



# 9M 2018 results

8 November 2018

**valiant**

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## Highlights

Strategy implementation and outlook

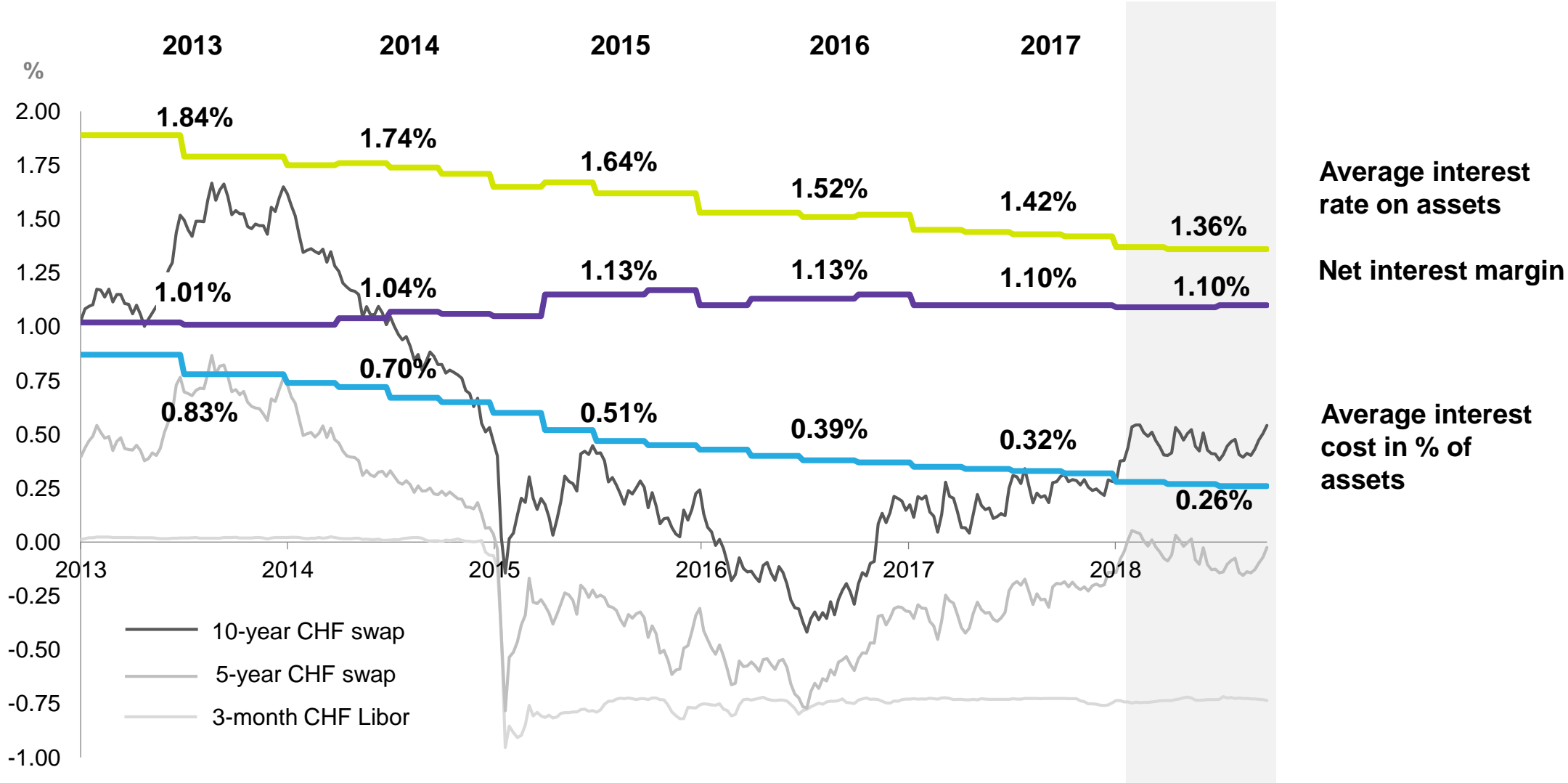
Appendix

# Highlights 9M 2018

	Consolidated results	
Group profit	+1.6%	
Operating profit (pre tax)	+8.5%	
<b>Operating profit* (pre tax)</b>	+2.8%	✓ Operating performance improved again
