

**Presentation of Valiant's 2020–2024 corporate  
strategy  
on 10 September 2019**

Presentations by  
Jürg Bucher, Chairman of the Board of Directors  
and  
Ewald Burgener, CEO

## **Welcome and introduction**

Some decisions we make are truly momentous. Adopting a new strategy for the period up to 2024 is one such decision for Valiant – for the Board of Directors, the Executive Board and all our employees.

I'd like to wish you a warm welcome today. Together with our CEO Ewald Burgener, I'm delighted to present you with the results of a long and intensive process. It's a process that started over a year ago and that we completed yesterday when the strategy was approved by the Board of Directors.

We're presenting the strategy first to you here in Bern and then at midday in Zurich to local journalists, along with analysts and investors. I'm delighted that you are here; thank you for your interest in Valiant.

## **Faster pace of expansion**

I think we can rightly claim to be one of the few banks in Switzerland that is expanding. We began growing our SME and retail business in 2016 and will pick up the pace in the coming years. We're taking it step by step – but the steps are big ones. We're actively shaping our future success and intend to further consolidate our already firm position in the Swiss financial sector.

We want to extend our footprint from Lake Geneva to Lake Constance. Two years ago, we took the first steps by opening new branches in the Lake Geneva region. This autumn we will do the same in eastern Switzerland. And we will become more active throughout this whole area, from east to west, with an end-to-end financial offering that makes it easy for clients to manage their financial affairs thanks to personalised advice and digital services. We're expanding our presence in north-western Switzerland, French-speaking Switzerland, the central plateau and eastern Switzerland. We're also moving into the canton of Zurich, which accounts for almost a quarter of Switzerland's economic output. We plan to open seven new branches there.

And all that requires a big investment. We're investing in staff and will add 170 new full-time equivalents over the next five years. That's an increase of 18% on the current headcount (924 full-time equivalents). Of course, we will continue to invest in digitisation so that we can strengthen our position as an innovative and modern bank. This includes introducing, as the first Swiss bank, an integrated multi-banking service for SMEs and looking into end-to-end digitisation of the

account-opening process, just like we did recently with our lending process. In total, we expect to invest CHF 50 million.

## **Reasons for the faster pace of expansion**

So we have big plans. And I'd like to tell you the reasons why we're doing all of this.

First, Valiant currently has total assets of around CHF 28 billion. That's not a small figure, but it's not enough. We have the potential to use our resources and infrastructure better and unlock further economies of scale. In other words, we could transact a greater volume of business with our existing infrastructure. And if we increase the pace of growth, that's exactly what we'll do.

Our business model is working well, and our approach of combining personalised advice with digital services is a pioneering one for a retail bank.

Second reason, Winston Churchill once said: "However beautiful the strategy, you should occasionally look at the results." And that's what we're doing. Of course, we want to make money and create value for our shareholders. And it's true that the persistently harsh market environment and our big investments will weigh on consolidated net profit. But the Board of Directors and the Executive Board are confident that we can significantly increase net profit over the long term.

## **Dividend increase to CHF 5.00 per share**

Our shareholders should benefit not just in the long term, but as early as next year too. At the next Annual General Meeting, we intend to increase the dividend from CHF 4.40 to CHF 5.00 per share. That would be a rise of 14% and the fifth dividend increase in as many years. Our dividend yield is very attractive, and to reaffirm our confidence in our profitability, we are increasing our target payout ratio from 40–70% to 50–70%. With a capital ratio within our target range of 15–17%, Valiant continues to have a solid, stable capital base.

Ladies and gentlemen, as you can see, there's a lot going on at Valiant, and things are moving quickly. With the expansion of our entire product and service offering to cover an even larger geographical area, we're putting ourselves in a position where we are always ready to respond to changes in the market.

Thank you. I will now hand over to our CEO Ewald Burgener, who will present the details of the strategy.

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Thank you very much, Jürg Bucher, and a warm welcome from me too.

I've been CEO of Valiant for just over 100 days now. And of course it is a pleasure to be able to combine this first milestone with the unveiling of our new strategy. Not all CEOs have the chance to do that. I consider it a great privilege to have been able to shape our new strategy together with the Board of Directors, my colleagues on the Executive Board and the bank's employees. And I feel it's important to emphasise how much our employees have been involved. For example, at the outset of the strategy review, we asked staff to submit their ideas and suggestions as to how Valiant could generate additional income. They responded with 200 ideas – which shows just how much our employees identify with Valiant and want to help shape its future. We also held strategy conferences. So I think we can confidently say that Strategy 2024 was developed from within and has support throughout the bank, too.

