



# Valiant investor presentation

Baader Helvea Swiss Equities Conference  
Bad Ragaz 12 January 2018

**valiant**

# Our key messages

## 100% Focus on retail banking

- 100% focus on retail and SME banking in Switzerland
- Very high loan quality, with 97% of loans secured
- Stable or increasing dividend since 1997

## Sustainable and stable earnings

- Improved and sustainable earnings power
- Growth while keeping margins stable
- Interest rate risk: already low exposure further reduced

## Stringent implementation

- Market expansion: new innovative branches opened
- Full integration of Triba Bank AG on track
- Funding successfully diversified through Triple-A covered bonds

# Overview

**Part 1: 100% Focus on retail banking in Switzerland**

**Part 2: Key financials: sustainable and stable earnings**

**Part 3: Stringent strategy implementation**

**Appendix**

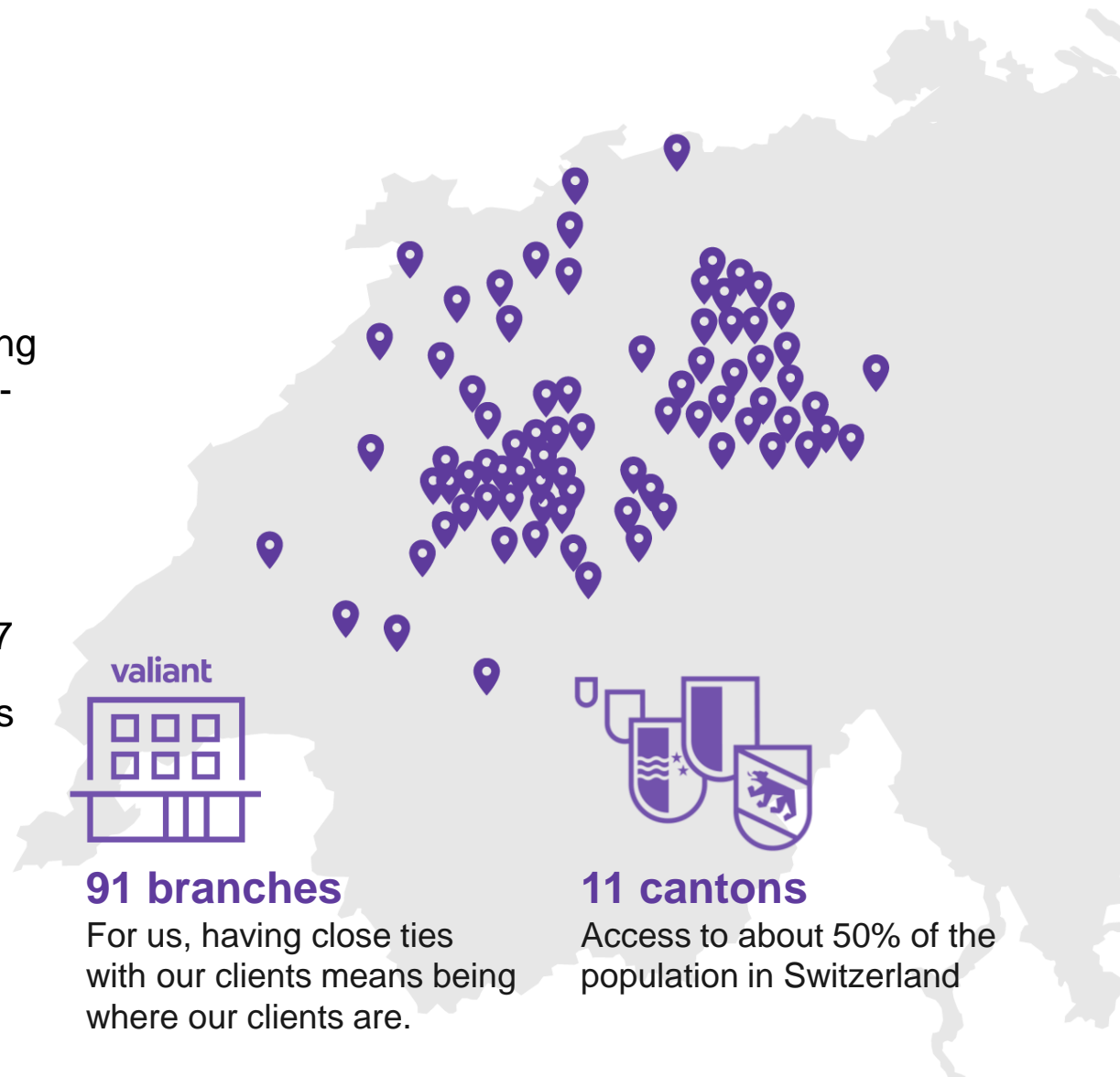
# Valiant: 100% focus on retail and SME banking in Switzerland

- Independent retail and SME bank operating exclusively in Switzerland
- Close to clients through 91 branches, with strong local roots in 11 cantons (~50% of Swiss population). Digital presence across Switzerland
- Straightforward and simple business model with a clear focus on mortgages
- Acquisition of Triba Partnerbank AG in Q3 2017
- 1,000 employees\*, including 500 client advisors
- Total capital ratio: 16.7% as per 30/09/2017\*\*
- Moody's rating: A1/P-1, stable outlook
- Market cap: ~ CHF 1.6bn, 100% free float

→ “We’re simply a bank”

