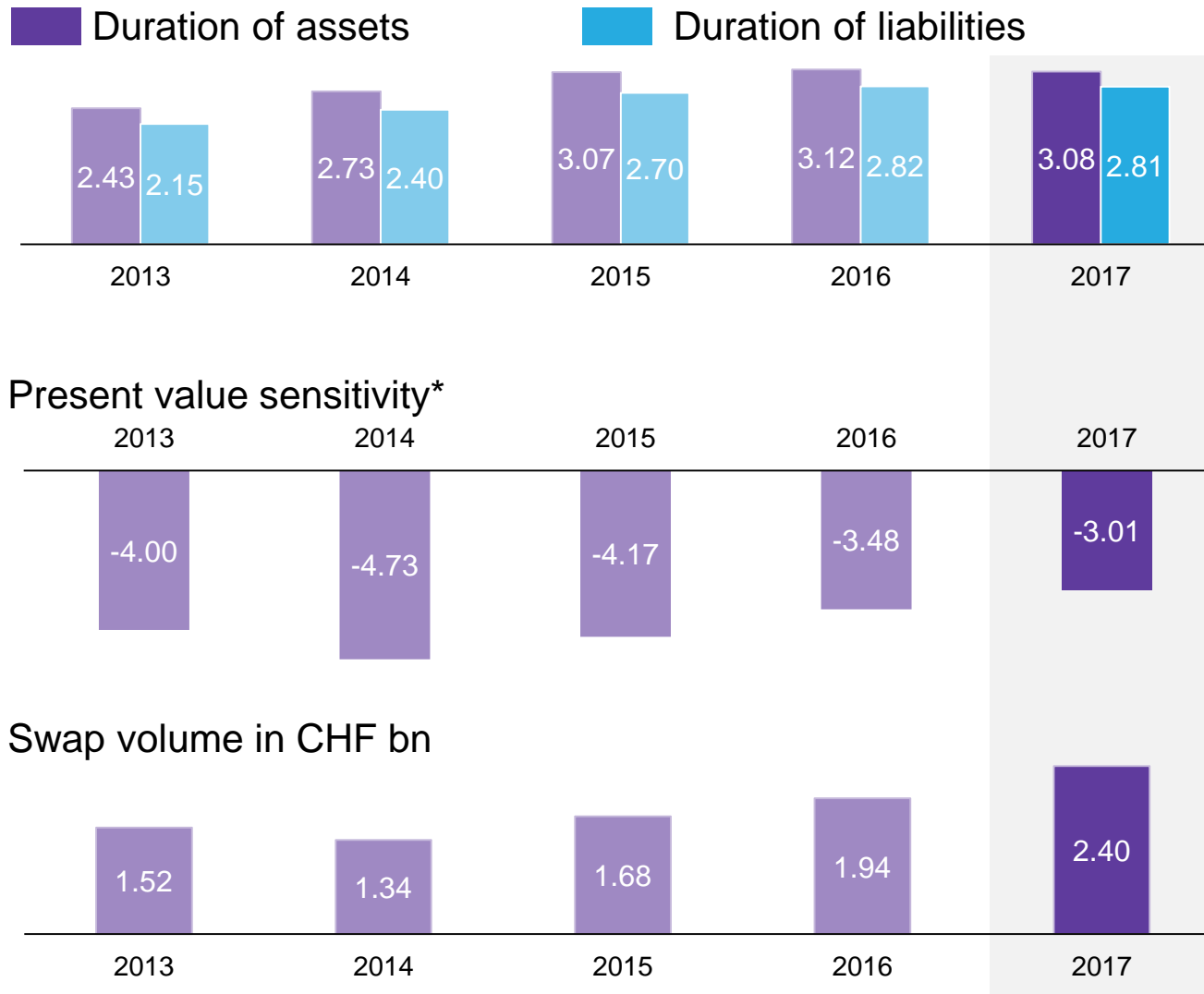
CHF m

Interest expense  
in bp



→ Funds with negative interest rates account for about 10% of total assets

# Already low interest rate risk reduced further



- Duration of assets and liabilities stable

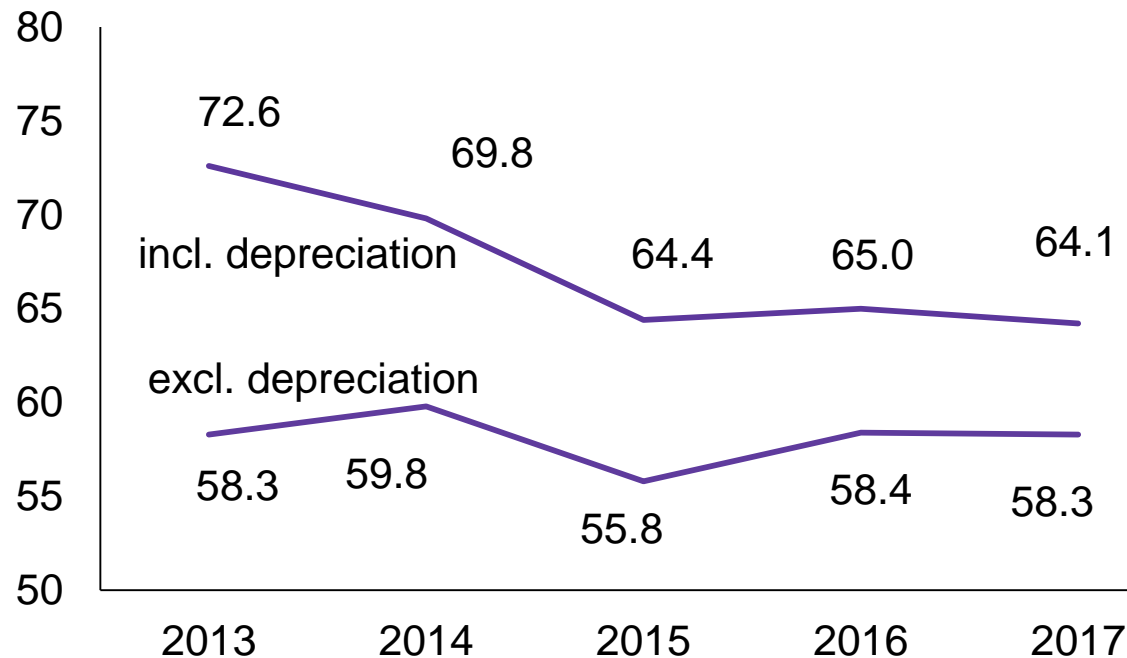
- Interest rate risk significantly reduced again in 2017

- Swaps stable on a low level (<10% of total assets)
- New payer swaps added Q1 2017

\* Present value sensitivity of economic equity as a % (+100bps)

# Costs under control

Cost/Income-Ratio as %

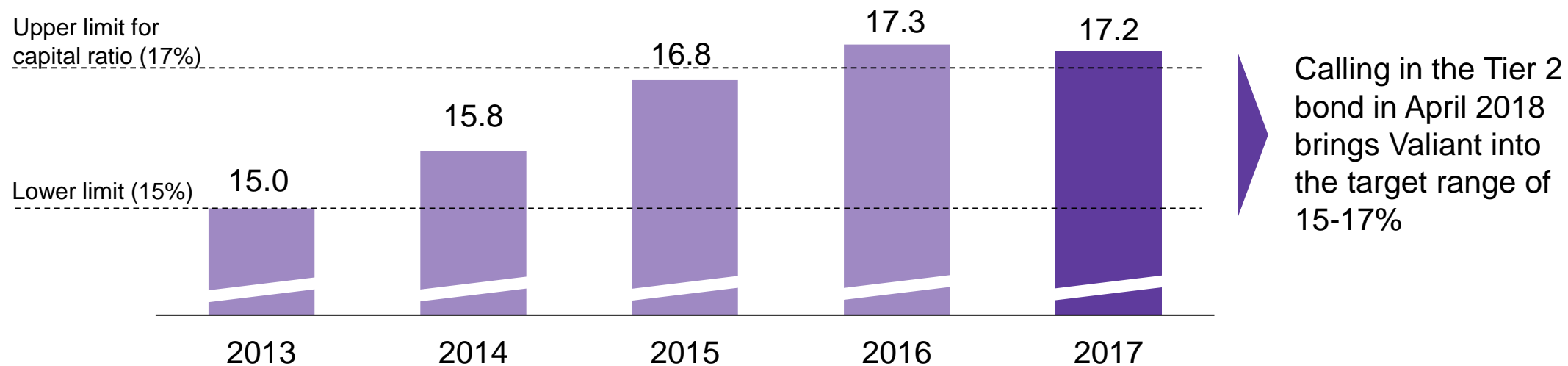


- Strict cost control in the past. Improving cost income ratios despite strategy implementation
- Cost savings of CHF 10m p.a. from IT service renewal (Basis FY 2016)
- Cost savings of 4-5 millions p.a. from reductions of counters
- Synergies CHF 1m p.a. from Triba effective from H2 2018

➔ **Cost reductions to partly offset investments in expansion and digitalisation**

# Strengthened capital base

Total capital ratio as %, target range 15-17%\*



\* Valiant introduced a new upper limit of 17% for the total capital ratio in August 2017  
Total T1+T2 capital CHF 2.3bn as per 31/12/2017, thereof CHF 150m Tier 2

# Overview

**Part 1: 100% Focus on retail banking in Switzerland**

**Part 2: Sustainable and stable earnings**

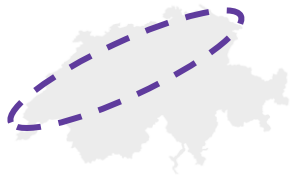
**Part 3: Strategy implementation on track**

