



3M 2019 results

2 May 2019

valiant

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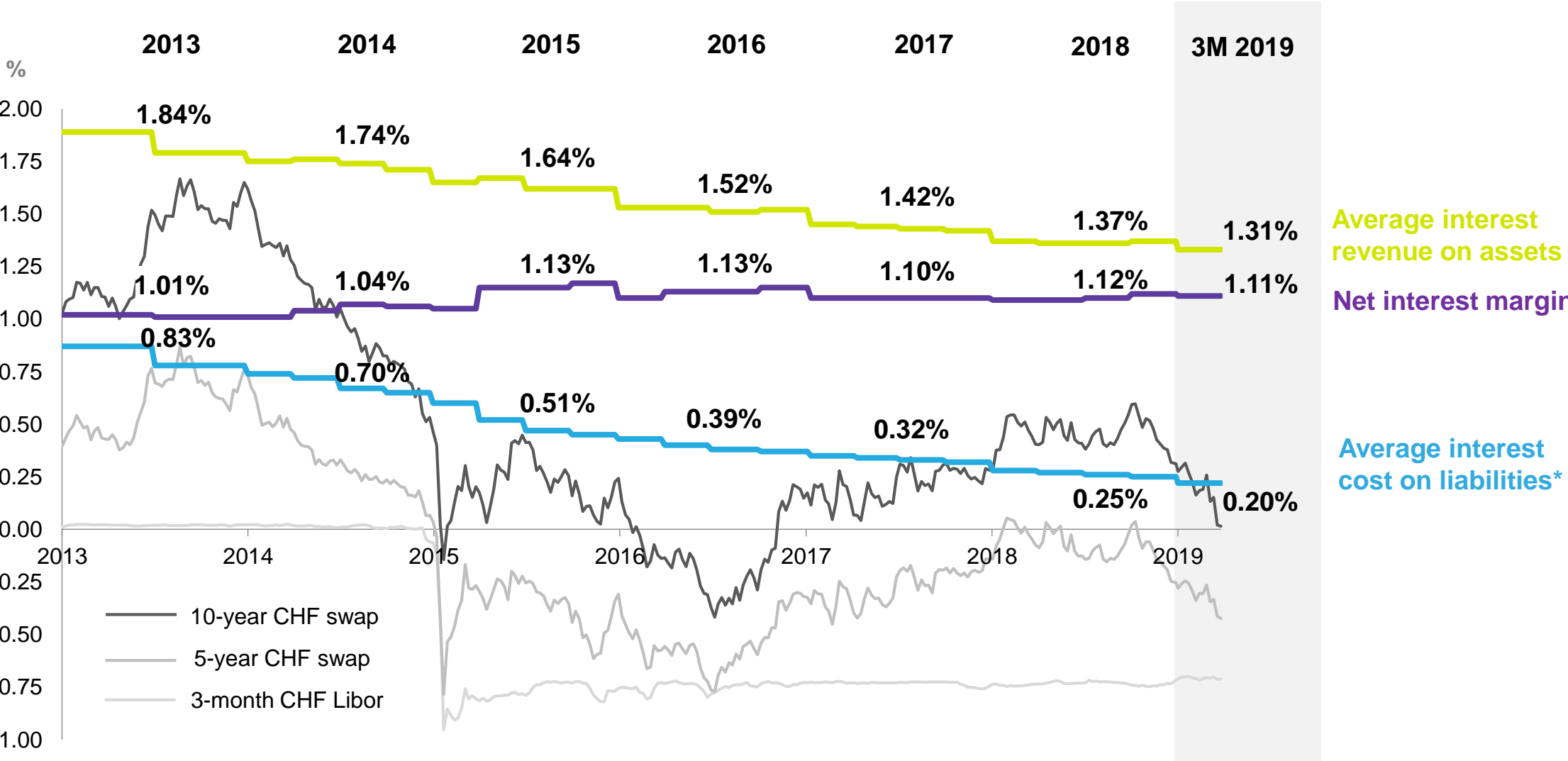
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Highlights 3M 2019