\* 30/09/2017: 877 FTE

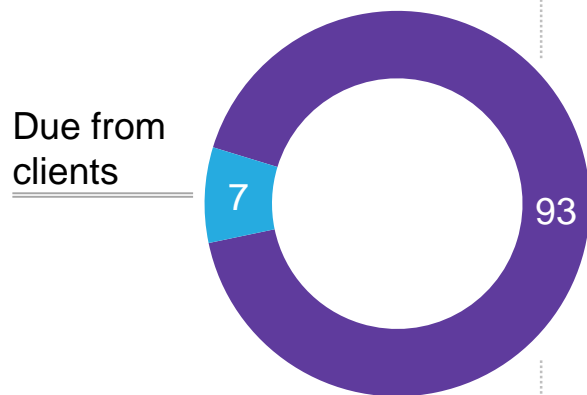
\*\* after acquisition of Triba



# Very high loan quality, with 97% of loans secured

## 93% of client assets in mortgages

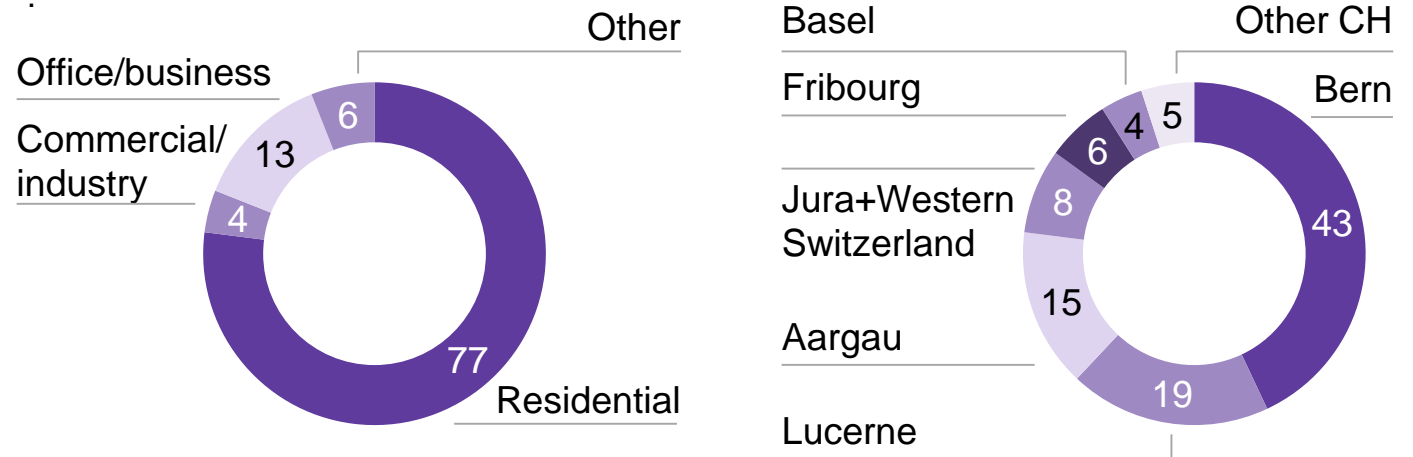
Client loans: CHF 23.5bn



- 97% of loans are covered (2016: 97%)

## Mortgages: 77% residential, and 77% in Bern, Lucerne and Aargau

Mortgages: CHF 21.8bn



- First tier mortgages: 94% (31.12.2016: 94%)
- Average residual term: 3.7 years (31/12/2016: 3.6 years)
- Loan-to-value (net): 63.3% (31/12/2016: 63.1%)

At 30/9/2017 (including Triba)

➔ Lending volumes increased with loan quality remaining very high

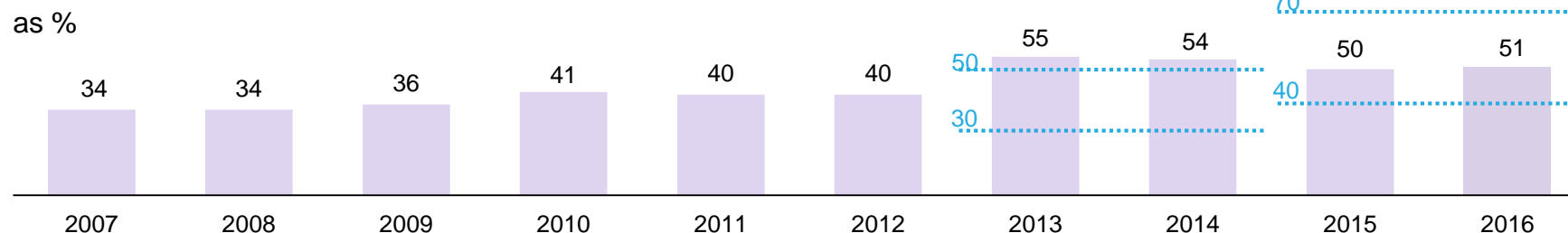
# Stable, increasing dividends since Valiant was founded

## Stable, increasing distributions to shareholders since Valiant was founded in 1997

CHF, rebased



## Stable payout ratios since 2007, increasing since 2013



Payout ratio target of 40-70% of net profit

\* For the financial year 2006, an extraordinary jubilee dividend of CHF 1.40 was distributed

# Overview

Part 1: 100% Focus on retail banking in Switzerland

**Part 2: Key financials: sustainable and stable earnings**

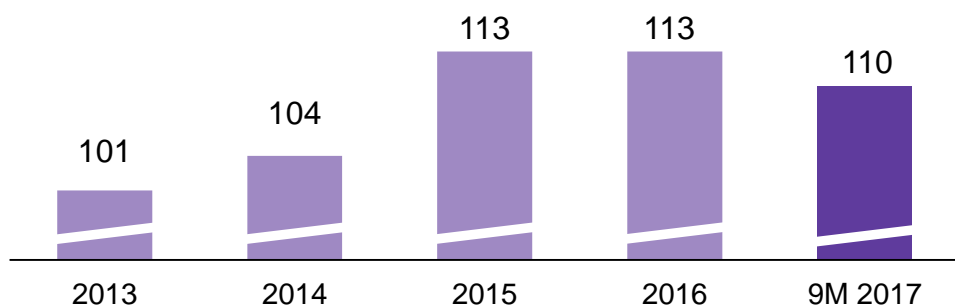
Part 3: Stringent strategy implementation

