

valiant

**interim
financial statements
as at 30 september 2018**

Consolidated financial statements

Consolidated balance sheet

	30/09/2018 in CHF thousands	31/12/2017 in CHF thousands	Change in CHF thousands	Change as %
Assets				
Cash and cash equivalents	2,588,069	2,558,070	29,999	1.2
Due from banks	149,071	124,791	24,280	19.5
Due from customers	1,540,583	1,608,815	-68,232	-4.2
Mortgage loans	22,293,096	21,911,710	381,386	1.7
Trading portfolio assets	202	10,261	-10,059	-98.0
Positive replacement values of derivative financial instruments	10,665	17,194	-6,529	-38.0
Financial investments	851,327	941,437	-90,110	-9.6
Accrued income and prepaid expenses	26,669	23,329	3,340	14.3
Non-consolidated holdings	214,018	203,139	10,879	5.4
Tangible fixed assets	133,966	140,149	-6,183	-4.4
Intangible assets	1,877	2,615	-738	-28.2
Other assets	18,266	22,077	-3,811	-17.3
Total assets	27,827,809	27,563,587	264,222	1.0
Total subordinated claims	0	0	0	0.0
of which subject to mandatory conversion and /or conditional write-off	0	0	0	0.0
Liabilities and equity				
Due to banks	786,993	755,443	31,550	4.2
Customer deposits	18,180,005	18,479,867	-299,862	-1.6
Negative replacement values of derivative financial instruments	14,747	20,944	-6,197	-29.6
Medium-term notes	195,884	243,085	-47,201	-19.4
Bond issues and central mortgage institution loans	6,182,072	5,641,162	540,910	9.6
Accrued expenses and deferred income	127,465	124,986	2,479	2.0
Other liabilities	78,651	59,749	18,902	31.6
Provisions	30,450	35,769	-5,319	-14.9
Reserves for general banking risks	34,786	25,786	9,000	34.9
Share capital	7,896	7,896	0	0.0
Capital reserve	592,676	592,750	-74	-0.0
Retained earnings reserve	1,510,995	1,454,964	56,031	3.9
Treasury shares	0	0	0	0.0
Consolidated net profit	85,189	119,201	-34,012	-28.5
Total equity capital (excluding minority interests)	2,231,542	2,200,597	30,945	1.4
Minority interests in equity capital	0	1,985	-1,985	-100.0
of which minority interests in consolidated net profit	0	35	-35	-100.0
Total equity capital (including minority interests)	2,231,542	2,202,582	28,960	1.3
Total liabilities and equity	27,827,809	27,563,587	264,222	1.0
Total subordinated liabilities	0	150,000	-150,000	-100.0
of which subject to mandatory conversion and /or debt waiver	0	0	0	0.0

Off-balance-sheet transactions	30/09/2018 in CHF thousands	31/12/2017 in CHF thousands	Change in CHF thousands	Change as %
Contingent liabilities	285,397	307,108	-21,711	-7.1
Irrevocable commitments	728,986	680,624	48,362	7.1
Commitments relating to calls on shares and other equities	50,295	50,296	-1	-0.0
Credit commitments	0	0	0	0.0