**Appendix**



# Ambitious strategy and financial targets up to 2020

## Geographic expansion and digitisation



- 10 new branches between Lac Léman and Lake of Constance



- Strengthen existing regions



- Digital expansion across Switzerland



- 80 additional client advisors

## Profitable growth

- Loan growth p.a.:  
2–3% in existing markets  
2–3% in new regions
- Anorganic growth

## Enhanced efficiency

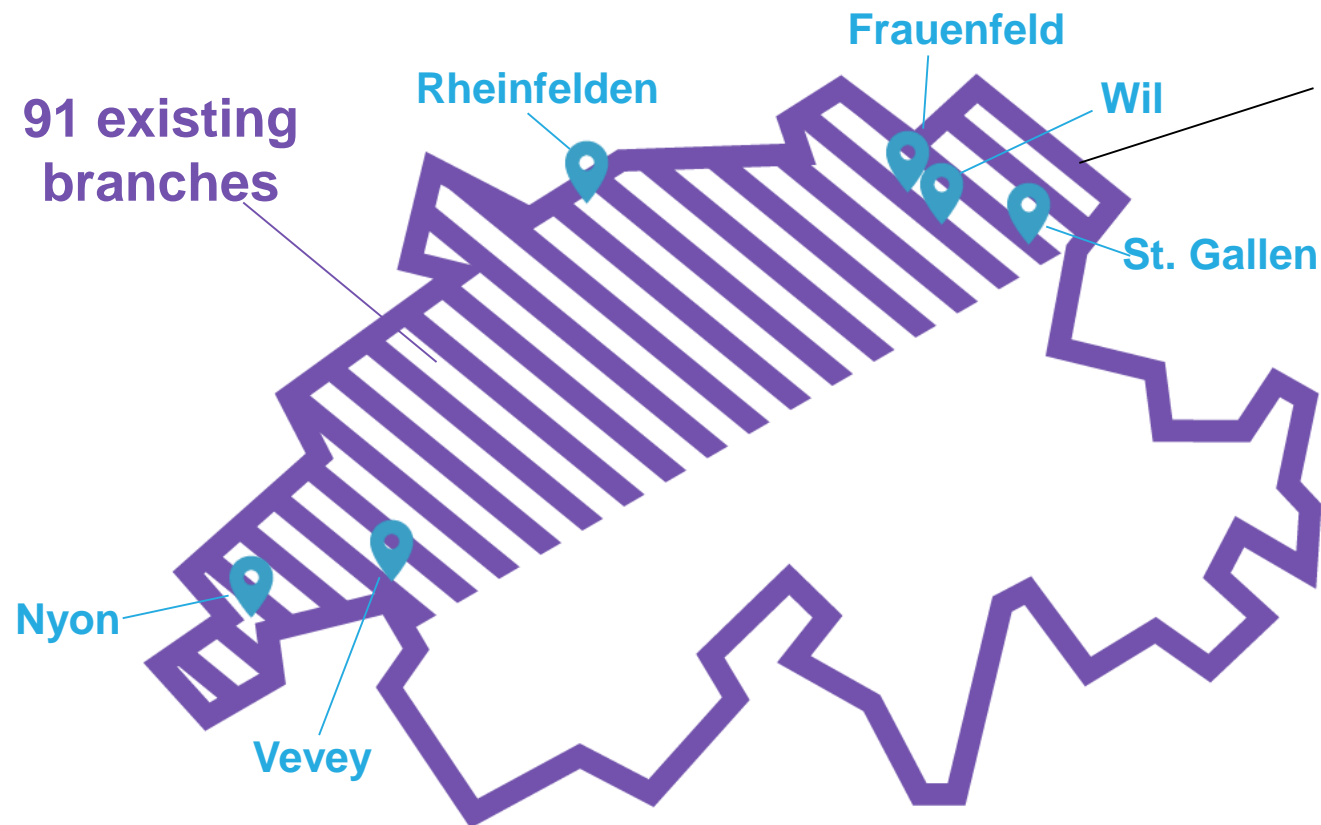
- Additional growth will be achieved with existing middle- and back-office resources
- Gradual upgrading of branches

## Capital management

- Total capital ratio: 15–17%
- ROE: 6–8%
- Payout ratio: 40–70%
- Dividend: at least CHF 4.00

→ We will maintain our cautious risk profile

# Market expansion progress



## Expansion 2017:

- ✓ **2 new branches** in Brugg AR and Morges VD
- ✓ **5 new branches** in Lucerne region, from Triba Bank