Appendix

# Improved and sustainable earnings power

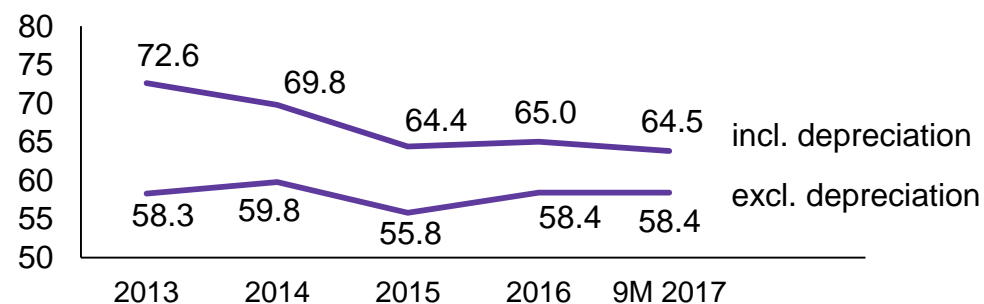
## Stable margins despite very low interest rates

Total net interest margin, bps



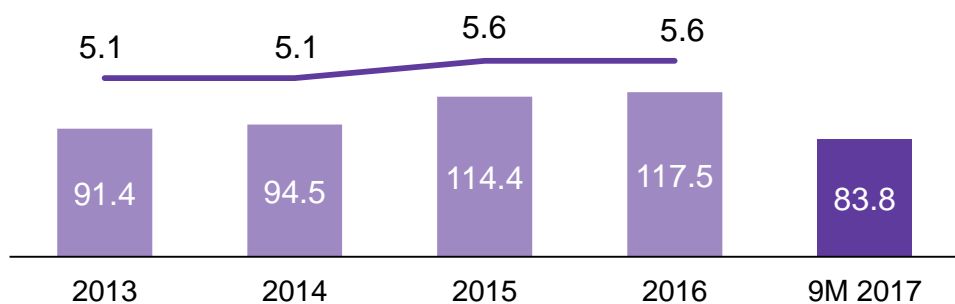
## Costs under control, including strategy implementation

Cost/Income-Ratio as %



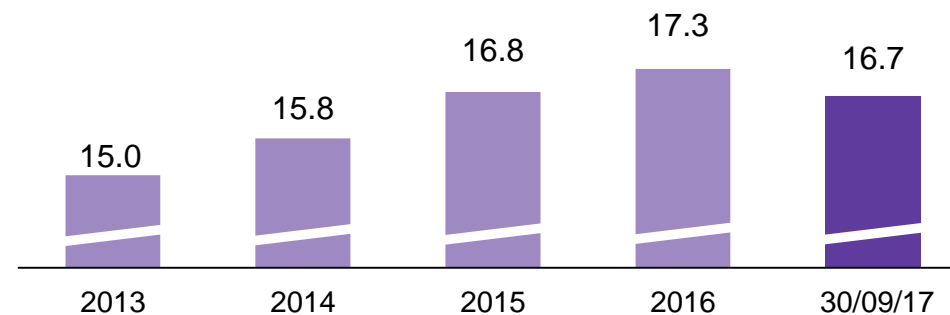
## Profitability stable, FY 2017 net profit expected at 2016 level

Net profit in CHF m, ROE as %



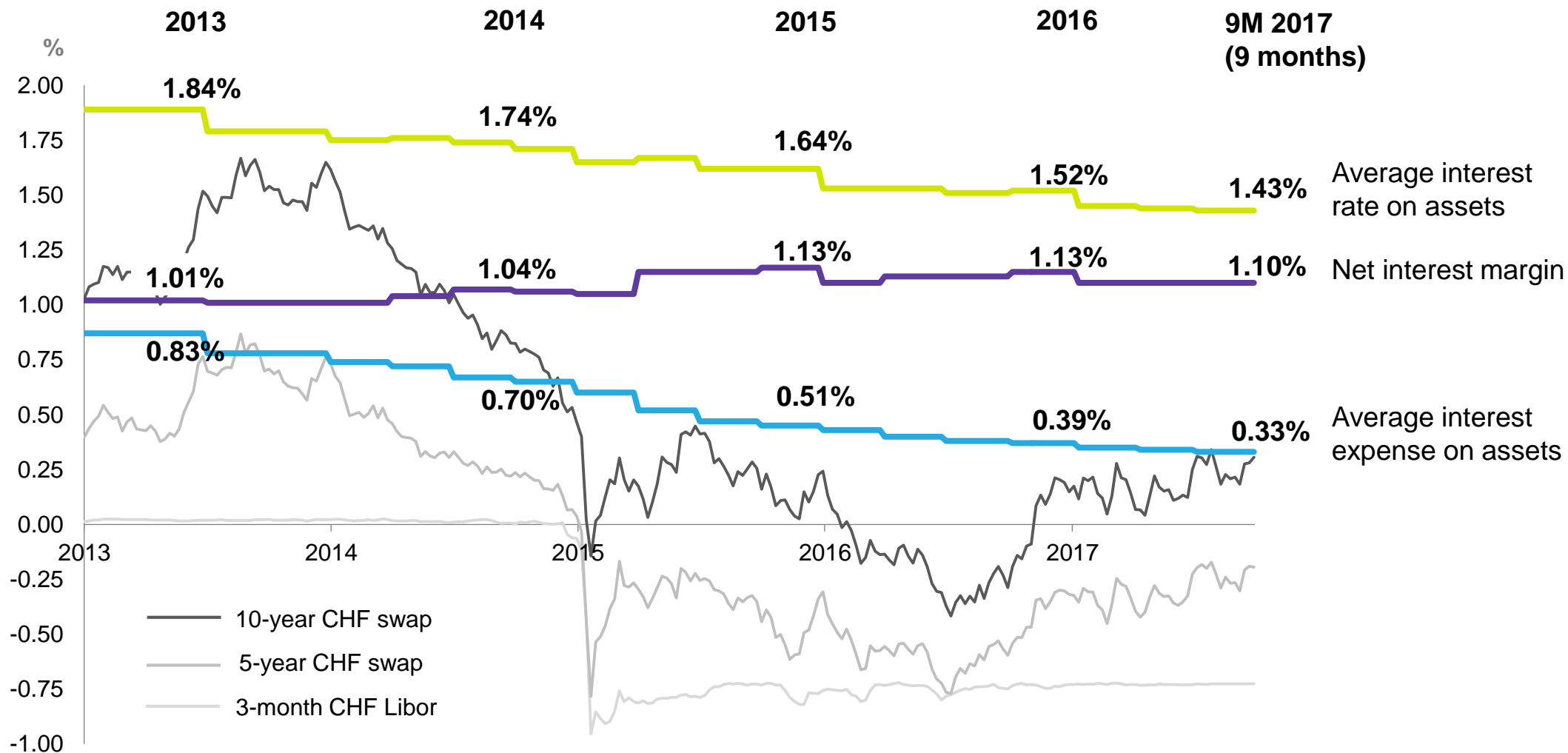
## Strengthened capital base, incl. acquisition of Triba in Q3 2017