Net interest income*	+3.9%	
Net interest margin	110bp	✓ Increased interest margin vs H1-18
Fee and commission income	+2.2%	
Operating expenses	+3.1%	
Loans	+1.3%	✓ Prudent loan growth
- of which mortgages	+1.7%	

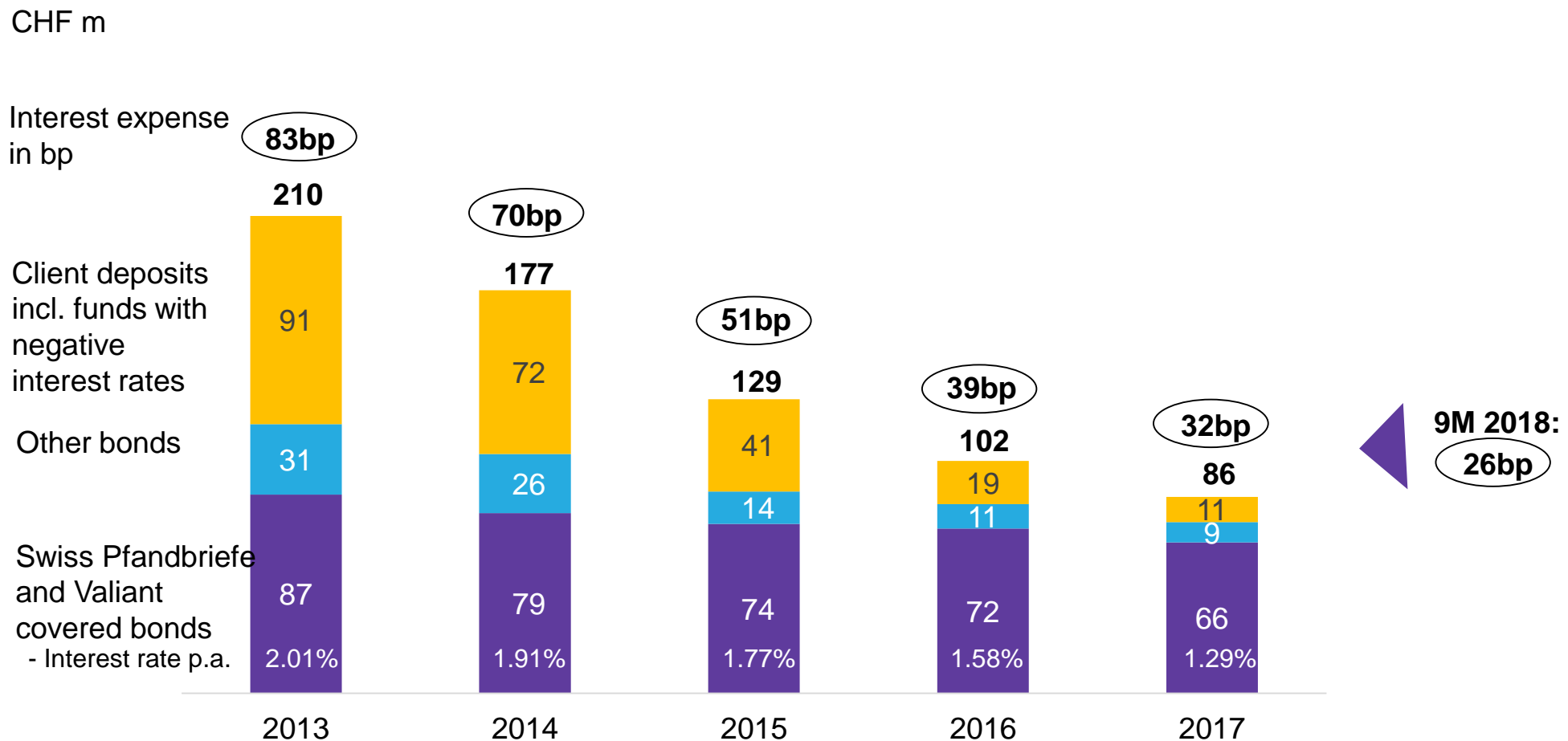
\* Excluding value adjustments in interest income and special dividend Aduno

