



Valiant investor presentation

Baader Helvea Roadshow London, 21 March 2017

valiant

Overview

Part 1: About Valiant

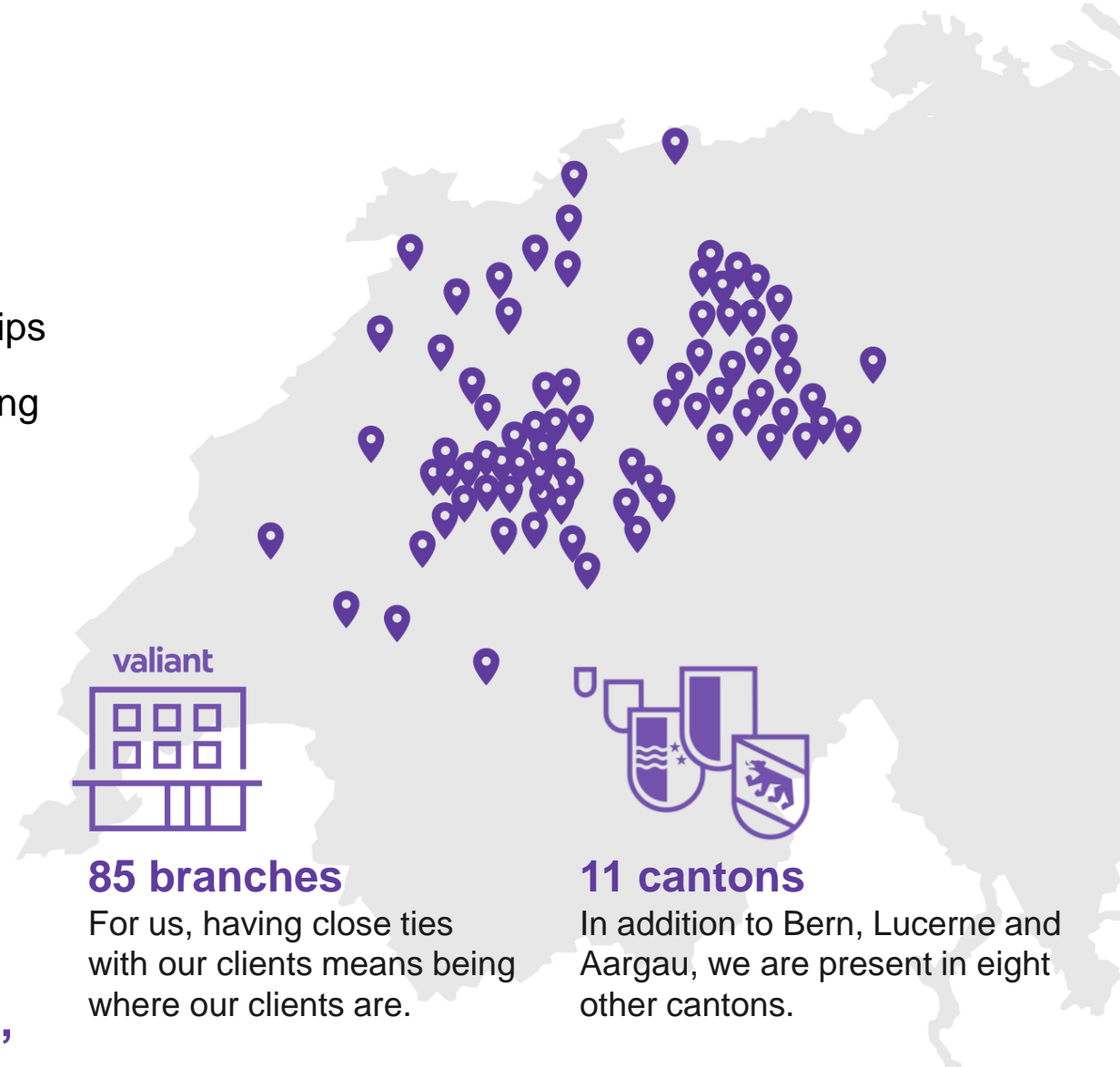
Part 2: Our strategy and targets until 2020

Valiant: 100% focused on retail banking

- Independent retail and SME bank operating exclusively in Switzerland
- 380,000 clients, with solid long-term relationships
- Close to clients through 85 branches, with strong local roots in 11 cantons
- Straight-forward and simple business model with a clear focus on mortgages
- Simple and understandable products
- Over 900 employees*, thereof more than 500 client advisors
- Moody's rating A1/P-1, stable
- Market cap ~ CHF 1.6bn, 100% free float

→ **Our claim: “We’re simply a bank”**

* 31/12/2016: 842 FTE



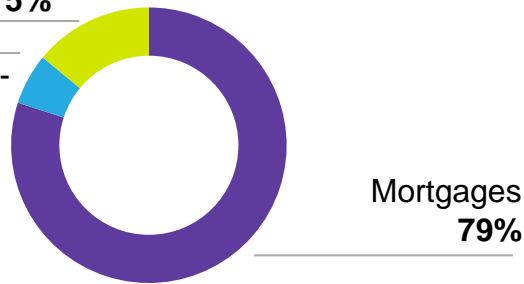
Well balanced client base, with a clear focus on mortgages