Total capital ratio as %



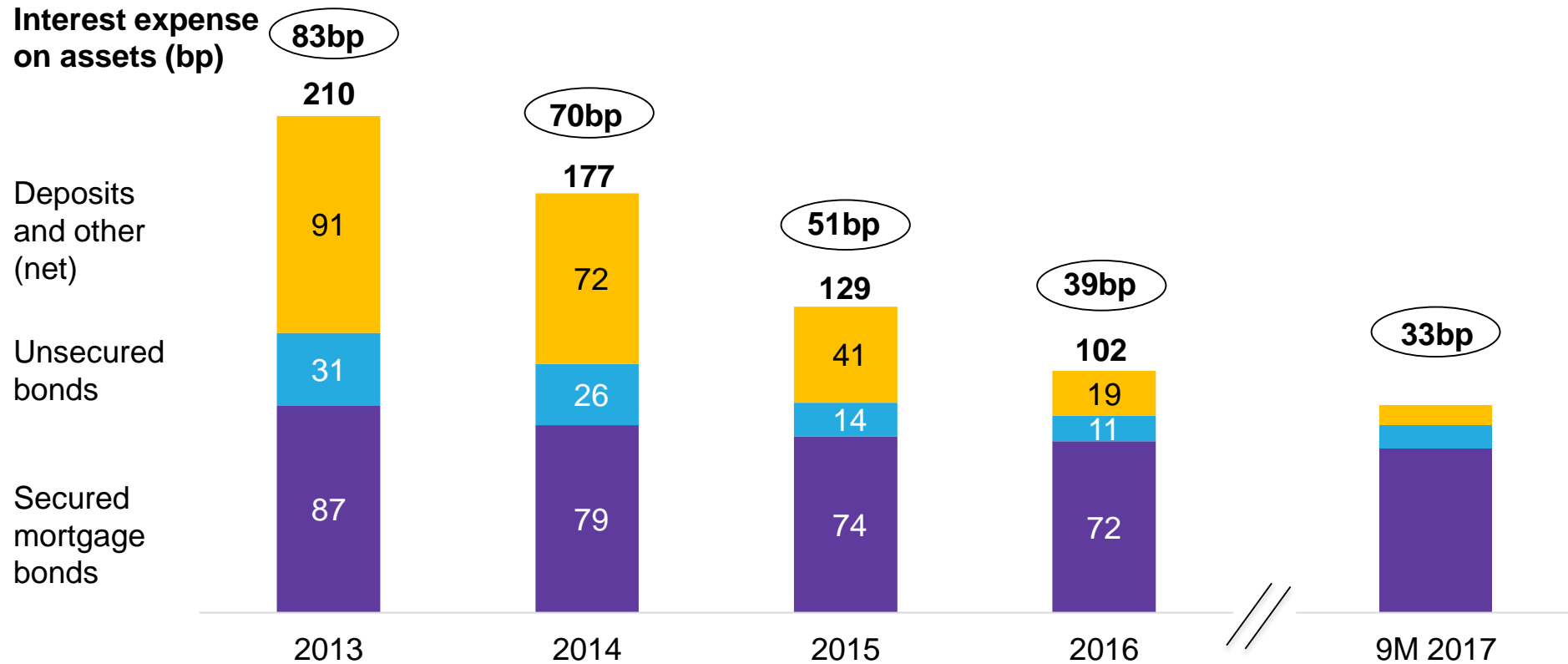


# Interest margin firm despite declining interest rates



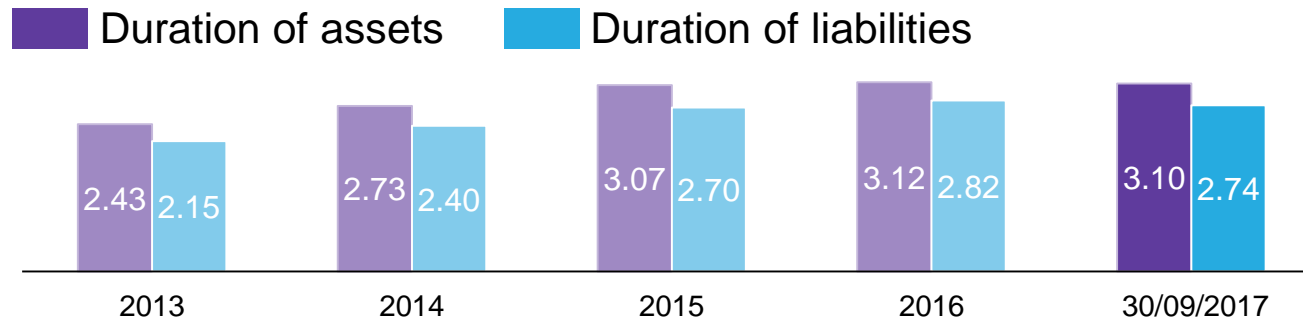
# Successful measures to reduce interest cost