Consolidated income statement

	30/09/2018 in CHF thousands	30/09/2017 in CHF thousands	Change in CHF thousands	Change as %
Interest income				
Interest and discount income	264,463	265,858	-1,395	-0.5
Interest and dividend income from trading portfolios	0	0	0	0.0
Interest and dividend income from financial investments	17,467	19,652	-2,185	-11.1
Interest expense	-53,864	-65,933	12,069	-18.3
Net interest income before value adjustments for credit risk, and loan losses	228,066	219,577	8,489	3.9
Value adjustments for credit risk, and loan losses	-2,309	720	-3,029	-420.7
Net interest income after value adjustments for credit risk, and loan losses	225,757	220,297	5,460	2.5
Fee and commission income				
Commission income from securities trading and investment activities	29,650	29,633	17	0.1
Commission income from lending activities	2,671	2,548	123	4.8
Commission income from other services	21,902	21,173	729	3.4
Commission expense	-8,673	-8,778	105	-1.2
Net fee and commission income	45,550	44,576	974	2.2
Net trading income and fair-value adjustments	8,505	8,616	-111	-1.3
Other operating income				
Income from the disposal of financial investments	681	278	403	145.0
Income from holdings	19,587	11,396	8,191	71.9
of which holdings recognised using the equity method	16,848	8,684	8,164	94.0
of which from other non-consolidated holdings	2,739	2,712	27	1.0
Net income on real estate	1,643	1,654	-11	-0.7
Other ordinary income	369	272	97	35.7
Other ordinary expenses	-16	-66	50	-75.8
Net other operating income	22,264	13,534	8,730	64.5
Total operating income¹	304,385	286,303	18,082	6.3
Operating expenses				
Personnel expenses	-94,116	-90,285	-3,831	4.2
General and administrative expenses	-78,124	-76,841	-1,283	1.7
Total operating expenses	-172,240	-167,126	-5,114	3.1
Depreciation and amortisation of tangible fixed and intangible assets, and impairments of holdings	-16,542	-15,510	-1,032	6.7
Other provisions and losses	-239	-152	-87	57.2
Operating profit	113,055	104,235	8,820	8.5
Group profit				
Extraordinary income	2,577	5,819	-3,242	-55.7
Extraordinary expenses	0	0	0	0.0
Changes in reserves for general banking risks	-9,000	-3,500	-5,500	157.1
Taxes	-21,443	-22,745	1,302	-5.7
Consolidated net profit (including minority interests)	85,189	83,809	1,380	1.6
Minority interests in consolidated net profit	0	28	-28	-100.0
Consolidated net profit	85,189	83,781	1,408	1.7

¹ Before value adjustments for credit risk, and loan losses.

Statement of changes in equity

	Share capital in CHF thousands	Capital reserve in CHF thousands	Retained earnings reserve in CHF thousands	Reserves for general banking risks in CHF thousands	Treasury shares in CHF thousands	Minority interests in CHF thousands	Profit for the period in CHF thousands	Total in CHF thousands
Equity at the beginning of the reporting period	7,896	592,750	1,454,964	25,786	0	1,985	119,201	2,202,582
Appropriation of previous year's net profit			56,031				-56,031	0
Acquisition of treasury shares					2,710			2,710
Sale of treasury shares					-2,710			-2,710
Gain (loss) from the sale of treasury shares		-107						-107
Dividends and other distributions		33					-63,170	-63,137
Other allocations to (withdrawals from) the reserves for general banking risks				9,000				9,000
Purchase of minority shares						-1,985		-1,985
Consolidated net profit							85,189	85,189
Equity at the end of the reporting period	7,896	592,676	1,510,995	34,786	0	0	85,189	2,231,542

Condensed notes

Changes to the principles of consolidation as well as any error corrections and their impact on the interim financial statements

There were no changes to the principles of consolidation or corrections of errors.

Information on factors that influenced the economic position of the group during the current period or compared with the previous period

There were no material factors that influenced the group's financial situation during the reporting period or compared with the previous period.

Material events after the date of the half-year financial statements

Since the balance-sheet date, no extraordinary events have occurred that might have a material impact on Valiant's assets, financial position or income situation during the reporting period.

Notes on the methods used to identify default risks and to determine impairments

Client credit ratings are carried out by means of a credit rating system that is used to estimate clients' probability of default. Since January 2018, Valiant has been using the Creditmaster system from RSN Risk Solution Network AG, which replaces the RASY credit rating system. The use of Creditmaster as the new rating system has no material impact on value adjustments or provisions for credit risk. The loans listed as impaired as at 31 December 2017 were migrated and maintained as such. The new credit rating system resulted in changes to the value adjustments / provisions at client level within the individual value adjustments for latent credit risks, which were for the most part neutralised at portfolio level.

Extraordinary income or extraordinary expenses

	30/09/2018 in CHF thousands	30/09/2017 in CHF thousands
Extraordinary income		
Gain from the sale of properties	2,317	0
Reversal of negative goodwill	260	5,819
Total extraordinary income	2,577	5,819
Extraordinary expenses		
Total extraordinary expenses	0	0