79% of assets in mortgages

Assets: CHF 26.1bn

Other assets **15%**

Due from customers **6%**



Well balanced client base in 4 segments

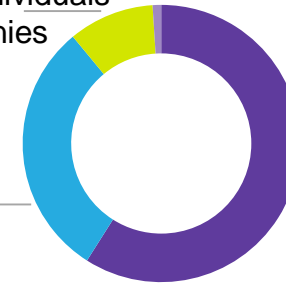
Number of clients: ~ 380,000

Self-employed individuals and small companies

Medium-sized companies

Affluent private clients

Retail clients



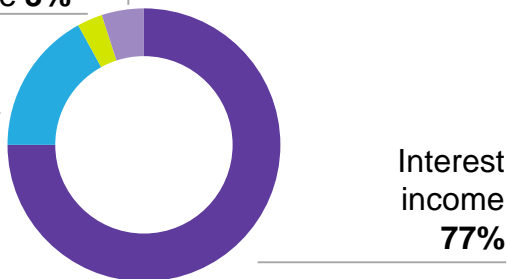
77% of revenues from interest income

Net income: CHF 379m

Other income **5%**

Trading income **3%**

Fee income **16%**



>50% of income from SME and self-employed

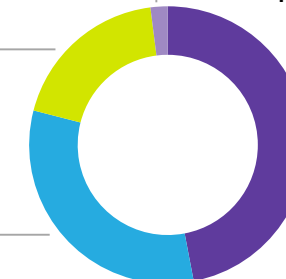
Gross income: CHF 436m

Medium-sized companies

Self-employed individuals and small companies

Retail clients

Affluent private clients



As per 31/12/2016, rounding differences

Low risk profile

Low-risk retail banking business

- Long-term relationships and very high customer loyalty
- Very transparent, stable earnings
- Asset quality very high
- No major legal costs in 20 years
- No goodwill despite a long history of takeovers

Low credit risk

- Restrictive lending policy
- Diversified client portfolio
- No exposure to potential real estate hot spots

Low market risk

- Prudent management of interest rate risk
- No proprietary trading

Low operational risk

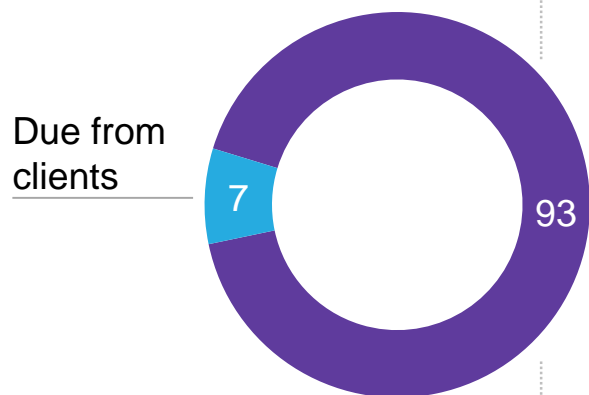
- Retail banking as main income source

→ In June 2016, Moody's upgraded Valiant's deposit ratings to A1/P-1

Very high quality of assets

93% of client assets in mortgages

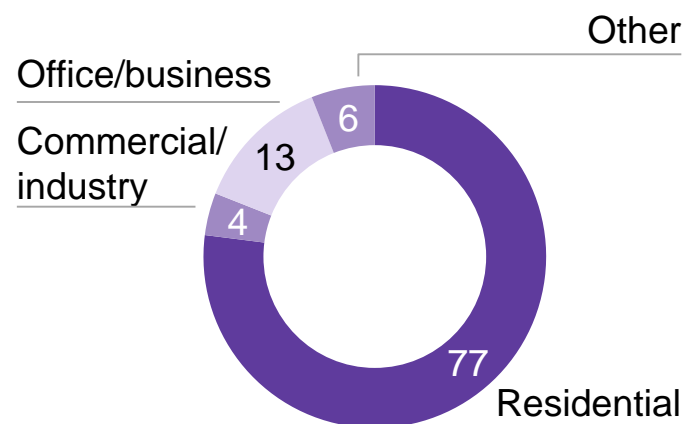
Client loans: CHF 22.3bn



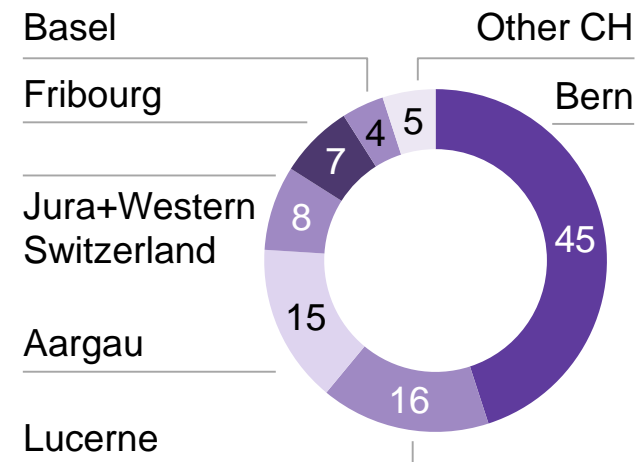
- Loan-to-value (net): 63.1% (2015: 63.5%)
- 97% of loans are covered (2015: 97%)