	Consolidated YTD results	
Group profit	+8.7%	
Operating profit (pre tax)	+1.4%	
Operating profit* (pre tax)	+1.7%	✓ Improved Operating performance
Net interest income*	+2.3%	
Net interest margin	111bp	✓ Increased interest margin vs Q1-18 (109 bp)
Fee and commission income	-3.6%	
Operating expenses	+0.4%	
Loans	+1.0%	✓ Improvement vs Q1-18 (0.5%)
- of which mortgages	+1.0%	

* Excluding value adjustments in interest income

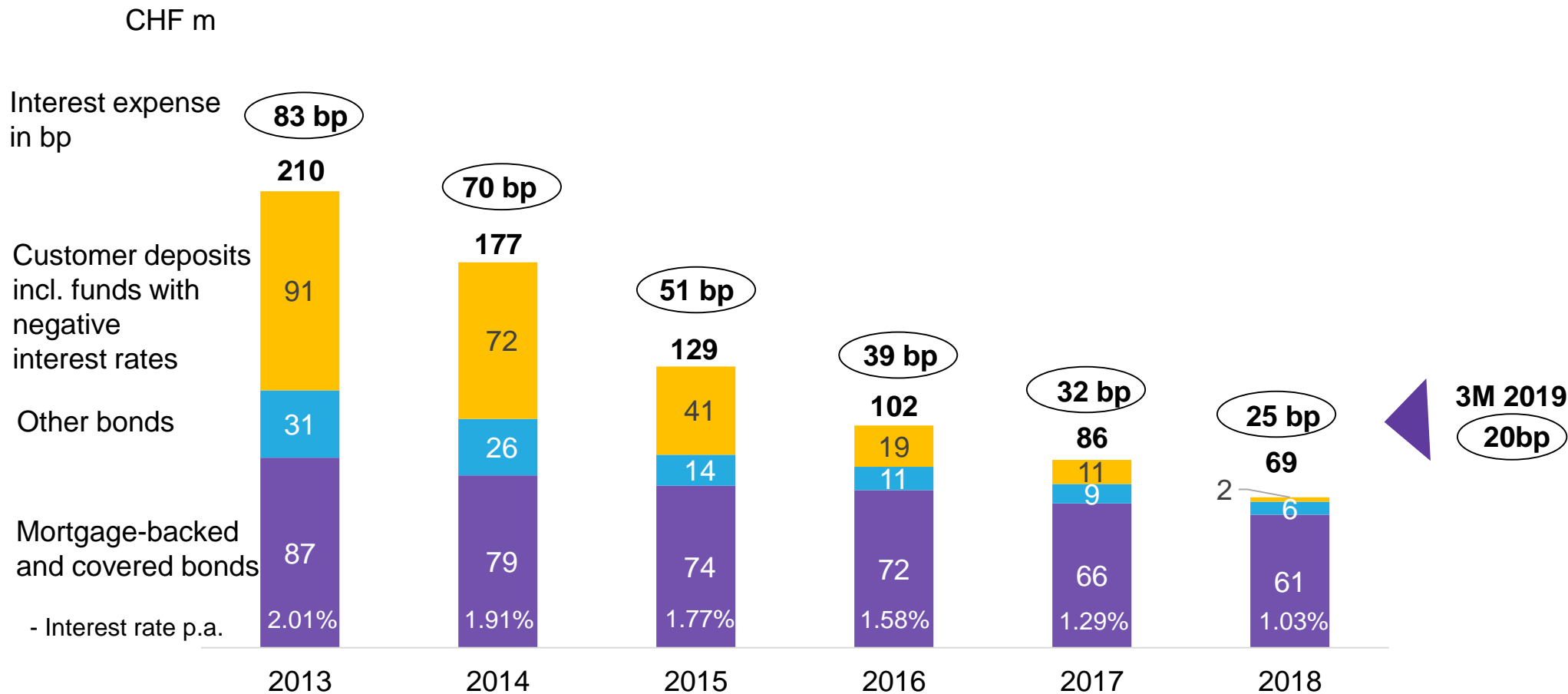
Increased 3M-19 net interest margin vs 3M-18 (109 bp)



