

Press release

Bern, 13 February 2019

Valiant increases net interest margin and net profit for the year

Valiant delivered a remarkable achievement last year given the current low interest rate environment: lending grew, and the net interest margin increased by two basis points, to 1.12%. Consolidated net profit rose to CHF 120.3 million (+0.9%) on the back of higher net interest income. The bank's shareholders will benefit from this solid performance, with the dividend set to be increased for the fourth time in a row at the forthcoming Annual General Meeting.

Valiant pulled off a rare feat for the Swiss banking sector last year, increasing its net interest margin while still achieving growth and maintaining a prudent risk policy. CEO Markus Gygax is understandably happy: "I would have been satisfied to have kept the net interest margin at 1.10%, so I am delighted with the increase of two basis points to 1.12%. I wouldn't have dared dream of that at the beginning of the year."

Further reduction in interest expense

The higher net interest margin was mainly attributable to the decline in interest expense (-20.3%), which Valiant achieved in part through its covered bond issues. Net interest income rose to CHF 307.3 million, an increase of 3.8% year on year. The rise in net interest income was the main driver behind the increase in Valiant's net profit, which was up by 0.9% to CHF 120.3 million. Operating profit, the measure of the bank's operating performance, climbed by a full 11.5% to CHF 151.9 million. "We thus achieved our earnings targets," says Markus Gygax.

New CEO wants to strengthen the investment business

The bank did not achieve its target for fee and commission income, however, which remained at the previous year's level of CHF 62.3 million. Valiant was thus unable to sustain the turnaround begun in 2017, when fee and commission income grew significantly. The newly appointed CEO Ewald Burgener, who will take the helm in May, plans to pull out all the stops in this area: "We cannot allow ourselves to be satisfied with the fee and commission income figure. We have to grow this business and generate more recurring income. The investment business in particular is an important income driver for our bank, and we must continue to strengthen it."

Other operating income rose by 29.3% to CHF 23.3 million due to the previously announced one-off dividend payment by Aduno Holding AG. This payment was offset by a CHF 9 million allocation to the reserves for general banking risks.

Income rising faster than costs

Valiant kept costs well under control despite its expansion strategy. Operating expenses held steady year on year, at CHF 226.0 million. Although personnel expenses were higher (+2.4%), they were offset by lower general and administrative expenses (-2.9%). For CEO Markus Gygax, the important thing is “to keep income rising faster than costs. Operating income was up by 4.1% to CHF 404.1 million and costs remained flat, so we certainly achieved that goal.” The cost/income ratio fell to 55.9% (previous year: 58.3%). Personnel expenses will continue to rise in the current year due to the expansion strategy and the recruitment of additional advisors for private and SME clients.

Cautious lending growth

Valiant made a conscious effort to keep the pace of growth in its core business at a low level, in view of its prudent risk policy and the current risks in the real estate market. Despite this, it posted pleasing growth in mortgages and SME loans. Lending increased by 2.1% overall, to CHF 24.0 billion. Mortgages grew to CHF 22.5 billion (+2.6%), while client deposits fell by 2.3% to CHF 18.3 billion because Valiant deliberately accepted outflows. The bank will continue to abide by its strategy over the coming year. Growth is important, but not at any price - profitability comes first.

Making better use of existing capacities

The current 2016-2020 strategy period is coming to an end. The figures show that Strategy 2020 is working well, with over CHF 200 million in business last year from the new market areas that Valiant has tapped into. The integration of Triba also allowed an additional volume of around CHF 1 billion to be processed using existing capacities in the middle/back office and in IT. “This is the path we have to take,” says Jürg Bucher, Chairman of the Board of Directors. “We have the potential to make even better use of our infrastructure at no additional cost and thus further increase efficiency.” New branches in St. Gallen, Wil and Rheinfelden are planned for 2019, and the SME site in Winterthur is to be expanded.

New strategy to follow in autumn 2019

Over the coming months, the Board of Directors and Executive Board will focus intensively on Valiant’s future. Traditional retail banking is under pressure, and huge challenges remain. Valiant is tackling these head on. The new strategy for the period up to 2024 will be presented this autumn. Among other things, it will set out the specific details of Valiant’s new vision: “Valiant will be the bank that makes it easiest for private individuals and SMEs in Switzerland to manage their financial affairs.”

Fourth consecutive dividend increase

With its pleasing 2018 results Valiant has proved once again that it is on a solid footing and that its business model works even when interest rates are low. It now has equity capital of CHF 2.3 billion and a total capital ratio of 16.5%, well above the 12% required by the Swiss Financial Market Supervisory Authority FINMA. Shareholders will again benefit from this: the dividend is to be increased by CHF 0.40 to CHF 4.40 at the Annual General Meeting in Lucerne in May. This would be the fourth increase in as many years.

Changes within the Board of Directors

Valiant has also put leadership plans in place for the future. As already communicated, current CEO Markus Gygax will be slated for the Board of Directors at the Annual General Meeting on 16 May 2019 in Lucerne. To ensure good corporate governance, he will not sit on the Nomination and Compensation Committee during the first year or the Audit and Risk Committee at any point in the future. Othmar Stöckli will not be standing for re-election to the Board of Directors. There will continue to be eight members – four women and four men. As previously announced, current CFO Ewald Burgener will succeed Markus Gygax as CEO on the day after the Annual General Meeting.

Positive outlook for 2019

Valiant expects its 2019 consolidated net profit to be slightly higher than in 2018. Its key targets are to keep the net interest margin as close to the 2018 level as possible, achieve lending growth of around 3% and improve fee and commission income.

Key balance sheet figures

	31/12/2018 in CHF millions	31/12/2017 in CHF millions	Change as a %
Total assets	27,383	27,564	-0.7
Client loans	24,021	23,521	2.1
- of which mortgages	22,483	21,912	2.6
Client deposits	18,291	18,723	-2.3
Headcount (FTEs)	890	873	17 FTEs

Key income statement figures

	31/12/2018 in CHF thousands	31/12/2017 in CHF thousands	Change as a %
Net interest income before value adjustments for credit risk and loan losses	307,305	296,017	3.8
Fee and commission income	62,230	62,256	0.0
Net trading income	11,235	11,732	-4.2
Other operating income	23,304	18,018	29.3
Operating income*	404,074	388,023	4.1
Operating expenses	226,019	226,050	0.0
Operating profit	151,882	136,225	11.5
Consolidated net profit (including minority interests)	120,328	119,236	0.9

* Before value adjustments for credit risk, and loan losses

Documents and information on the 2018 full-year results are available here:
www.valiant.ch/results

The media and analysts' conference will be held at the Hotel Schweizerhof in Bern at 10:15 a.m. on 13 February 2019. Photos of the speakers will be made available at around 2 p.m. on the same day.

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About Valiant

Valiant is an independent retail and SME bank operating exclusively in Switzerland. It offers private clients and small and medium-sized businesses a comprehensive range of easy-to-understand products and services covering all financial needs. Valiant has a strong local presence, with 91 branch offices in the following 11 Swiss cantons: Aargau, Basel-Land, Basel-Stadt, Bern, Fribourg, Jura, Lucerne, Neuchâtel, Solothurn, Vaud and Zug. Through its innovative digital services, Valiant is also available to clients throughout Switzerland. Valiant has total assets of CHF 27.4 billion and around 1,000 employees.

Valiant calendar

21 March 2019	Publication of 2018 Annual Report
2 May 2019	Q1 2019 results
16 May 2019	AGM of Valiant Holding AG in Lucerne
4 August 2019	H1 2019 results