Mortgages: 77% residential, with ¾ in Bern, Lucerne and Aargau

Mortgages: CHF 20.7bn



- First tier mortgages: 94% (2015: 93%)
- Average residual term: 3.6 years (2015: 3.5)

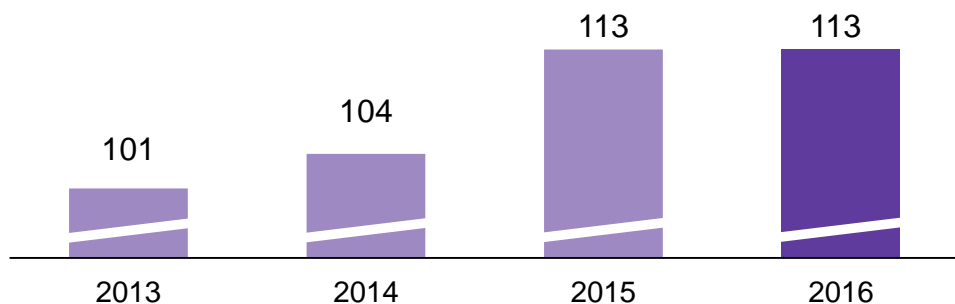


At 31/12/2016

Improved key figures

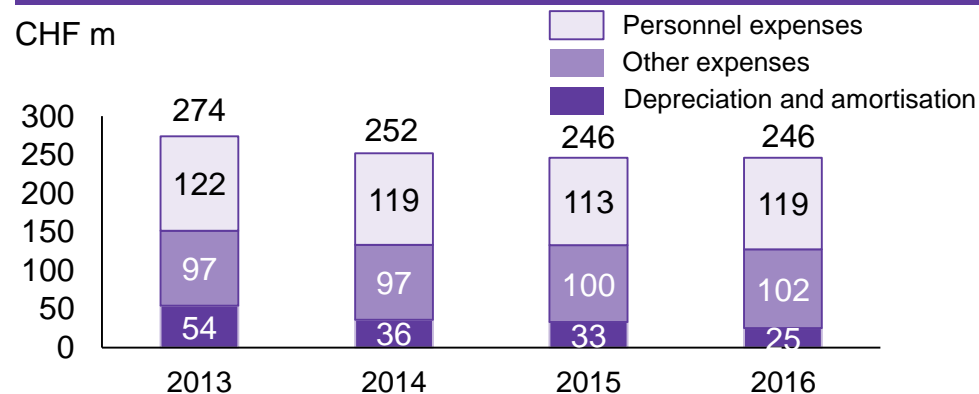
Improved margins despite declining interest rates

Total net interest margin, bps



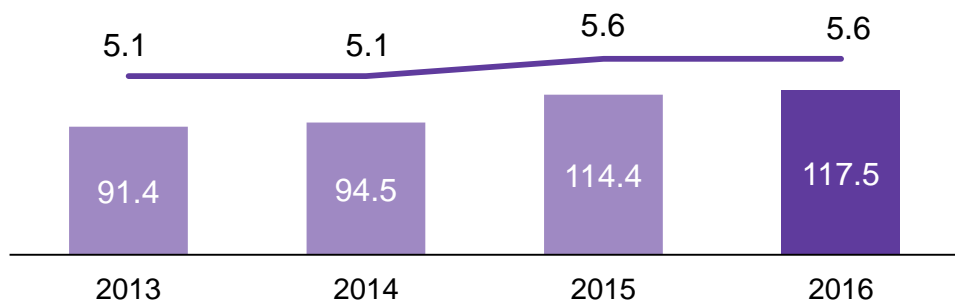
Costs and depreciation stable, despite strategy implementation