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



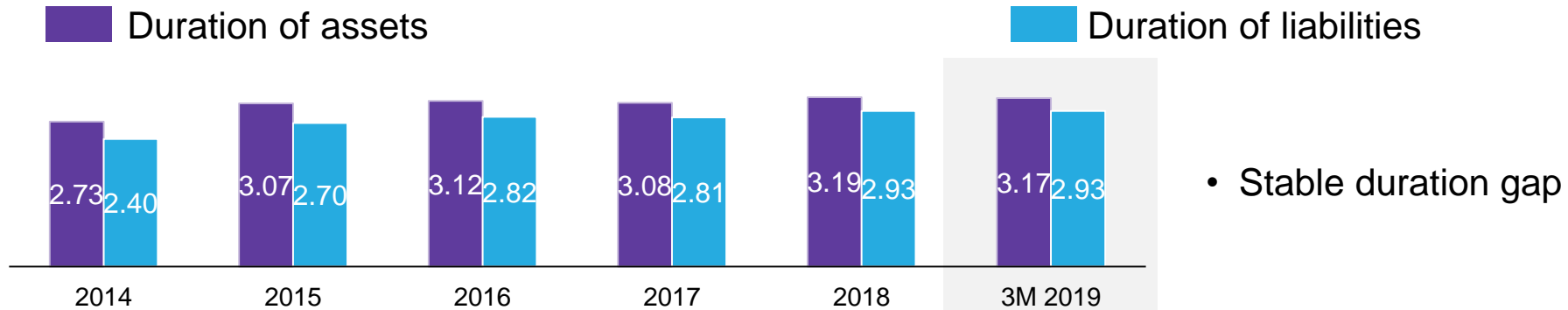
Interest expense again lower than in 2018



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

Interest rate risk remains on a low level

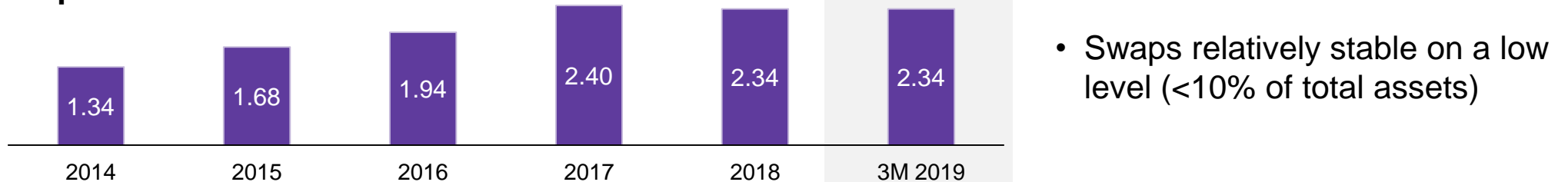
Duration



Present value sensitivity as % of equity



Swap volume in CHF bn



* According to FINMA circular 2019/2

Operating income +1.2%

	3M 2019 in CHF m	3M 2018 in CHF m	Change
Net interest income*	76.8	75.0	2.5%
- value adjustments	-1.3	-1.2	9.9%
Net interest income (after value adjustments)	75.5	73.8	2.3%
Net fee and commission income	14.6	15.1	-3.6%
Net trading income	3.2	2.8	10.6%
Other income	1.2	1.7	-25.4%
Operating income*	95.8	94.6	1.2%

- Positive development of operating income driven by higher net interest income

* Before value adjustments for credit risk, and loan losses

Operating expenses +0.4%

	3M 2019 in CHF m	3M 2018 in CHF m	Change
• Personnel expenses	-32.1	-30.9	3.7%
• Other operating expenses	-25.1	-26.1	-3.6%
Operating expenses	-57.2	-57.0	0.4%
Cost Income-Ratio (before depreciation)	59.7%	60.3%	
Cost Income-Ratio (after depreciation)	65.7%	65.9%	

→ Cost/income ratio improved by higher operating income and lower other operating expenses

Operating performance +1.4% (adjusted +1.7%*)