## **Review of the strategy for 2016–2020**

Jürg Bucher has already explained the key points of the strategy and the reasons behind what we are doing. Before I go into a little more detail, I would first like to look back briefly on the last few years – the current strategy period. We think we've done a lot of things right. We've expanded our market footprint and have advanced further into French-speaking Switzerland – taking the first steps towards establishing ourselves as a bank for private clients and SMEs all the way from Lake Geneva to Lake Constance. As we expand, the numbers have been good. We've made all the preparations for the push into eastern Switzerland, which will go ahead in November with the new branches being set up in St. Gallen and Wil.

We've also invested heavily in the existing branch network and begun modernising our front-office areas. This refurbishment will take a few more years to complete. We're getting rid of the traditional bank counters and replacing them with ATMs and video reception points, but there will still be client advisors on site. This innovative model makes our branch network cost-effective and fit for the future.

We've also made great strides in digitisation, so we can now say that Valiant is innovative and a digital pioneer in the Swiss financial sector. Remember that in 2016 we were the first Swiss bank to allow our clients to open accounts fully online. We've continued to take a dynamic approach to

our sales activities and have thus boosted growth. In this way, we've managed to keep improving all the time.

In short, over the last few years Valiant's approach has been very dynamic, and we've been strong on implementation. We've also proved that our strategy of combining physical expansion with our digital presence is working.

## **Details of the strategy for 2020–2024**

As I've explained, we are well placed for the start of the next strategic period. We know that our business model, with its focus on simplicity, is working. We've created a solid foundation that gives us options for the future. And we're guided by our vision, that "Valiant will be the bank that makes it easiest for individuals and SMEs in Switzerland to manage their financial affairs." This vision is what shapes our actions. Alongside our vision we have our mission statement, the main thrust of which is as follows.

- Our business policy is geared towards long-term stability.
- We will increase our profitability by striking the right balance between risk, return and growth.
- We will support our employees in their development.

On that basis, we've formulated our strategy for the period to 2024 with the following five core themes:

- We will further develop our offering.
- We will do even more to combine in-person and digital channels.
- We will grow organically, and, if possible, through acquisitions.
- We will support our employees.
- And we will simplify our processes.

Now let me comment briefly on these five points.

## **Further developing our offering**

Client needs are changing. That means that we have to adapt the products and services we offer. We will further develop and simplify the offering in our core business. But that's not all. Valiant wants to be more than a traditional bank going forward. We want to increasingly offer

our clients the best solutions for their needs. If the best way to achieve this is by cooperating with partners, then that's what we will do. An example of this is the comparable mortgage products model, which we will be launching in St. Gallen in November. We will advise the client on financing, but they may take out their mortgage with a third party if they find that product more attractive. In other words, we are opening up our financing business to third parties so that we can ensure our clients get the best possible solution. What matters to us is that the client relationship remains with Valiant, and that we can give the client comprehensive advice, making it easier for them to manage their financial affairs.

We're also further developing our offering by creating additional products and services that cover our clients' entire value chain. We're already doing this with our stake in AgentSelly, for instance. We will push ahead with more new offerings of this kind, which go beyond traditional banking services.

## **Combining in-person and digital channels**

In-person or digital? We will let our clients choose their preferred channel and we will always ensure we give them a positive client experience. Whether it's through a conversation in person at a branch or by video link, online, via the app or over the phone, clients should always enjoy excellent service. In line with our brand promise of simplicity, it should become even easier for them to get in touch and discuss their financial matters with us.

Personalised advice is a top priority for us, and we provide this both at our branches and via digital channels. This means that we will continue to invest in digitisation, an area in which we are very well positioned.

And speaking of investments: Jürg Bucher has already mentioned the figure of CHF 50 million. Some of that money will go into new branches, i.e. into expansion. Some will go into digitisation, and specifically into launching a new mobile banking app and a new financial portal as a key client interface. Another portion will go into further developing our products and services, and some will go into simplifying internal processes.

Another important milestone for Valiant is the introduction of a new multi-banking solution for SMEs. The platform means clients can get information about various banking relationships in one place and enables them to make payments involving their Valiant account. We also offer cash-management and financial planning solutions.

## **Expansion: growing organically or through acquisitions**

The expansion that we have embarked on will be accelerated. Our aim is to have not only a branch presence from Lake Geneva to Lake Constance, but also to offer our clients throughout that region a complete range of financing, investment, savings, retirement planning and payment services.