CHF m



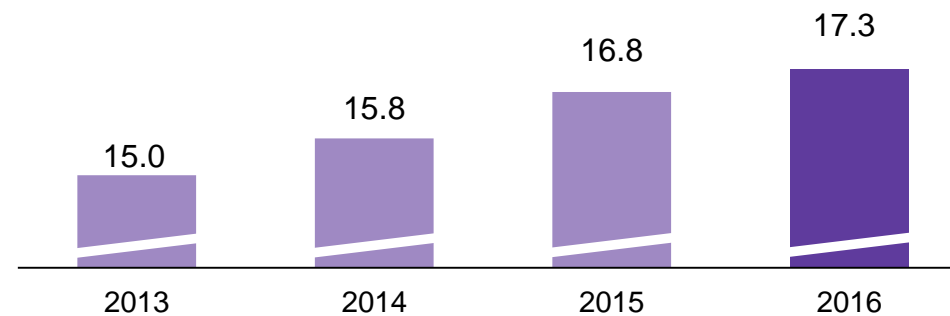
Profitability stable

Net profit in CHF m, ROE in %



Strengthened capital base

Total capital ratio



Stable, increasing dividends, with pay-out ratio target increased to 40-70%

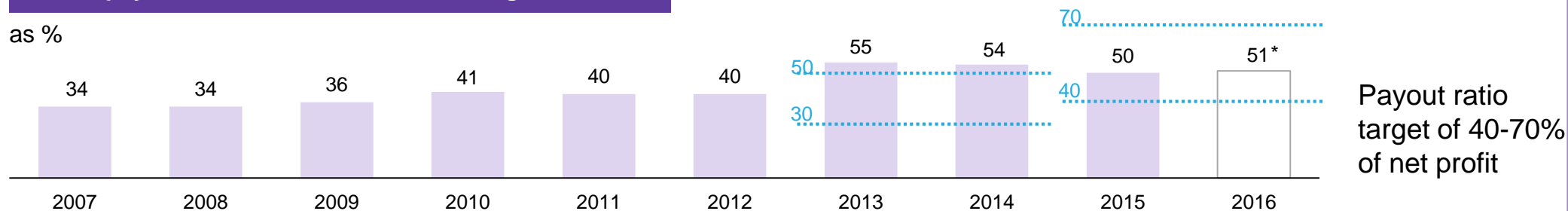
Stable, increasing distributions to shareholders since Valiant was founded in 1997