	3M 2019 in CHF m	3M 2018 in CHF m	Change
• Depreciation of fixed and intangible assets, and impairments of holdings	-5.7	-5.4	6.9%
• Changes to provisions and other value adjustments, and losses	-0.1	-0.1	-
Operating profit	31.4	31.0	1.4%

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

* Before value adjustments for credit risk, and loan losses

Group profit +8.8%

	3M 2019 in CHF m	3M 2018 in CHF m	Change
Operating profit	31.4	31.0	1.4%
• Extraordinary income	4.4	1.8	143.1%
• Extraordinary expenses	0	0	nm
• Changes in reserves for general banking risks	0	0	nm
• Taxes	-7.6	-6.8	11.0%
Group profit	28.2	26.0	8.8%

- Improved Extraordinary income due to sale of real estate

Loan growth of +1.0%

	3M 2019 in CHF m	3M 2018 in CHF m	Change
Total assets	28 143	27 383	2.8%
Client loans*	24 265	24 021	1.0%
• Mortgages	22 712	22 483	1.0%
• Due from customers	1 553	1 539	0.9%
Client deposits	18 374	18 291	0.5%
Coverage ration on client deposits	75.7%	76.1%	
Total funding ratio*	101.9%	101.3%	

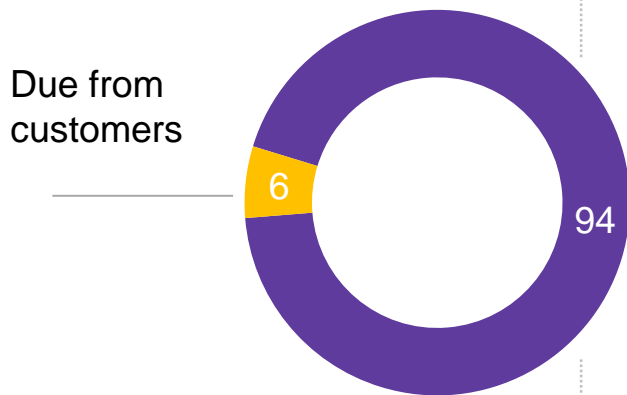
* Total funding (Client deposits and bonds) in % of client loans

- 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 2019, we are targeting loan growth of ~3%.

Loan quality very high

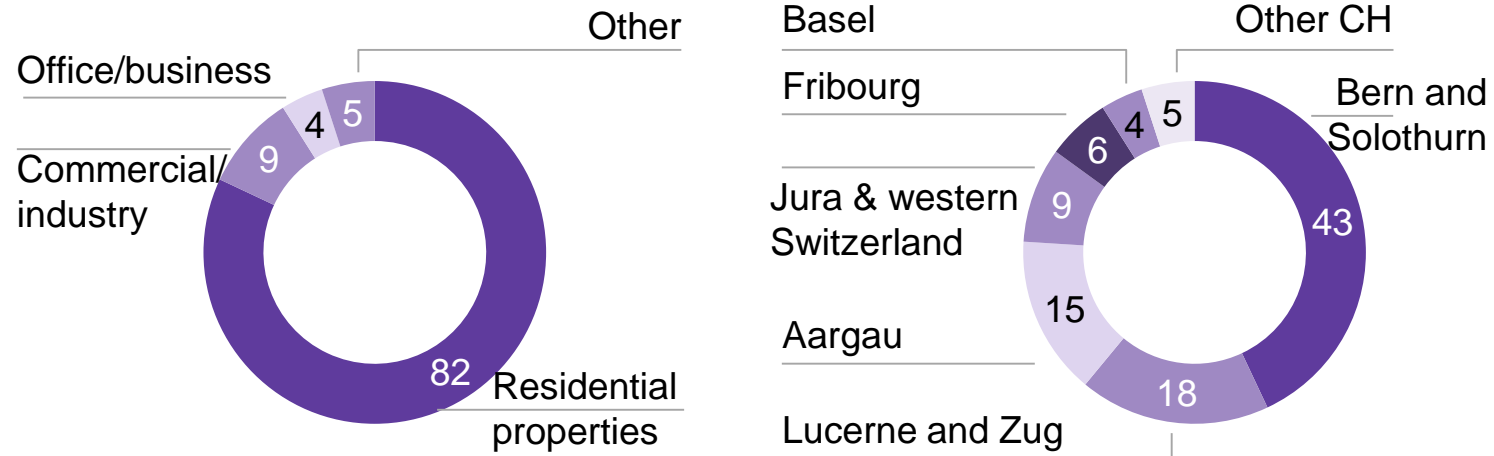
94% of lending is in the form of mortgages