Interest expense, CHF m



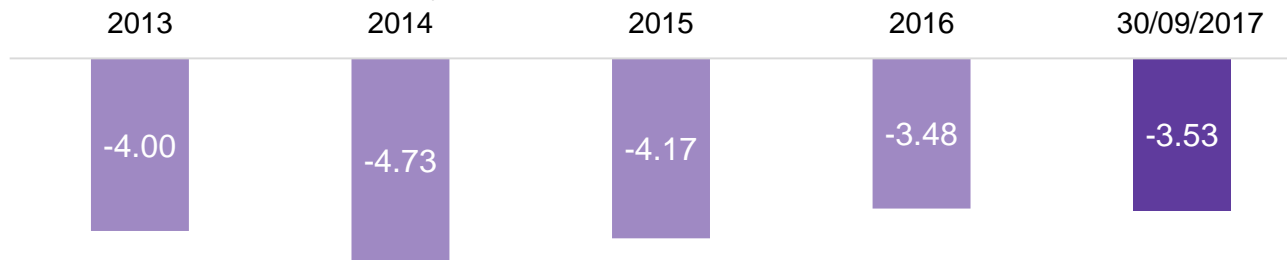
→ Since 2013 interest cost more than halved, with ~10% of assets at negative rates

# Interest rate risk: Valiant has further reduced the already low exposure



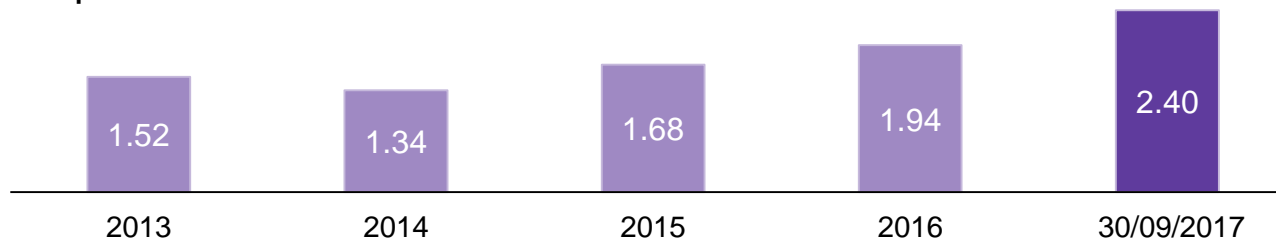
- Duration of assets remains short

## Present value sensitivity\*



- Interest rate risk reduced since 2014

## Swap volume in CHF bn



- New swaps acquired in Q1 2017

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

# Overview

**Part 1: 100% Focus on retail banking in Switzerland**

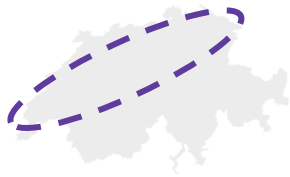
**Part 2: Key financials: sustainable and stable earnings**

**Part 3: Stringent strategy implementation**

**Appendix**

# Ambitious strategy and targets up to 2020

## Geographic expansion and digitisation



- 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
- Inorganic growth

## Increased efficiency

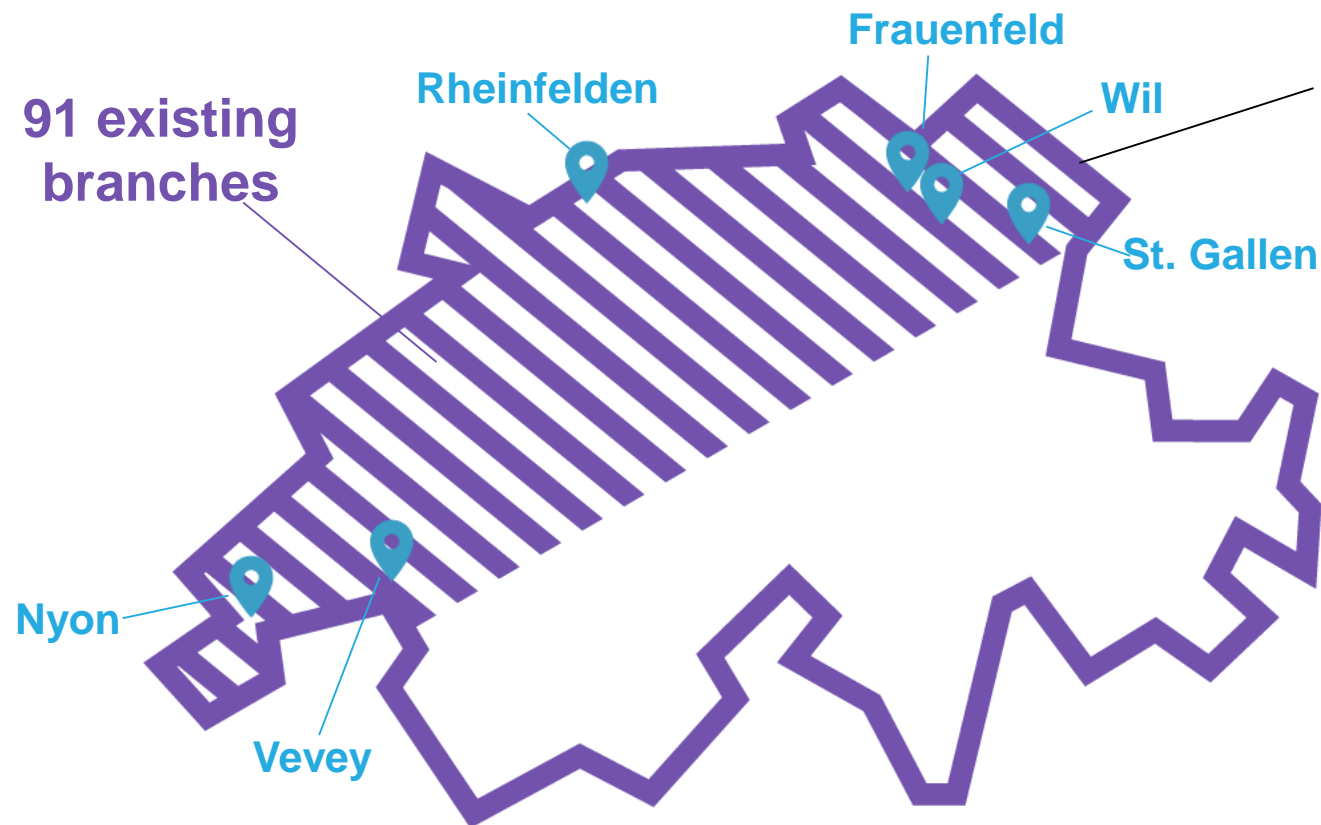
- Additional growth will be achieved with existing middle- and back-office resources