CHF, rebased



Stable payout ratios since 2007, increasing since 2013

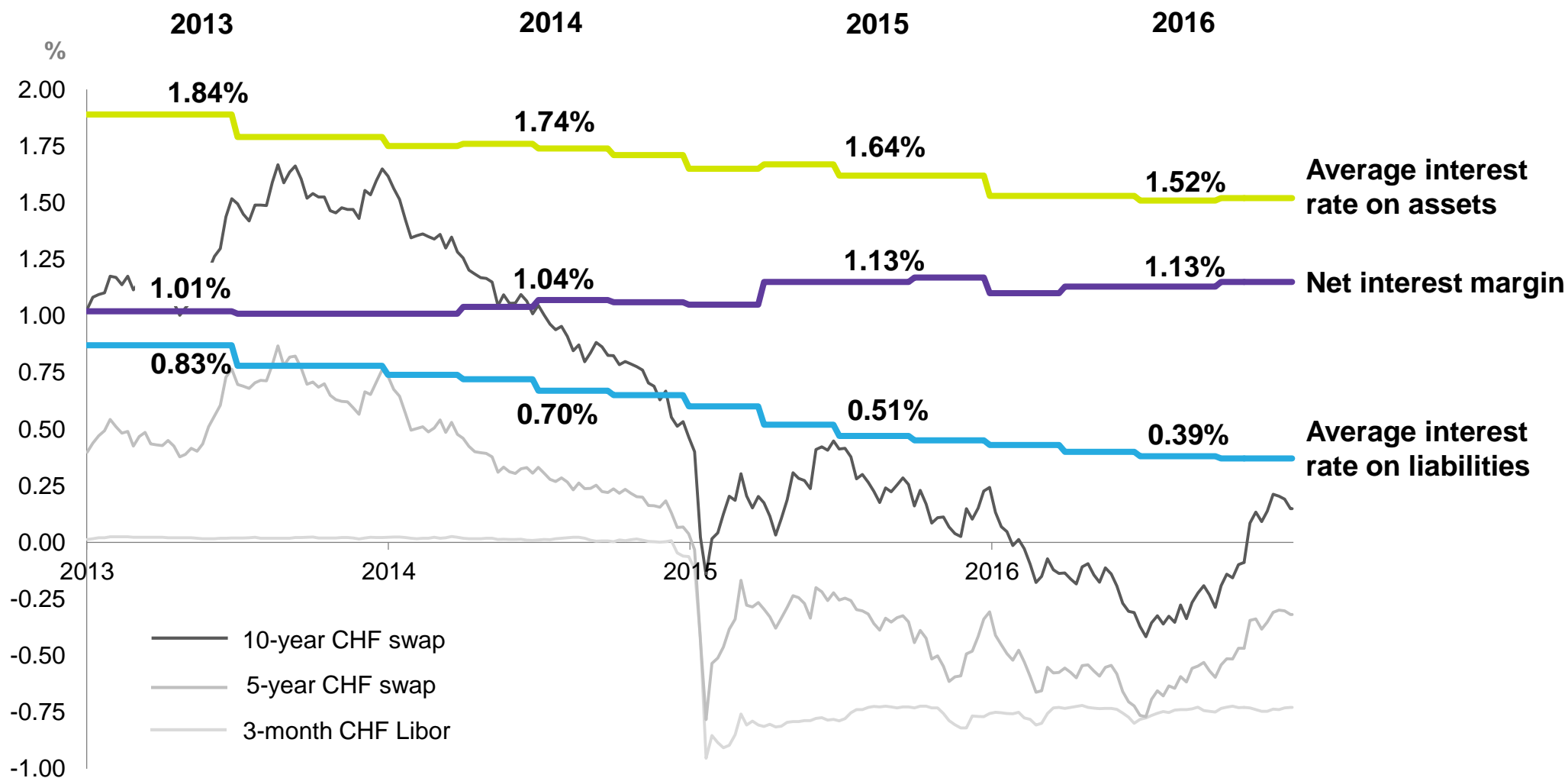
as %



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

* Dividend increase of CHF .20 for 2016; subject to approval by AGM

Interest margin firm despite declining interest rates



Overview

Part 1: About Valiant

Part 2: Our strategy and targets until 2020

Strategy up to 2020: Market expansion

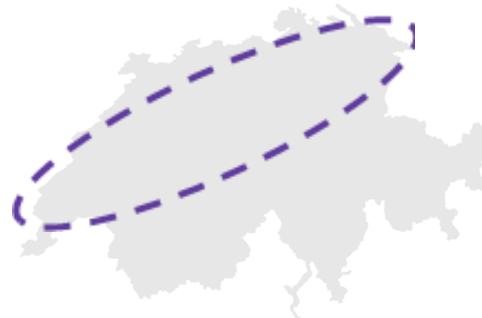
+ 80 additional
client advisors



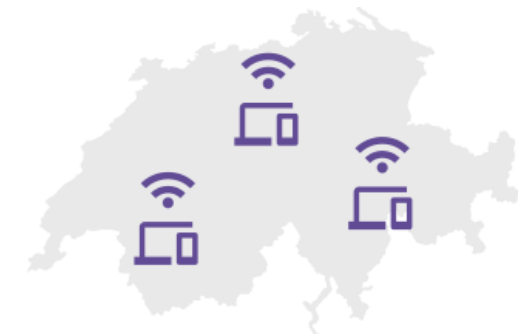
10 new branches



Strengthen
existing regions



New branches between
Lake Geneva and
Lake Constance



Digital expansion
across Switzerland

Strategy implementation

- [Branch in Brugg opened in January 2017](#)
- Expansion in Western Switzerland – in Morges, Nyon and Vevey
- Strengthen advisory services to SMEs in Basel, Zug and Baden
- Strategic measures in 2016: CHF 10.5m
- Planned issue of covered bonds on track



→ Investing in Valiant's future

Offer to buy Triba announced

- **Offer to buy Triba Partnerbank AG (Triba) announced 17 March 2017**

- Valiant is largest shareholder (31%)
- Share purchase offer in Q2
- Full integration planned for 2018

- **Triba is a small regional bank in Lucerne**

- Focus on mortgages for affluent clients and loans for small companies
- 16,000 clients served through 5 branches in the canton of Lucerne
- Around 30 employees, thereof 90% client-facing
- FY 2016 financials: CHF 960m assets, total income CHF 14m (82% interest income), CHF 3m net profit, total capital ratio 17.4%

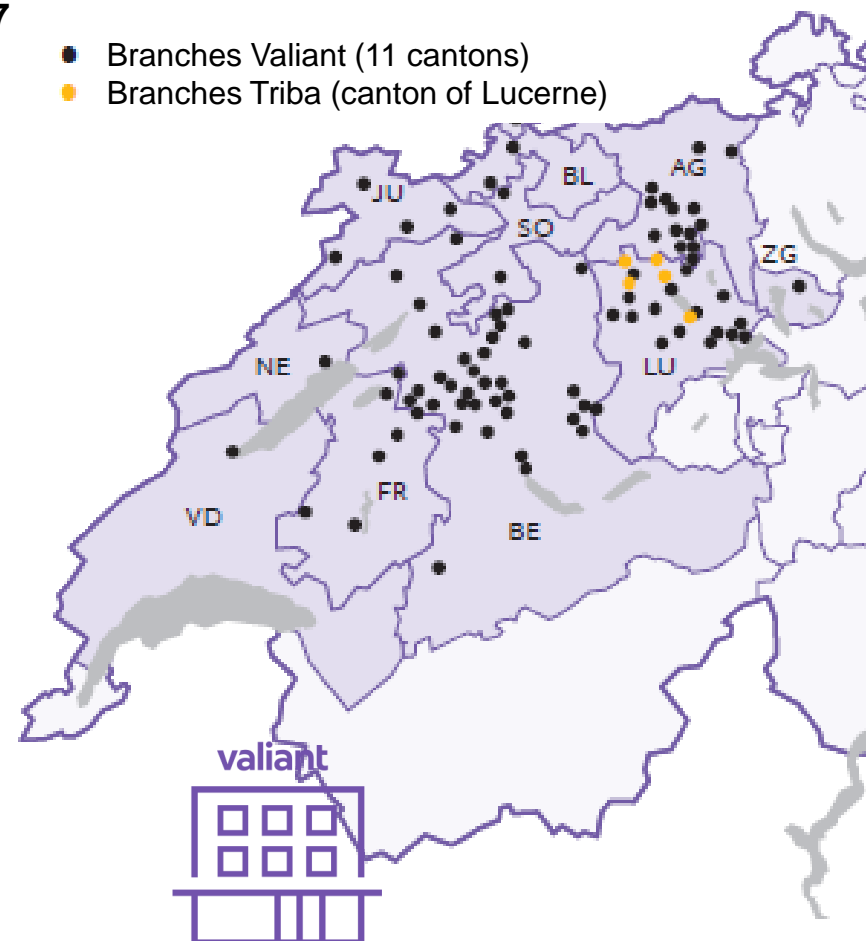
- **Excellent operational and cultural fit**