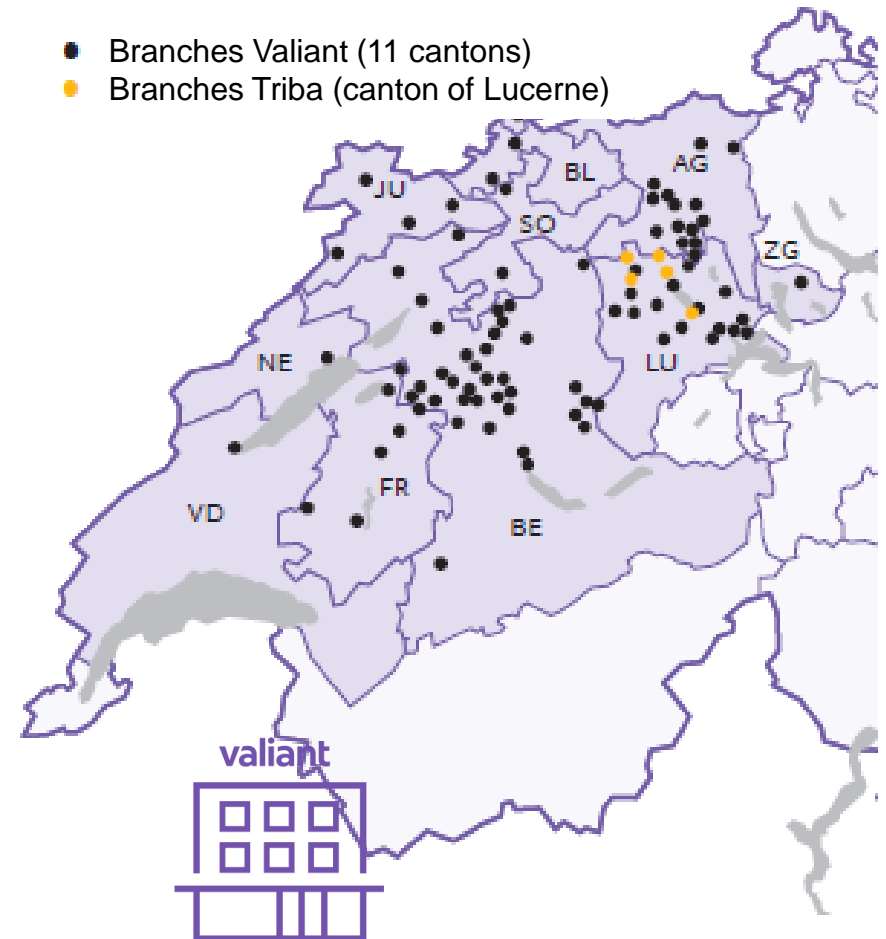
## Expansion until 2020:

- 2 new branches p.a.

# Full integration of Triba on track

- **Triba is a small regional bank in Lucerne**
  - 16,000 clients served through 5 branches in the canton of Lucerne
  - Around 30 employees, thereof 90% client-facing
  - CHF 960m assets, CHF 3m net profit, capital ratio 17.4%
- **Successful purchase offer, Valiant now owns 97%**
  - Fair valuation at CHF 80m, offer price CHF 1450 per share
  - Shares purchased in July 2017, paid out of cash
- **Excellent operational and cultural fit**
  - In line with Valiant's strategy 2020 to expand into attractive regions
  - Business model, systems and culture are very similar to Valiant
- **Full integration planned by mid-2018**
  - All employees and locations will be merged, creating a denser branch network in central Switzerland
  - Integration to be completed by mid-2018

→ **Full integration by mid-2018**



**Valiant: 86 branches**  
**Triba: 5 branches**

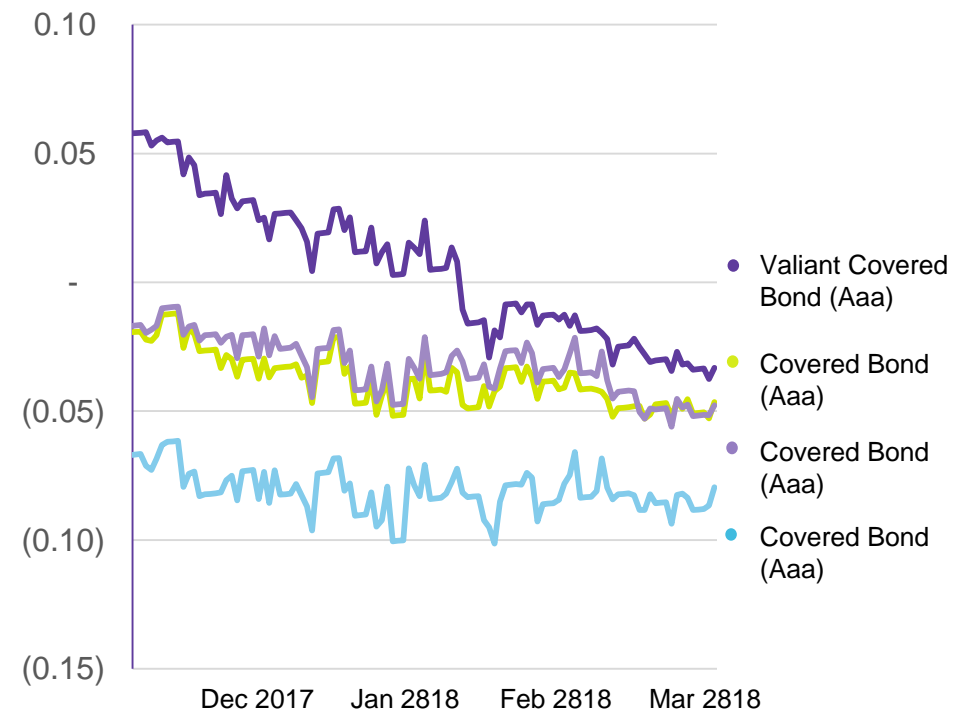
# Triple A-rated covered bonds diversify our funding