Loans: CHF 24.3bn



Mortgages: 82% residential and 76% in the regions Bern, Lucerne and Aargau

Mortgages: CHF 22.7bn



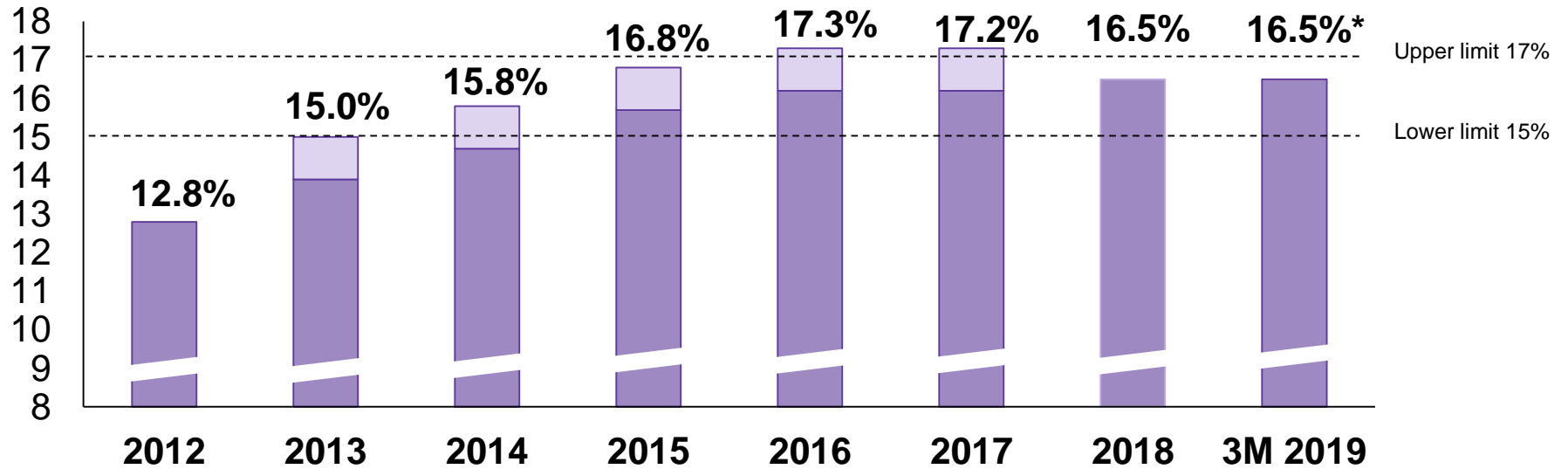
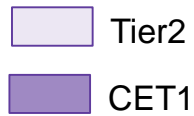
- 97% of loans backed by collateral (31/12/2018: 97%)

- Proportion of first mortgages: 94% (31/12/2018: 94%)
- Average residual maturity: 3.9 years (31/12/2018: 3.8 years)
- Loan-to-value (net): 63% (31/12/2018: 63%)

Volumes increased, high level of quality maintained

Capital adequacy in target area

Total capital ratio in %



Eligible capital (m CHF)	2012	2013	2014	2015	2016	2017	2018	3M 2019
- thereof Tier2	0	150	150	150	150	150	0	0

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*without profit contribution for the current year

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Outlook for 2019



- More **covered bond** issues → reduced funding costs
- Conversion of in-branch client zones: **client advisors remain on site**
- Further **simplification** of products and services
- **Expansion** into eastern and northern Switzerland
- **Comparable mortgage** offering in the St. Gallen area