- In line with Valiant's strategy 2020 to expand into attractive regions
- Business model very similar to Valiant
- Cooperation since 2009 as "Valiant Partnerbank"

- **Fair valuation, paid out of cash**

- CHF 1450 per share, valued at CHF 80m
- Deal size of CHF 55m expected, to be paid out of cash

- Branches Valiant (11 cantons)
- Branches Triba (canton of Lucerne)



Valiant: 85 branches
Triba: 5 branches

➔ **“Add-on” acquisition to use excess capital**

Ambitious financial targets up to 2020

Profitable growth

- Loan growth p.a.:
2-3 % in existing markets
2-3% in new regions

Increased efficiency

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

Management of capital

- Total capital ratio:
>15 per cent
- ROE: 6 to 8 per cent
- Payout ratio 40 to 70 per cent
- Dividend: at least CHF 3.80

→ We will maintain our cautious risk profile

Outlook 2017

- Market environment: we don't expect interest rates to return to normal
- Profitable growth in 2017
 - Loan growth of 2%
 - Profitable growth – every basis point counts
- Cost management to remain a top priority in 2017
- Continue to implement 2020 strategy
 - Expansion into French-speaking Switzerland
 - Digitalisation: eKredit-Tool for SMEs
- Net profit for 2017 expected to be about the same as the previous year

Appendix

FY 2016 consolidated income statement

CHF 1'000	FY 2016	FY 2015	Change
Interest and discount income	392,246	416,903	-5.9%
Interest expense	-102,002	-129,103	-21.0%
Net interest income (before value adjustments)	290,244	287,800	0.8%
Value adjustments for credit risk, and loan losses	10,735	-570	-1983.3%
Net interest income (after value adjustments)	300,979	287,230	4.8%
Net fee and commission income	59,491	64,413	-7.6%
Net trading income	11,369	11,890	-4.4%
Net other ordinary income	17,429	17,889	-2.6%
Total operating income (before value adjustments)	378,533	381,992	-0.9%
Personnel expenses	-118,617	-113,423	4.6%
General and administrative expenses	-102,298	-99,573	2.7%
Total operating expenses	-220,915	-212,996	3.7%
Depreciation, and impairments of holdings	-25,137	-32,907	-23.6%
Other provisions and losses	-4,247	-9,268	-54.2%
Operating profit	138,969	126,251	10.1%
Extraordinary income	13,126	12,394	5.9%
Extraordinary expenses	-16	-112	-85.7%
Changes in reserves for general banking risks	-8,000	744	-1175.3%
Taxes	-26,565	-24,898	6.7%
Consolidated net profit	117,514	114,379	2.7%

FY 2016 consolidated balance sheet

<i>CHF m</i>	31/12/2016	31/12/2015	Change
Assets			
Cash and cash equivalents	2,160	1,737	24.3%
Due from banks	191	187	2.4%
Due from customers	1,555	1,657	-6.2%
Mortgage loans	20,701	20,428	1.3%
less value adjustment for credit risk	-53	-73	-27.3%
Positive replacement values of derivative financial instruments	8	8	-1.7%
Financial investments	1,119	1,089	2.8%
Total other assets	414	415	-0.2%
Total assets	26,095	25,449	2.5%
Liabilities			
Due to banks	504	306	64.9%
Customer deposits	17,866	17,614	1.4%
Neg. replacement values of derivative fin. instruments	38	48	-20.5%
Medium-term notes	375	470	-20.2%
Bond issues and central mortgage institution loans	4,989	4,775	4.5%
Accrued expenses and deferred income	114	80	41.9%
Other liabilities	55	72	-22.7%
Provisions	26	32	-19.8%
Shareholders' equity	2,128	2,051	3.7%
Total liabilities	26,095	25,449	2.5%

Solid 2016 financial results

Net profit	+2.7%
Operating profit	+10.1%
Net interest income	+0.8%
Operating net interest margin*	108 bp
Operating expenses	+3.7%
Client deposits	+0.9%
Lending	+0.8%
- of which mortgages	+1.3%
Total core capital ratio	17.3%

* Total net interest margin: 113 bp

- Delivered growth while maintaining a stable interest margin
- Invested in Valiant's future
- Recommended a dividend of CHF 3.80 (+CHF 0.20)