## Valiant covered bond programme

- ✓ The first contractual covered bonds under Swiss law and with a Swiss guarantor
- ✓ Diversification of funding, in addition to Swiss Pfandbriefe
- ✓ Lower interest-rate risk and funding risk
- ✓ Elimination of financing disadvantage vs. competitors with government support
- ✓ Funding of growth in new market areas
- ✓ Long-term and continuous programme, with annual issues of around CHF 500m
- ✓ Rated Aaa by Moody's

## Development of spread since first issue

Spread in basis points vs. mid-swap since mid-November 2017



→ Two very successful issues since November 2018 (total CHF 750m)

# Outlook for 2018

- Profitable growth of 2-3%, thereof 1% from expansion
- Interest margin: fight for every basis point - as in 2017
- Strengthen turnaround in commission and fee business
- Further increase in operating profit
- 2018 profit expected to be in line with 2017

# Overview

**Part 1: 100% Focus on retail banking in Switzerland**

**Part 2: Key financials: sustainable and stable earnings**

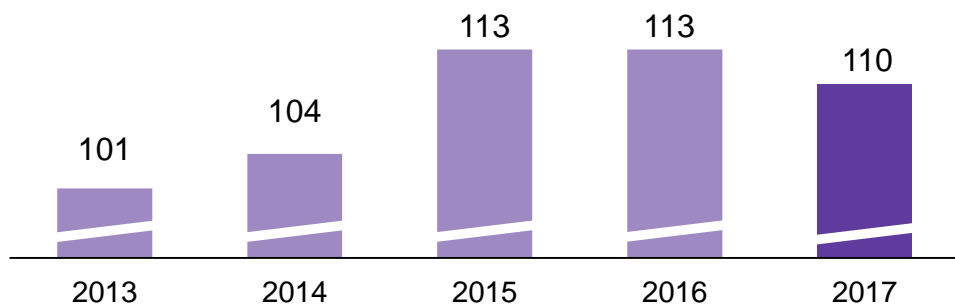
**Part 3: Strategy implementation on track**

## Appendix

# Improved and sustainable earnings power

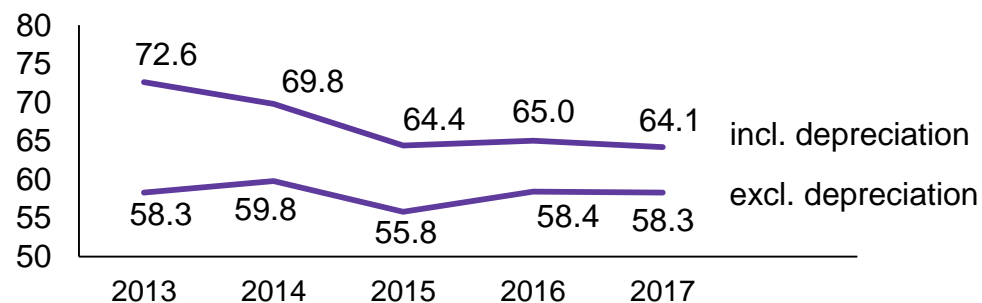
## Stable margins despite declining interest rates

Total net interest margin, bps



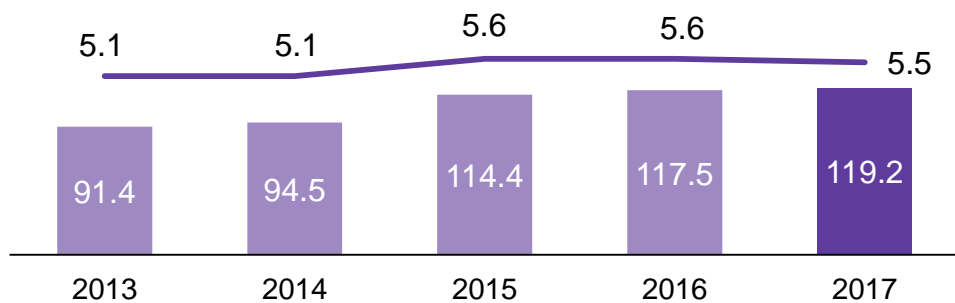
## Costs under control, including strategy implementation