Outlook for 2019



- Interest margin: fight for every basis point (= 2017, 2018)
- Profitable lending growth of 3%
- Grow fee and commission income
- Net profit slightly higher than in 2018

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3M 2019: ALM details

	31/3/2019	31/12/2018	Change
Effective duration of assets	3.17%	3.19%	- 2 bp
Effective duration of liabilities	2.93%	2.93%	+ 0 bp
Present value sensitivity			
+ 150 bp (exkl. margin, new as of 01.01.2019)	-5.97%	-6.22%	
Present value of economic equity	3 163 m	3 126 m	+37 m
Swap volume	2 340 m	2 340 m	+ 0 m
Liquidity coverage ratio (average last quarter)	116%	108%	
Hedging costs	4.3 m	10.4 m	

Consolidated P&L 3M 2019 (investor workbook)

in CHF thousands	Q1 2019	Q1 2018	Change
Interest income			
Interest and discount income	85'706	88'657	-3.3%
Interest and dividend income from trading portfolios	0	0	
Interest and dividend income from financial investments	5'377	5'922	-9.2%
Interest expense	-14'289	-19'626	-27.2%
Net interest income before value adjustments for credit risk, and loan losses	76'794	74'953	2.5%
Value adjustments for credit risk, and loan losses	-1308	-1'190	9.9%
Net interest income after value adjustments for credit risk, and loan losses	75'486	73'763	2.3%
Fee and commission income			
Commission income from securities trading and investment activities	9'775	10'198	-4.1%
Commission income from lending activities	898	1056	-15.0%
Commission income from other services	7'837	7'191	9.0%
Commission expense	-3'941	-3'334	18.2%
Net fee and commission income	14'569	15'111	-3.6%
Net trading income and fair-value adjustments	3'150	2'849	10.6%
Other operating income			
Income from sale of financial investments	168	554	-69.7%
Income from holdings	550	553	-0.5%
of which holdings recognised using the equity method	550	553	-0.5%
of which from other non-consolidated holdings	0	0	
Net income on real estate	520	547	-4.9%
Other ordinary income	10	34	-70.6%
Other ordinary expenses	0	-15	-100.0%
Net other operating income	1'248	1'673	-25.4%
Total operating income¹⁾	95'761	94'586	1.2%
Operating expenses			
Personnel expenses	-32'094	-30'942	3.7%
General and administrative expenses	-25'104	-26'051	-3.6%
Total operating expenses	-57'198	-56'993	0.4%
Depreciation and amortisation of fixed, tangible and intangible assets and impairments on holdings	-5'733	-5'364	6.9%
Other provisions and losses	-110	-50	120.0%
Operating profit	31'412	30'989	1.4%
Group profit			
Extraordinary income	4'378	1801	143.1%
Extraordinary expenses	0	0	
Changes in reserves for general banking risks	0	0	
Taxes	-7'559	-6'810	11.0%
Consolidated net profit (including minority interests)	28'231	25'980	8.7%
Minority interests in consolidated net profit	0	27	-100.0%
Consolidated net profit	28'231	25'953	8.8%

¹ Before changes in value adjustments for default risks and losses from interest operations.

Consolidated balance sheet 3M 2019 (investor workbook)