FY 2016: Operating income steady

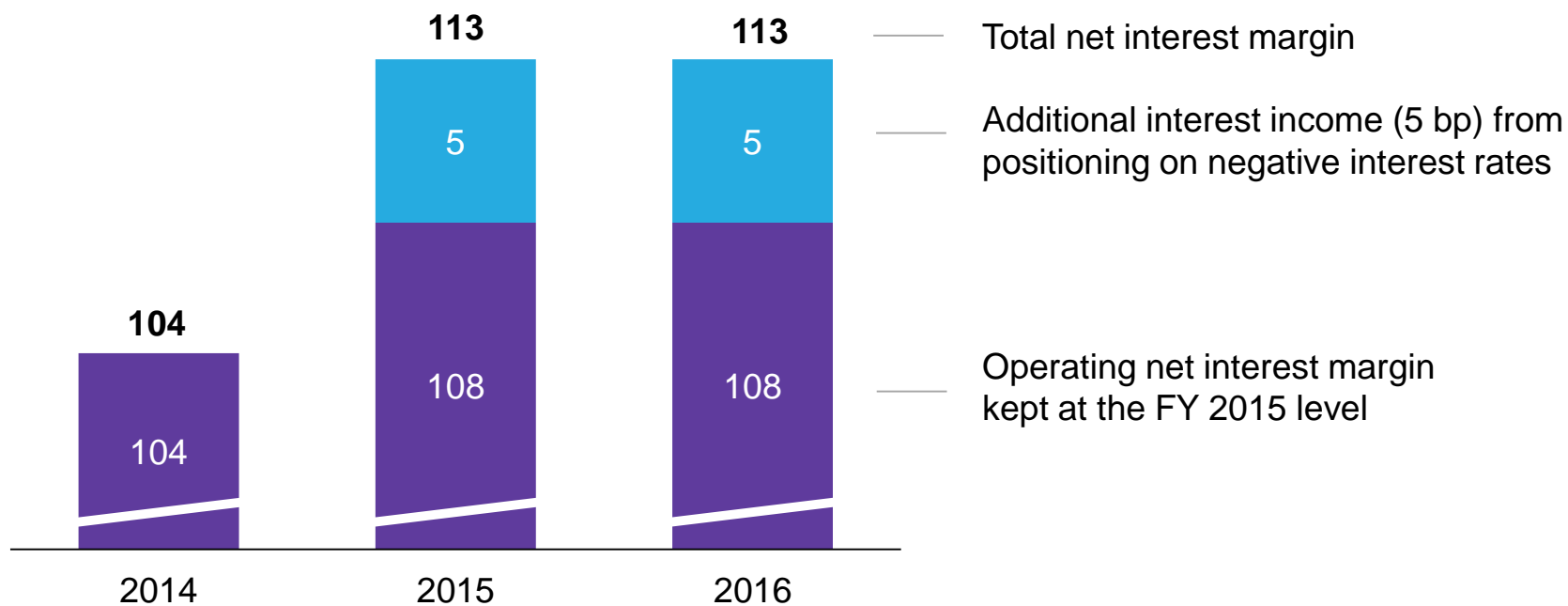
	31/12/2016 in CHF m	31/12/2015 in CHF m	Change
Net interest income*	290.2	287.8	+0.8%
Net commission and fee income	59.5	64.4	-7.6%
Net trading income	11.4	11.9	-4.4%
Other income	17.4	17.9	-2.6%
Operating income*	378.5	382.0	-0.9%

- Net commission and fee income impacted by lower volumes and continued high liquidity of client assets. Client assets: CHF 26.8bn (2015: CHF 27.2bn)
- Other income: higher income from holdings (CHF +0.8m) essentially matched the extraordinary dividend received in the previous year

* Net interest income before value adjustments for credit risk of CHF 10.7m. Net interest income after value adjustments +4.8%

FY 2016: Stable operating interest margin

Net interest margin



Average interest rate on assets (bp)

174

164

152

Average interest rate on liabilities (bp)

70

51

39

Additional interest income in bp

Operating net interest margin

FY 2016: Operating expenses +3.7%

	31/12/2016 in CHF m	31/12/2015 in CHF m	Change
• Personnel expenses	-118.6	-113.4	4.6%
• Other operating expenses	-102.3	-99.6	2.7%
Total operating expenses	220.9	213.0	3.7%

Cost/income ratio (before depreciation)	58.4%	55.8%
Cost/income ratio (after depreciation)	65.0%	64.4%

- Other operating expenses: refurbishment of branches in Bern and Thun, and digitalisation costs