We will be opening 14 new branches in the coming years at a rate of around three a year. And in doing so we'll be following our tried-and-tested approach of entering fast-growing areas and opening small branches at the best locations there. For the first time, we will also be targeting the canton of Zurich, Switzerland's biggest market area, where we plan to open seven new branches. Further branches will also be set up in other regions. We will let you know in due course exactly where these will be. This will significantly raise Valiant's profile throughout Switzerland.

We will also strengthen existing branches with additional client advisors and specialists in retirement planning and investments. We want to have all of these specialists on site at branches throughout our market area so that we can better serve affluent private clients, for example. We will also step up our activities in the SME segment, which has grown strongly in recent years. All in all, we will create 140 new full-time equivalent positions in client advisory alone. This additional sales force will help us to grow further in our core business of financing. But we also want to significantly increase earnings in other areas besides our interest business.

We're still open to opportunities to grow through acquisitions, as we've been saying for several years. We're prepared to take over other banks – but only if their culture and business model are a good fit.

## **Supporting employees in their development**

Finding the right employees for the job will of course be crucial. People are a key success factor in the kind of personal client contact that Valiant cultivates in its client advisory services. For our expansion, we are looking for client advisors who are based in the area and are committed to and have strong local roots. They will be Valiant's best ambassadors in the cities and towns that we're moving into. So our goal is to position Valiant as an attractive employer.

The job market alone is unlikely to provide the many additional employees we are looking for. That's why it's important to support our existing employees in their development. We will ensure they have the skills they need to offer clients comprehensive advice across all areas.

## **Simplifying processes**

Efficiency is an area that we have been addressing for some time. Internally, we are increasing efficiency by simplifying our processes – not just a little, but radically, as we recently did for the highly complex lending process. We're currently considering on fully digitising the account opening process, as well as the process for editing account information following, for example, a change of address. When we simplify our internal processes, our clients benefit too. It is only by making things simple within the bank that we can, in turn, offer our clients simplicity and a positive client experience.

## **Financial objectives of Strategy 2024**

We're doing all of this to further strengthen Valiant's position in the Swiss financial sector. And, of course, we also have financial targets that we want to reach.

In lending, we aim to grow by more than 3% each year, outstripping the market's growth rate. We intend to do this by strengthening the business within our current market area and beyond. At the same time, we will continue to keep the quality of our loans high. We're sticking to our cautious risk policy and will keep focusing on the interest margin, as we have done successfully in recent years.

We have not been quite as successful in our fee and commission business. By expanding our investment and retirement planning business and offering new services, we're confident that we will achieve significant annual growth of 3% in this area, which is an important income driver.

As a sign of Valiant's solid financial position, we are targeting a total capital ratio of 15–17% at all times – well above FINMA requirements. We are also considering issuing a Tier 1 bond to optimise our capital base and fund our expected growth. What's more, we will continue to issue covered bonds, as these are an attractive funding instrument. Yet client deposits will continue to make up the lion's share of our funding moving forward.

We're not announcing a medium-term profit target. There are big differences in the profits we expect to earn depending on the interest-rate scenario. That means any profit targets we have

cannot be binding – which does not suit us. We're investing in organic growth, so our strategy is geared towards achieving annual growth in operating income. Our ambition is to achieve higher consolidated net profit and an RoE higher than 6% and above the cost of capital over the long term.

## **Summary and conclusions**

Dear guests, I would like to conclude my remarks by summarising the most important points.

- After successfully implementing our current strategy, Valiant is now well-set for the future.
- Our Strategy 2024 is forward-looking and client-focused. We're broadening our range of products and services to generate new income streams in other areas besides the interest-rate business.
- We will be stepping up the pace of expansion and offering our core products and services seamlessly throughout the entire market area.
- We will invest CHF 50 million, adding 170 new full-time equivalents and strengthening our position in the Swiss financial sector.
- We will open 14 new branches and intend to further develop our offering and increasingly combine physical and digital channels in our contact with clients.
- Over the long term, we aim to significantly increase consolidated net profit. Our shareholders will also enjoy an attractive dividend yield, which currently stands at around 5%.

As CEO, I am extremely proud to implement such a strategy with Valiant. We're picking up the pace again, and that's a challenge. But we've already proved that we're fit enough to go the distance.

Thank you for your interest in Valiant. Jürg Bucher and I will now be happy to answer any questions you may have.

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