## Capital management

- Total capital ratio: 15–17%
- ROE: 6–8%
- Payout ratio: 40–70%
- Dividend: at least CHF 3.80

→ We will maintain our cautious risk profile

# Market expansion progress



## Expansion 2017:

- ✓ **2 new branches** in Brugg AR and Morges VD
- ✓ **5 new branches** in Lucerne region, from Triba Bank

## Expansion until 2020:

- 2 new branches p.a.

# Digital solutions to partially replace counters

## 2 innovative branch offices launched in 2017

- ✓ Two modular branch offices opened in Brugg and Morges in 2017 ([Video: Modular branch](#))



- ✓ Video-based reception enables cost-efficient client interaction
- ✓ Increased focus on personal advice for clients

## Traditional bank counters to be partially replaced

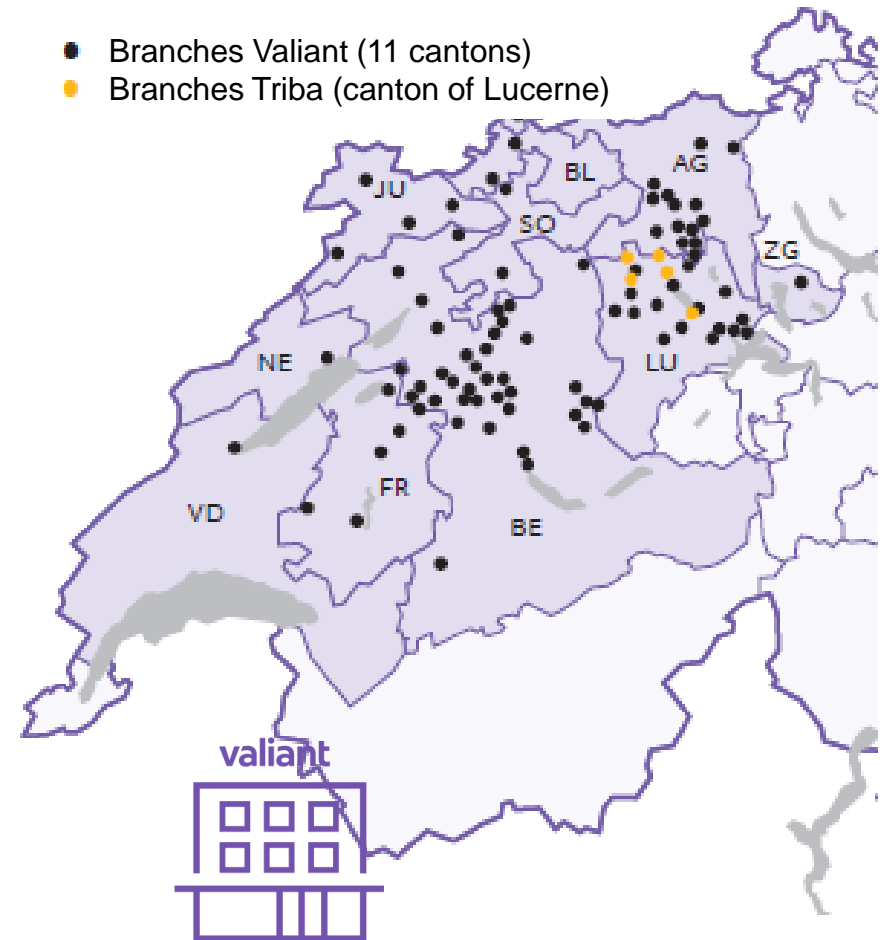
- Goal to have 80% of branches focusing on advice, without physical reception or cash handling
- Pilot project to analyse customer behaviour from 2018
- Digitisation of client services is both cost-effective and makes services available to clients for longer hours
- Around 65 jobs affected but no layoffs planned
- Recurring cost savings of between CHF 4 and 5 million are expected after completion of project