# Increased 9M net interest margin vs 6M at 110bps



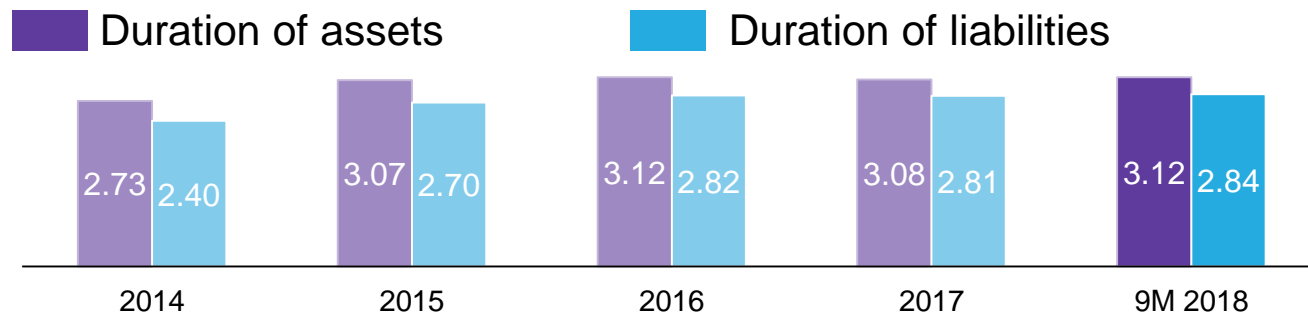
Repayment of Tier2 bond in April 2018 reduces interest cost by CHF 6 m p.a.

# Interest costs lowered again



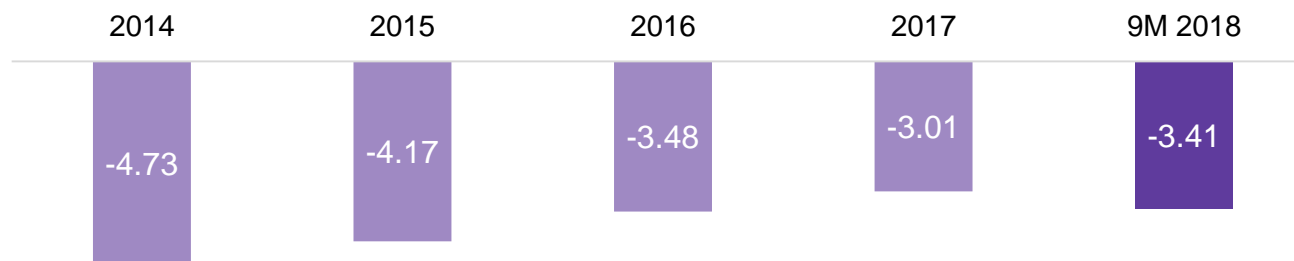
Funds for which Valiant charges negative interest rates account for about 10% of total liabilities