Cost/Income-Ratio as %



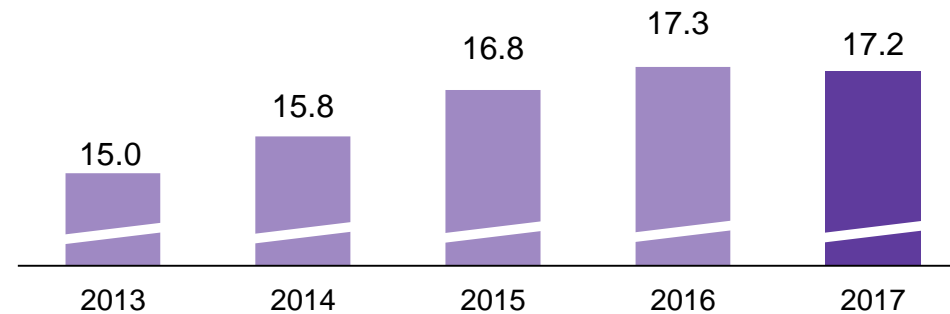
## Profitability stable

Net profit in CHF m, ROE as %



## Strengthened capital base, incl. acquisition of Triba in Q3 2017

Total capital ratio as %



# Digital and self-service solutions a priority

## 2 innovative branch offices launched in 2017

- ✓ Two modular branch offices opened in 2017, in Brugg and Morges ([Video: Modular branch](#))



- ✓ Video-based reception allows for cost-efficient client interaction
- ✓ Increased focus on personal advice for clients

## Traditional bank counters to be partially replaced

- Goal to have 80% of branches focusing on advice, without physical reception or cash handling
- Pilot project to analyse customer behaviour starting in 2018
- Digitisation of client services is cost-effective and means services can be made available to clients for longer hours
- Around 65 jobs affected but no layoffs planned
- Recurring cost savings of between CHF 4 and 5 million are expected after completion of project

→ Recurring cost savings expected to be CHF 4–5m after completion



# Solid 2017 full-year results

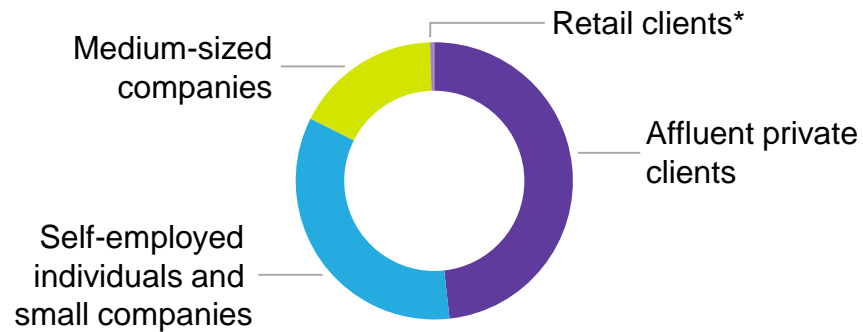
	Consolidated results	Valiant without Triba	
Group profit	+1.5%		
Adjusted operating profit*	+6.7%	+5.2%	✓ Operating performance improved
Net interest income*	+2.0%	+0.2%	✓ Net interest margin stable since Q1 2017
Net interest margin	110bp	110bp	
Fee and commission income	+4.6%	3.2%	✓ Loan growth tripled (without Triba)
Operating expenses	+2.3%	+0.6%	✓ Turnaround in fee and commission income
Client deposits	+2.6%	-1.4%	✓ Costs under control
Loans	+5.9%	+2.2%	✓ Dividend to be increased to CHF 4.-
- of which mortgages	+5.9%	+2.2%	
Total capital ratio	17.2%		

Triba Partnerbank AG: six months accounted for using the equity method, consolidated since 1/7/2017

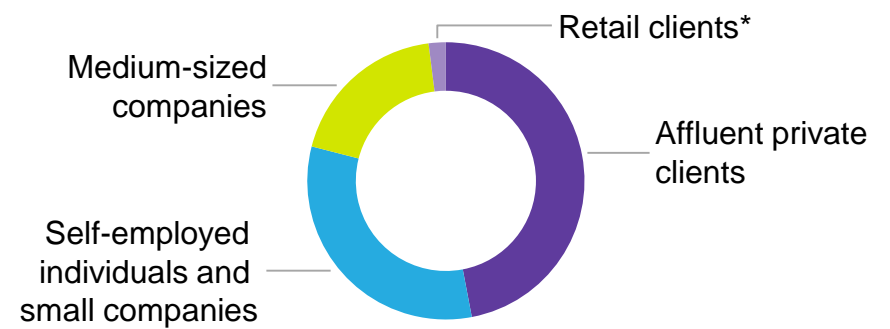
\* Before value adjustments in interest income