→ Recurring cost savings CHF 4-5m after completion expected

# Full integration of Triba on track

- **Triba is a small regional bank in Lucerne**
  - 16,000 clients served through 5 branches in the canton of Lucerne
  - Around 30 employees, thereof 90% client-facing
  - CHF 960m assets, CHF 3m net profit, capital ratio 17.4%
- **Successful purchase offer, Valiant now owns 97%**
  - Fair valuation at CHF 80m, offer price CHF 1450 per share
  - Shares purchased in July 2017, paid out of cash
- **Excellent operational and cultural fit**
  - In line with Valiant's strategy 2020 to expand into attractive regions
  - Business model, systems and culture are very similar to Valiant
- **Full integration planned by mid-2018**
  - All employees and locations will be merged, creating a denser branch network in central Switzerland
  - Integration to be completed by mid-2018

→ **Full integration by mid-2018**



**Valiant: 86 branches**  
**Triba: 5 branches**



# Funding diversified through Triple-A covered bonds

## Funding: ongoing stabilisation and diversification in the medium term

### Ongoing stabilisation

- ✓ Continued build-up of stable client deposits
- ✓ Reduction in unsecured funding

### Diversification through covered bonds

- ✓ Maturity-matched funding
- ✓ Covered bonds to complement Swiss Pfandbriefe mortgage bonds
- ✓ Taking advantage of low interest rates and spreads
- ✓ Funding the geographical expansion

## Valiant covered bond programme\*: Initial issue of CHF 250m in November 2017

- The first covered bonds under Swiss contract law
- Cover pool consisting of Valiant Bank mortgages
- Residential property only; no commercial property
- Guarantor: Valiant Hypotheken AG
- Listed on SIX in Swiss Bond Index, with private placements and other currencies possible
- Initial issue of CHF 250m in November 2017, rated Aaa by Moody's
- Sustainable, ongoing programme

\* More information: [www.valiant.ch/coveredbond](http://www.valiant.ch/coveredbond)

# Overview

**Part 1: 100% Focus on retail banking in Switzerland**

**Part 2: Key financials: sustainable and stable earnings**

**Part 3: Stringent strategy implementation**

## Appendix

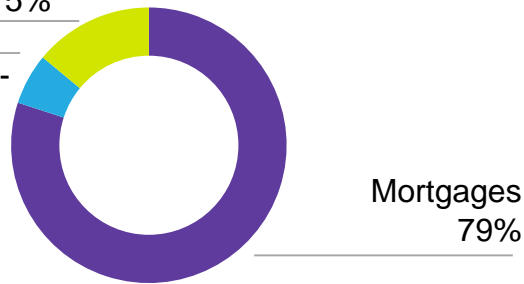
# Well balanced client base, with a clear focus on mortgages

## 79% of assets in mortgages

Assets: CHF 26.1bn

Other assets 15%

Due from customers 6%



## Well balanced client base in 4 segments

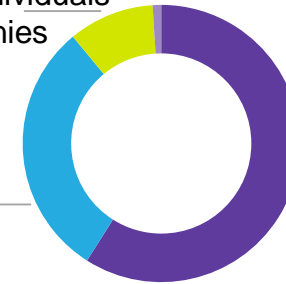
Number of clients: ~ 380,000

Self-employed individuals and small companies

Medium-sized companies

Affluent private clients

Retail clients



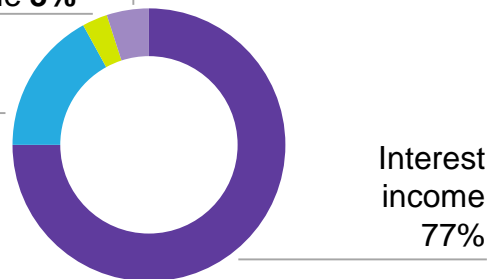
## 77% of revenues from interest income

Net income: CHF 379m

Other income 5%

Trading income 3%

Fee income 16%



## >50% of income from SME and self-employed

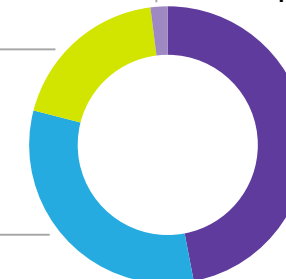
Gross income: CHF 436m

Medium-sized companies 19%

Self-employed individuals and small companies 32%

Retail clients\* 2%

Affluent private clients 47%



\* Private clients without financing or assets with Valiant

As per 31/12/2016, rounding differences

# 9M 2017 highlights

The 9M 2017 results include 9 months Valiant Holding AG and 3 months Triba Partnerbank AG

	Consolidated results	Valiant without Triba
Group profit	+3.0%	+1.6%
Operating profit (adjusted**)	+6.7%	+5.4%
Net interest income	+1.8%	+0.5%
Net interest margin	110bp	110bp
Operating expenses	+1.7%	+0.6%
Client deposits	+2.7%	-1.4%
Client loans**	+5.6%	+1.9%
- of which mortgages	+5.6%	+1.9%
Total capital ratio	16.7%	

\* Operating profit excluding value adjustments for credit risk. Non-adjusted operating profit -3.7% (consolidated results), and -5.0% (Valiant without Triba)

\*\* Client loans include value adjustments for credit risk since 2017; 31/12/2016 figures have been restated