# Interest rate risk remains on a low level



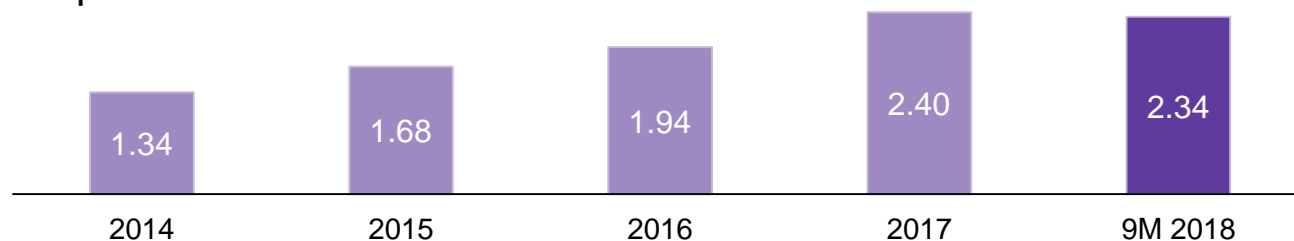
- Slight reduction of the duration gap from 31 (H1-18) to 28 bps

## Present value sensitivity\*



- Slight reduction vs H1-18 (-3.52)

## Swap volume in CHF bn



- Swaps relatively stable on a low level (<10% of total assets)

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

# Operating income +6.3%

	30/9/2018 in CHF m	30/9/2017 in CHF m	Change
Net interest income*	228.1	219.6	3.9%
- value adjustments	-2.3	0.7	
Net interest income (after value adjustments)	225.8	220.3	2.5%
Net fee and commission income	45.6	44.6	2.2%
Net trading income	8.5	8.6	-1.3%
Other income	22.3	13.5	
<b>Operating income*</b>	<b>304.4</b>	<b>286.3</b>	<b>6.3%</b>

- Value adjustments YTD CHF 2.1m higher than in H1-18
- positive development for net fee and commission income
- Other income: one-off CHF 9m higher dividend from Aduno AG

\* Before value adjustments for credit risk, and loan losses

# Operating expenses +3.1%

	30/9/2018 in CHF m	30/9/2017 in CHF m	Change
• Personnel expenses	-94.1	-90.3	4.2%
• Other op. expenses	-78.1	-76.8	1.7%
<b>Operating expenses</b>	<b>-172.2</b>	<b>-167.1</b>	<b>3.1%</b>
Cost Income-Ratio (before depreciation)	56.6%	58.4%	
Cost Income-Ratio (after depreciation)	62.0%	63.8%	

→ Cost/income ratio improved



# Operating performance +8.5%

## Adjusted operating performance +2.8%\*

	30/9/2018 in CHF m	30/9/2017 in CHF m	Change
• Depreciation of fixed and intangible assets, and impairments of holdings	-16.5	-15.5	
• Changes to provisions and other value adjustments, and losses	-0.2	-0.2	
<b>Operating profit</b>	<b>113.1</b>	<b>104.2</b>	<b>8.5%</b>

- Losses and other value adjustment remain on a very low level

\* Before value adjustments for credit risk, and loan losses and special dividend Aduno

# Group profit +1.6%

	30/9/2018 in CHF m	30/9/2017 in CHF m	Change
<b>Operating profit</b>	<b>113.1</b>	<b>104.2</b>	<b>8.5%</b>
• Extraordinary income	2.6	5.8	-
• Extraordinary expenses	0	0	-
• Changes in reserves for general banking risks	-9.0	-3.5	-
• Taxes	-21.4	-22.7	-
<b>Group profit</b>	<b>85.2</b>	<b>83.8</b>	<b>1.6%</b>

- Extraordinary income due to sale of real estate
- Increase in reserve for general banking risks due to one-time other ordinary income

# Loan growth of +1.3%

	30/9/2018 in Mio. CHF	31/12/2017 in Mio. CHF	Veränderung
Total assets	27 828	27 564	1.0%
<b>Client loans*</b>	<b>23 834</b>	<b>23 521</b>	<b>1.3%</b>
• Mortgages	22 293	21 912	1.7%
• Due from customers	1 541	1 609	-4.2%
<b>Client deposits</b>	<b>18 376</b>	<b>18 723</b>	<b>-1.9%</b>
Coverage ration on client deposits	77.1%	79.6%	
Total funding ratio*	103.0%	103.6%	

- Due to increasing risks in the real estate market, particularly for investment properties, Valiant will continue its prudent lending policy. Valiant does not seek aggressive volume growth but prioritises margins and continued low risk levels. For 2018, we are targeting loan growth at the lower end of the 2–3% range.