# Segment view

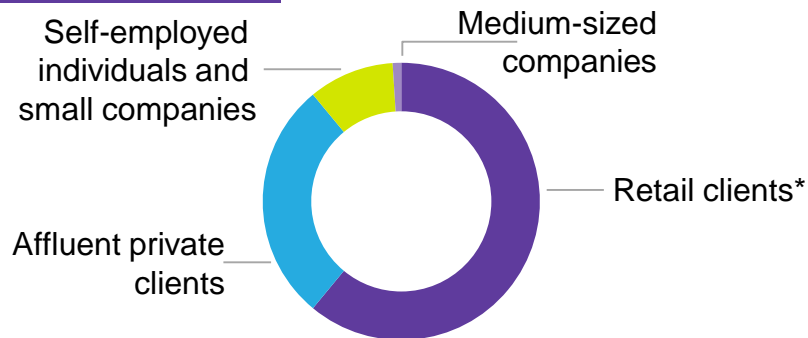
## Client loans: CHF 23.5bn



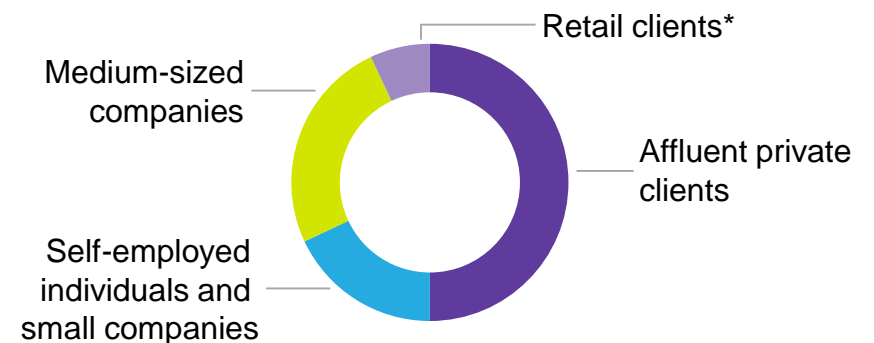
## Total income: CHF 438m



## Clients: ~ 390,000



## Client assets: CHF 27.7bn

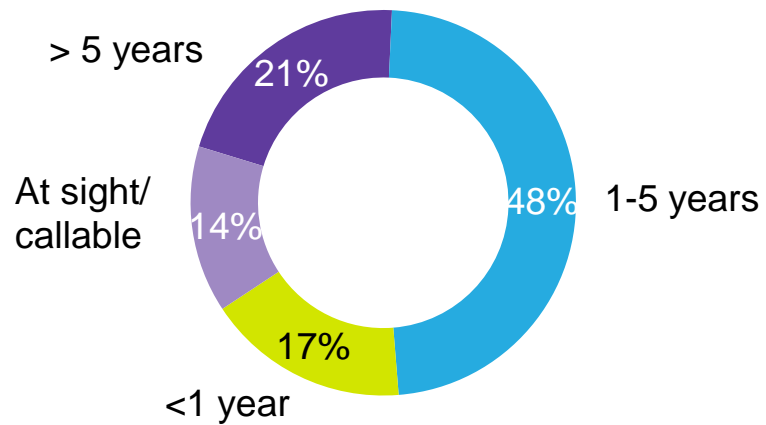


\* Private clients without financing or assets with Valiant  
At 31/12/2017

# FY 2017: Maturity structure of assets and liabilities

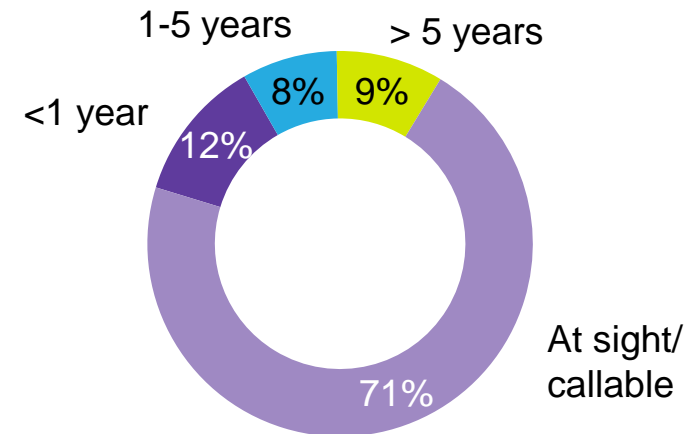
## Maturity structure of assets

CHF 27.2bn



## Maturity structure of liabilities

CHF 25.1bn



As per 31/12/2017

# FY 2017: Profit and loss statement

## Consolidated profit and loss statement Valiant Holding AG

CHF m	FY 2017	FY 2016	Change
Interest and discount income	382.5	392.2	-2.5%
Interest expense	-86.5	-102.0	-15.2%
<b>Net interest income (before value adjustments)</b>	<b>296.0</b>	<b>290.2</b>	<b>2.0%</b>
Value adjustments for credit risk, and loan losses	-0.6	10.7	-106.0%
<b>Net interest income (after value adjustments)</b>	<b>295.4</b>	<b>301.0</b>	<b>-1.9%</b>
Net fee and commission income	62.3	59.5	4.6%
Net trading income	11.7	11.4	3.2%
Net other ordinary income	18.0	17.4	3.4%
<b>Total operating income (before value adjustments)</b>	<b>388.0</b>	<b>378.5</b>	<b>2.5%</b>
Personnel expenses	-123.0	-118.6	3.7%
General and administrative expenses	-103.1	-102.3	0.8%
<b>Total operating expenses</b>	<b>-226.1</b>	<b>-220.9</b>	<b>2.3%</b>
Depreciation, and impairments of holdings	-22.7	-25.1	-9.5%
Other provisions and losses	-2.4	-4.2	-44.2%
<b>Operating result</b>	<b>136.2</b>	<b>139.0</b>	<b>-2.0%</b>
Extraordinary income	28.9	13.1	119.9%
Extraordinary expenses	-	-0.0	n.a.
Changes in reserves for general banking risks	-13.7	-8.0	71.3%
Taxes	-32.2	-26.6	21.1%
<b>Consolidated net profit (incl. minority interests)</b>	<b>119.2</b>	<b>117.5</b>	<b>1.5%</b>
Minority interests	0.0	-	n.a.
Net profit (excl. minority interests)	119.2	117.5	1.5%

- Interest income 76% of total income
- Net interest margin 110bp
- Cost-income ratio incl. depreciation 64.1%
- Normalised tax rate in previous years: 19-20%