# 9M 2016: Consolidated income statement

## Consolidated profit and loss statement Valiant Holding AG

CHF m	9M 2017	9M 2016	Change
Interest and discount income	285.5	293.8	-2.8%
Interest expense	-65.9	-78.1	-15.5%
<b>Net interest income (before value adjustments)</b>	<b>219.6</b>	<b>215.8</b>	<b>1.8%</b>
Value adjustments for credit risk, and loan losses	0.7	11.3	-93.6%
<b>Net interest income (after value adjustments)</b>	<b>220.3</b>	<b>227.0</b>	<b>-3.0%</b>
Net fee and commission income	44.6	43.6	2.2%
Net trading income	8.6	8.5	1.4%
Net other ordinary income	13.5	12.8	5.7%
<b>Total operating income (before value adjustments)</b>	<b>286.3</b>	<b>280.7</b>	<b>2.0%</b>
Personnel expenses	-90.3	-87.6	3.1%
General and administrative expenses	-76.8	-76.8	0.1%
<b>Total operating expenses</b>	<b>-167.1</b>	<b>-164.4</b>	<b>1.7%</b>
Depreciation, and impairments of holdings	-15.5	-19.5	-20.3%
Other provisions and losses	-0.2	0.1	-214.3%
<b>Operating result</b>	<b>104.2</b>	<b>108.3</b>	<b>-3.7%</b>
Extraordinary income	5.8	3.1	88.9%
Extraordinary expenses	-	-	n.a.
Changes in reserves for general banking risks	-3.5	-8.0	-56.3%
Taxes	-22.7	-22.0	3.5%
<b>Consolidated net profit (incl. minority interests)</b>	<b>83.8</b>	<b>81.4</b>	<b>3.0%</b>
Minority interests	0.0	-	n.a.
Net profit (excl. minority interests)	83.8	81.4	3.0%

# 9M 2016: Consolidated balance sheet

## Consolidated balance sheet Valiant Holding AG

<i>CHF m</i>	<b>30/09/2017</b>	<b>31/12/2016</b>	<b>Change</b>
<b>Assets</b>			
Cash & due from banks	2'401	2'351	2.1%
Due from customers	1'614	1'555	3.8%
Mortgage loans	21'837	20'701	5.5%
Financial investments & non-consolidated holdings	1'158	1'338	-13.4%
Total other assets	203	203	0.2%
<b>Total assets</b>	<b>27'214</b>	<b>26'095</b>	<b>4.3%</b>
<b>Liabilities</b>			
Due to banks	813	504	61.2%
Customer deposits	18'730	18'241	2.7%
Bond issues and Swiss Pfandbriefe	5'259	4'989	5.4%
Other liabilities	225	208	8.6%
Provisions	29	26	13.1%
Equity (including minorities)	2'157	2'128	1.4%
<b>Total liabilities and equity</b>	<b>27'214</b>	<b>26'095</b>	<b>4.3%</b>

- No goodwill despite a long history of take-overs
- Valuation differences and provisions account for 0.2% of total assets
- Asset encumbrance ratio 17% incl. collaterals

# Key figures 2012 – 9M 2017

Key figures	30/09/2017	2016	2015	2014	2013	2012
Total assets in CHF bn	27.2	26.1	25.4	25.3	25.5	25.3
Client loans in CHF bn	23.5	22.3	22.1	21.8	21.8	21.5
Client deposits in CHF bn	18.7	18.2	18.1	17.9	17.4	17.3
Deposit/loan coverage ratio	79.9	82.1	81.9	82.2	80.0	80.7
Shareholders' equity in CHF m	2.15	2.13	2.05	1.99	1.94	1.90
Net profit in CHF m	83.8	117.5	114.4	94.5	91.4	127.0
Total capital ratio in %	16.7	17.3	16.8	15.8	15.0	12.8
Cost/income ratio as %	58.4	58.4	55.8	59.8	58.3	59.8
FTEs	877	842	821	883	885	986

# Key per-share data since 2007

VATN share	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Book value/share in CHF	134.73	129.90	125.76	122.82	120.16	116.39	102.69	99.62	101.03	98.71
Earnings/share in CHF	7.44	7.24	5.98	5.79	8.04	8.08	7.76	8.87	9.02	8.97
P/E ratio	13.63	16.29	13.79	13.79	10.7	14.7	16.9	22.8	22.0	19.7
Dividend payout ratio as %	51.1	49.7	53.5	55.3	39.6	39.6	41.2	36.1	34.4	34.0
Dividend yield as %	3.7	3.1	3.9	4.0	3.7	2.7	2.4	1.6	1.6	1.8
Dividend in CHF	3.80	3.60	3.20	3.20	3.20	3.20	3.20	3.20	3.10	3.10
Share price at 31 December in CHF	101.40	118.00	82.55	79.85	86.90	118.90	131.00	202.00	198.70	176.80
Market capitalisation at 31 December in CHF m	1 601	1 862	1 302	1 259	1 370	1 875	1 974	3 098	3 124	2 869

Figures as per 30/9/2017:

- Book value per share: 136.46
- Share price: CHF 105.20
- Market capitalisation in CHF m: 1,661



# Disclaimer

This document is provided solely for your information. It does not constitute an offer to sell or an invitation or recommendation to purchase or sell specific products, engage in financial transactions or conclude any legal transactions. Before you make any decision based on this information, we urgently recommend that you consult your financial or client adviser. Prospective investors should not engage in transactions of this kind unless they are fully aware of the associated risks and are in a position to assume any losses incurred. Please also consult the brochure entitled “Special Risks in Securities Trading”, which you can order from us. The past performance of an investment is not a guide to future performance, i.e. the value of an investment may fall as well as rise. The preservation of value (or increase in value) of invested capital cannot be guaranteed due to price fluctuations. Although all reasonable care is taken to ensure that the information provided is correct as based on reliable sources, no representation or warranty is made, express or implied, regarding the correctness, reliability, timeliness or completeness of the information provided. To the extent permitted by law, Valiant Bank AG assumes no liability whatsoever for any loss, whether based on this information or as the result of the risks inherent in financial markets. Neither this document nor any copy thereof may be sent to or taken into the United States or distributed in the United States or to any US persons.

# Financial calendar and contact information

## Financial calendar

14 February 2018	FY 2017 results
27 March 2018	2018 Annual Report
3 May 2018	Q1 2018 results
18 May 2018	Valiant Holding AG AGM in Bern
9 August 2018	H1 2018 results



## 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)



## Contact

Marcus Händel, Head of Investor Relations  
[marcus.haendel@valiant.ch](mailto:marcus.haendel@valiant.ch)  
Phone +41 (31) 310 77 44