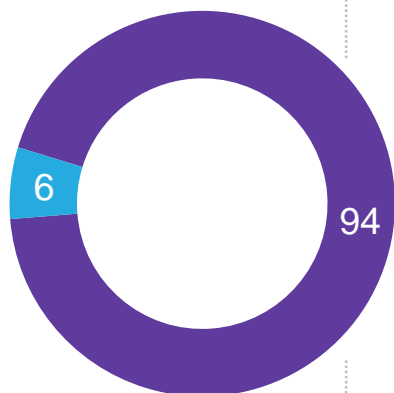
\* Total funding (Client deposits and bonds) in % of client loans  
11 9M 2018 results

# Quality of loans remains very high

## 93% of total loans in mortgages

Client loans: CHF 23.8bn

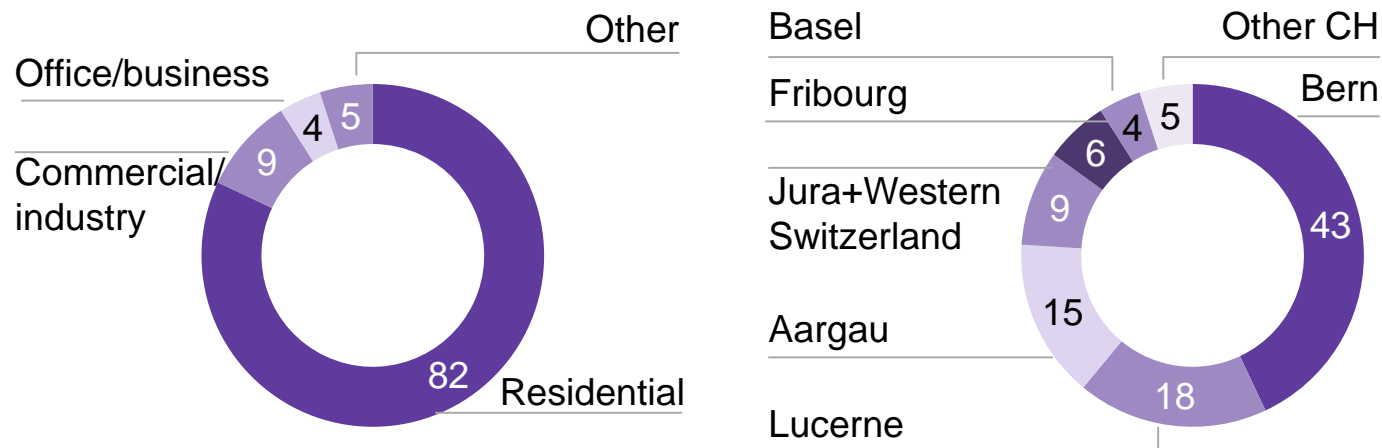
Due from clients



- 97% of loans are covered (31/12/2017: 97%)