# Key figures 2012 –2017

Key figures	2017	2016	2015	2014	2013	2012
Total assets in CHF bn	27.6	26.1	25.4	25.3	25.5	25.3
Client loans in CHF bn	23.5	22.3	22.1	21.8	21.8	21.5
Client deposits in CHF bn	18.7	18.2	18.1	17.9	17.4	17.3
Deposit/loan coverage ratio	79.6	82.1	81.9	82.2	80.0	80.7
Shareholders' equity in CHF m	2.20	2.13	2.05	1.99	1.94	1.90
Net profit in CHF m	119.2	117.5	114.4	94.5	91.4	127.0
Risk-weighted assets CHF bn	13.2	12.7	12.7	13.1	13.5	13.8
Total capital ratio as %	17.2	17.3	16.8	15.8	15.0	12.8
Cost/income ratio as %	58.3	58.4	55.8	59.8	58.3	59.8
FTEs	873	842	821	883	885	986

See [www.valiant.ch/results](http://www.valiant.ch/results)

# Key per-share data since 2007

VATN share	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Book value/share in CHF	139.47	134.73	129.90	125.76	122.82	120.16	116.39	102.69	99.62	101.03	98.71
Earnings/share in CHF	7.55	7.44	7.24	5.98	5.79	8.04	8.08	7.76	8.87	9.02	8.97
P/E ratio	13.96	13.63	16.29	13.79	13.79	10.7	14.7	16.9	22.8	22.0	19.7
Dividend payout ratio %	53.0	51.1	49.7	53.5	55.3	39.6	39.6	41.2	36.1	34.4	34.0
Dividend yield as %	3.8	3.7	3.1	3.9	4.0	3.7	2.7	2.4	1.6	1.6	1.8
Dividend in CHF	4.00	3.80	3.60	3.20	3.20	3.20	3.20	3.20	3.20	3.10	3.10
Share price at 31 December in CHF	105.40	101.40	118.00	82.55	79.85	86.90	118.90	131.00	202.00	198.70	176.80
Market capitalisation at 31 December in CHF m	1,665	1,601	1,862	1,302	1,259	1,370	1,875	1,974	3,098	3,124	2,869

# Financial calendar and contact information

## Financial calendar

27 March 2018	Publication of 2017 Annual Report
3 May 2018	Q1 2018 results
23 May 2018	Valiant Holding AG AGM in Bern
9 August 2018	H1 2018 results
8 November 2018	9M 2018 results



## Information for investors

In German: [www.valiant.ch/investoren](http://www.valiant.ch/investoren)  
In English: [www.valiant.ch/investors](http://www.valiant.ch/investors)



## Contact

Marcus Händel, Head of Investor Relations  
[marcus.haendel@valiant.ch](mailto:marcus.haendel@valiant.ch)  
Phone +41 (31) 310 77 44



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