Assets (in CHF thousands)	31.03.2019	31.12.2018
Cash and cash equivalents	2'511'867	1'972'228
Due from banks	17'1201	154'134
Due from customers ¹	1'552'805	1'538'649
Mortgage loans ¹	22'712'255	22'482'749
Trading portfolio assets	100	187
Positive replacement values of derivative financial instruments	2'967	8'316
Financial investments	789'757	830'932
Accrued income and prepaid expenses	21707	19'920
Non-consolidated holdings	214'629	214'079
Tangible fixed assets	122'718	130'314
Intangible assets	1452	1621
Other assets	41381	29'546
Total assets	28'142'839	27'382'675
Liabilities and equity (in CHF thousands)	31.03.2019	31.12.2018
Due to banks	865'800	544'311
Customer deposits	18'220'259	18'100'855
Negative replacement values of derivative financial instruments	36'829	22'976
Medium-term notes	153'568	190'054
Bond issues and central mortgage institution loans	6'363'528	6'044'227
Accrued expenses and deferred income	104'903	127'669
Other liabilities	73'378	51'596
Provisions	30'883	34'306
Reserve for general banking risks	34'786	34'786
Share capital	7'896	7'896
Capital reserve	592'676	592'676
Retained earnings reserve	1'631'323	1'510'995
Treasury shares	-1'221	
Consolidated net profit	28'231	120'328
Total equity capital	2'293'691	2'266'681
Total liabilities and equity	28'142'839	27'382'675
Off-balance-sheet transactions	31.03.2019	31.12.2018
Contingent liabilities	210'706	225'306
Irrevocable commitments	746'155	752'783
Commitments relating to calls on shares and other equities	50'295	50'295
Key figures		
Total loans to clients net of value adjustments	24'265'060	24'021'398
Funds due to clients (client deposits + medium-term notes)	18'373'827	18'290'909

¹Client loans include value adjustments for credit risk since 2017; 31/12/2018 figures have been restated

Key figures 2013 – 3M 2019 (investor workbook)

Balance sheet		3 M 2019	2018	2017	2016
Total assets	in CHF thousands	28'142'839	27'382'675	27'563'587	26'094'545
Due from Customers ³	in CHF thousands	1552'805	1538'649	1608'815	1554'674
Mortgage loans ³	in CHF thousands	22'712'255	22'482'749	21911710	20'700'759
Total loans ³	in CHF thousands	24'265'060	24'021'398	23'520'525	22'255'433
Funds due to customers ⁴	in CHF thousands	18'373'827	18'290'909	18'722'952	18'240'801
Equity capital ⁵	in CHF thousands	2'293'691	2'266'681	2'200'597	2'127'732
Client assets ⁷	in CHF thousands	26'984'014	26'377'559	27'750'317	26'806'215
Income statement					
Net interest income ²	in CHF thousands	76'794	307'305	296'017	290'244
Total operating income ²	in CHF thousands	95'761	404'074	388'023	378'533
Operating expenses	in CHF thousands	-57'198	-226'019	-226'050	-220'915
Operating profit	in CHF thousands	31412	151882	136'225	138'969
Group profit	in CHF thousands	28'231	120'328	119'236	117'514
Cost/income-Ratio					
Cost/Income ratio after depreciation	in %	65.7	61.5	64.1	65.0
Cost/Income ratio before depreciation	in %	59.7	55.9	58.3	58.4
Profitability					
Return on Equity	in %	n.a.	5.4	5.5	5.6
Return on Assets	in %	n.a.	0.44	0.44	0.46
Capital					
Risk-weighted positions	in CHF thousands	13'246'711	13'221'663	13'161'875	12'735'188
Eligible capital	in CHF thousands	2'182'819	2'181'738	2'273'055	2'202'973
Core capital ratio Tier 1	in %	16.5	16.5	16.1	16.1
Core capital ratio Tier 1+Tier 2	in %	16.5	16.5	17.2	17.3
Leverage ratio	in %	7.3	7.5	7.2	7.3
Headcount					
Employees		1027	1013	1000	957
FTE (excl. Trainees)		898	890	873	842
Average number of FTE (excl. Trainees)		894	882	858	832
Branches					
Branches		91	91	91	85
ATM's		223	226	226	235

¹ Restatement pursuant to FINMA Circular 2015/1 Accounting for Banks, effective from 1 January 2015.

² Before changes in value adjustments for default risks and losses from interest operations.

³ Since 31.12.2016 net of value adjustments

⁴ Funds due to customers (sum of client deposits and mid-term notes)

⁵ Equity capital excluding minority interests

⁶ Group profit including minority interests

⁷ annual figures only

Financial calendar and contact information

Financial calendar

16 May 2019	AGM 2019 in Lucerne
8 August 2019	H1 2019 results
7 November 2019	Q3 2019 results



Information for investors

In German: www.valiant.ch/investoren
In English: www.valiant.ch/investors
In French: www.valiant.ch/fr/investor-relations



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