## Mortgages: 82% residential, with 76% in Bern, Lucerne and Aargau

Mortgages: CHF 22.3bn

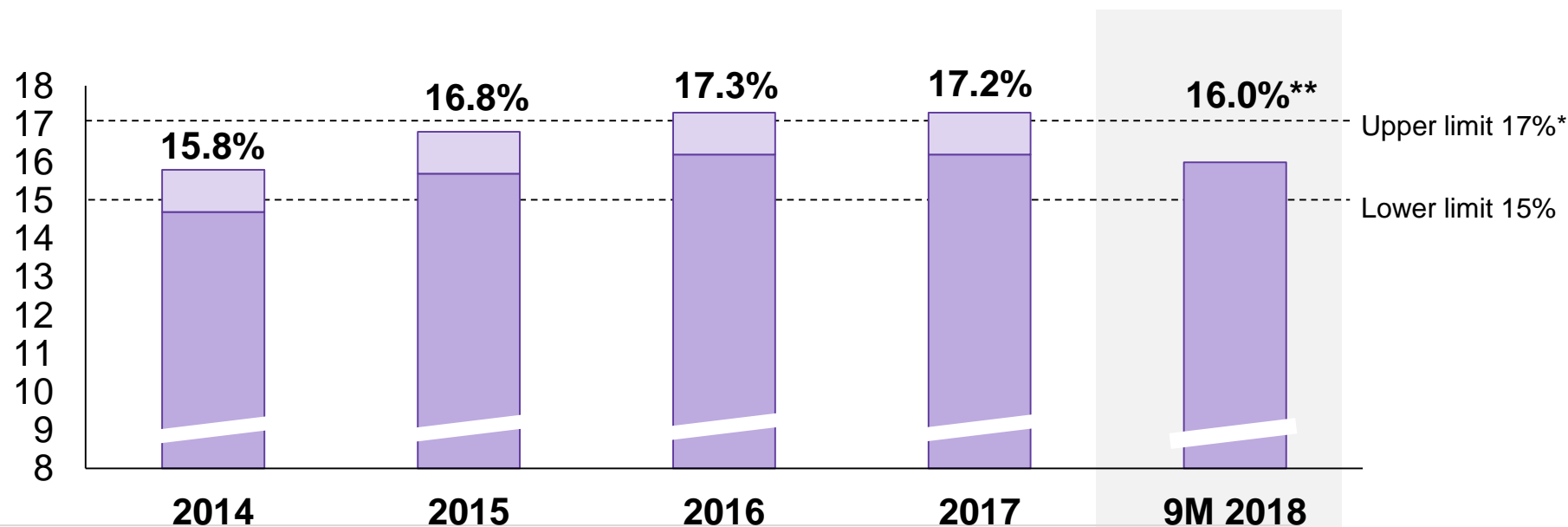


- Average residual term of fixed mortgages: 3.8 years (from 3.9 years for H1-18)

# Total capital ratio on target level

Total capital ratio in %

Tier2 capital CET1



Eligible capital  
(CHF m)

2 074

2 126

2 203

2 273

2 131

- thereof Tier2

150

150

150

150

0

- Tier2 bond called in April 2018

\* In August 2017 Valiant introduced an upper limit for the total capital ratio of 17%

\*\* Without profit contribution for the current year

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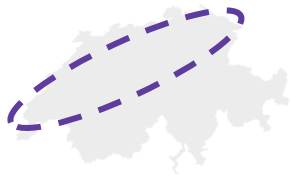
Highlights Q3 2018

**Strategy implementation and outlook**

Appendix

# Ambitious strategy and financial targets up to 2020

## Geographic expansion and digitisation (base-line 2016)



- 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

## Increased efficiency

- Additional growth will be achieved with existing middle- and back-office resources

## 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

# Outlook for 2018

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



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# 9M 2018: ALM details

	30/9/2018	31/12/2017	Change
Effective duration of assets	3.12%	3.08%	+ 4 bp
Effective duration of liabilities	2.84%	2.81%	+ 3 bp
Present value sensitivity			
• + 100 bp	-3.41%	-3.01%	- 40 bp
• + 200 bp	-7.05%	-6.27%	- 78 bp
Present value of economic equity	3 084 m	3 096 m	-12 m
Swap volume	2 340 m	2 400 m	-60 m
Liquidity coverage ratio (average last quarter)	113%	117%	
Hedging costs	9M 18: 8.1 m	FY 17: 12.4 m	

# Consolidated P&L 9M 2018

## Consolidated profit and loss statement Valiant Holding AG

CHF thousands

	9M 2018	9M 2017	Change
Interest and discount income	264'463	265'858	-0.52%
Interest expense	-53'864	-65'933	-18.30%
Interest and dividend income from financial investments	17'467	19'652	-11.12%
<b>Net interest income (before value adjustments)</b>	<b>228'066</b>	<b>219'577</b>	<b>3.87%</b>
Value adjustments for credit risk, and loan losses	-2'309	720	-420.69%
<b>Net interest income (after value adjustments)</b>	<b>225'757</b>	<b>220'297</b>	<b>2.48%</b>
Net fee and commission income	45'550	44'576	2.19%
Net trading income	8'505	8'616	-1.29%
Net other ordinary income	22'264	13'534	64.50%
<b>Total operating income (before value adjustments)</b>	<b>304'385</b>	<b>286'303</b>	<b>6.32%</b>
Personnel expenses	-94'116	-90'285	4.24%
General and administrative expenses	-78'124	-76'841	1.67%
<b>Total operating expenses</b>	<b>-172'240</b>	<b>-167'126</b>	<b>3.06%</b>
Depreciation, and impairments of holdings	-16'542	-15'510	6.65%
Other provisions and losses	-239	-152	57.24%
<b>Operating result</b>	<b>113'055</b>	<b>104'235</b>	<b>8.46%</b>
Extraordinary income	2'577	5'819	-55.71%
Extraordinary expenses	0	0	
Changes in reserves for general banking risks	-9'000	-3'500	157.14%
Taxes	-21'443	-22'745	-5.72%
<b>Consolidated net profit (incl. minority interests)</b>	<b>85'189</b>	<b>83'809</b>	<b>1.65%</b>
Minority interests	0	28	nm
<b>Net profit (excl. minority interests)</b>	<b>85'189</b>	<b>83'781</b>	<b>1.68%</b>

# Consolidated balance sheet 9M 2018

## Consolidated balance sheet Valiant Holding AG

CHF thousands

	30/09/2018	31/12/2017	Change
<b>Assets</b>			
Cash & due from banks	2'737'140	2'682'861	2.02%
Due from customers	1'540'583	1'608'815	-4.24%
Mortgage loans	22'293'096	21'911'710	1.74%
Financial investments & non-consolidated holdings	1'065'345	1'144'576	-6.92%
Total other assets	191'645	215'625	-11.12%
<b>Total assets</b>	<b>27'827'809</b>	<b>27'563'587</b>	<b>0.96%</b>
<b>Liabilities and equity</b>			
Due to banks	786'993	755'443	4.18%
Customer deposits	18'375'889	18'722'952	-1.85%
Bond issues and Swiss Pfandbriefe	6'182'072	5'641'162	9.59%
Other liabilities	220'863	205'679	7.38%
Provisions	30'450	35'769	-14.87%
Equity (including minorities)	2'231'542	2'202'582	1.31%
<b>Total liabilities and equity</b>	<b>27'827'809</b>	<b>27'563'587</b>	<b>0.96%</b>

# Key figures 2013 – 9M 2018

Key figures	Q3 2018	2017	2016	2015	2014	2013
Total assets in CHF bn	27.8	27.6	26.1	25.4	25.3	25.5
Client loans in CHF bn	23.8	23.5	22.3	22.1	21.8	21.8
Client deposits in CHF bn	18.4	18.7	18.2	18.1	17.9	17.4
Deposit/loan coverage ratio (%)	77.1	79.6	82.1	81.9	82.2	80.0
Shareholders' equity in CHF bn	2.23	2.20	2.13	2.05	1.99	1.94
Net profit in CHF m	85.2	119.2	117.5	114.4	94.5	91.4
Risk-weighted assets in CHF bn	13.3	13.2	12.7	12.7	13.1	13.5
Total capital ratio as %	16.0	17.2	17.3	16.8	15.8	15.0
Cost/income ratio as %	56.6	58.3	58.4	55.8	59.8	58.3
FTEs	877	873	842	821	883	885

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

# Financial calendar and contact information

## Financial calendar

13 February 2019	FY 2018 results
2 May 2019	Q1 2019 results
16 May 2019	AGM 2019 in Lucerne



## 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)



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