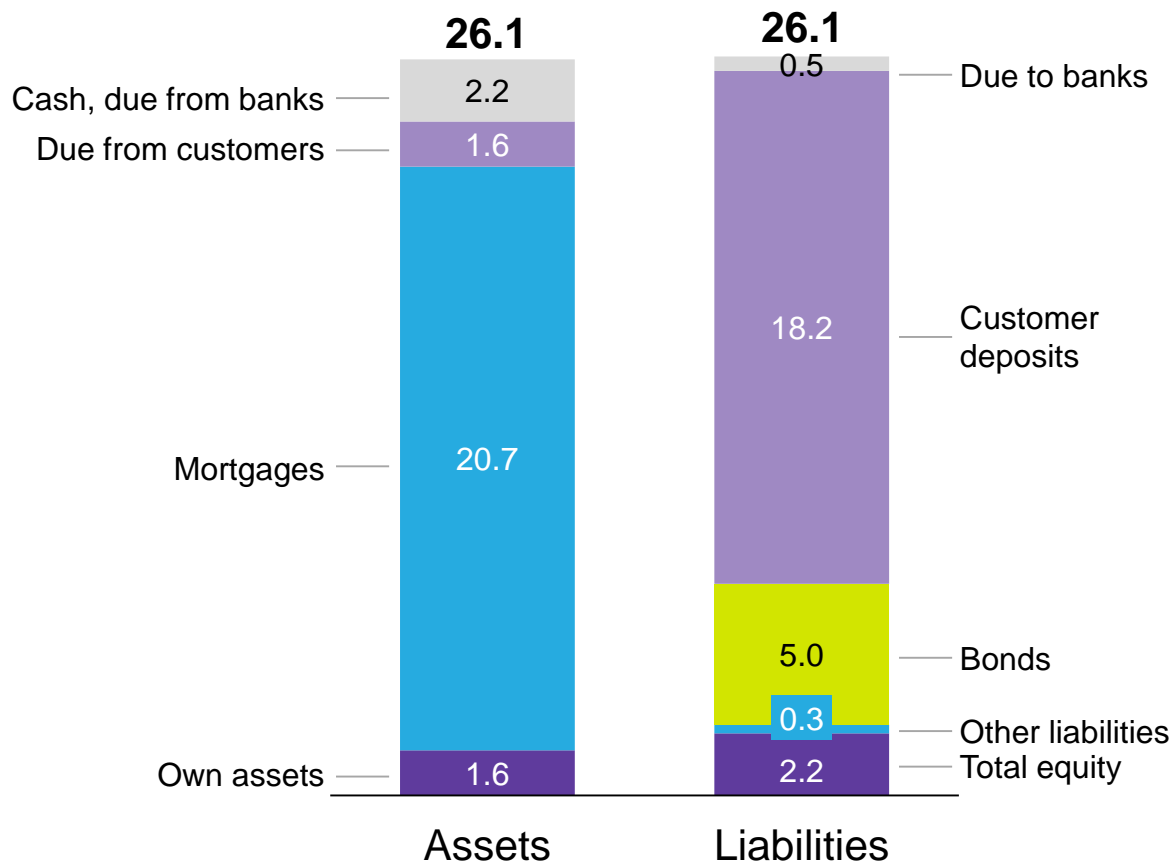
FY 2016: Growth in client business

	31/12/2016 in CHF m	31/12/2015 in CHF m	Change
Assets	26,094	25,449	2.5%
Client loans*	22,255	22,085	0.8%
• Mortgages	20,701	20,428	1.3%
• Due from customers	1,555	1,657	-6.2%
Client deposits	18,241	18,084	0.9%
Coverage ratio on client deposits	82.0%	81.9%	
Value adjustments for credit risk, as % of total loans	0.24% (52.8m)	0.33% (72.6m)	
Non-performing loans, as % of total loans	0.14% (31.3m)	0.22% (48.4m)	

* Before value adjustments for credit risk

FY 2016: Balance sheet

CHF bn



- Mortgages account for 79% of total assets
- Deposits to loans: 82.0%
- Valuation differences and provisions account for 0.2% of total assets
- No goodwill

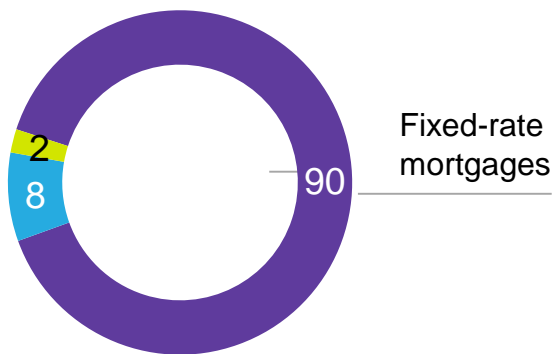
As at 31.12.2016. Rounding differences

Mortgage portfolio: 90% fixed-rate mortgages, 55% between 1 and 5 years maturity

Mortgage product split

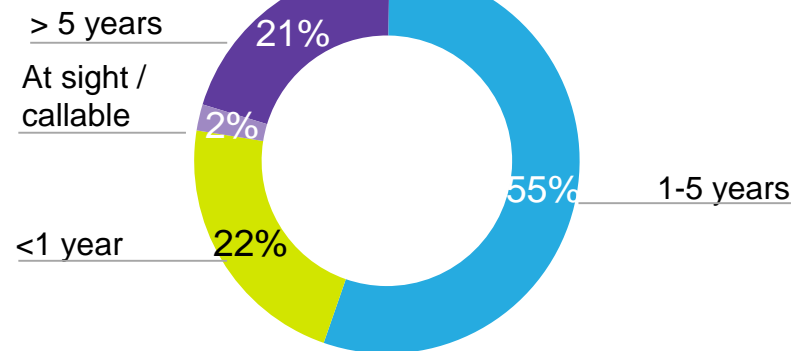
CHF 20.7bn

Variable-rate mortgages
Libor mortgages



Maturity structure of mortgage portfolio

CHF 20.7bn



At 31.12.2016

ALM successful with low risks

	31/12/2016	31/12/2015	Change
Asset duration*	3.12%	3.07%	+5bp
Liability duration*	2.82%	2.70%	+12bp
Present value sensitivity			
• + 100 bp	-3.48%	- 4.17%	-69bp
• + 200 bp	-7.23%	- 8.32%	-109bp
Present value of equity	2,821m	2,652m	+169m
Swap volume	1,940m	1,684m	+256m
Liquidity coverage ratio (Q4 average)	101%	100%	
Hedging costs	17.2m	17.4m	

* Effective duration

FY 2016: Total core capital ratio at 17.3%

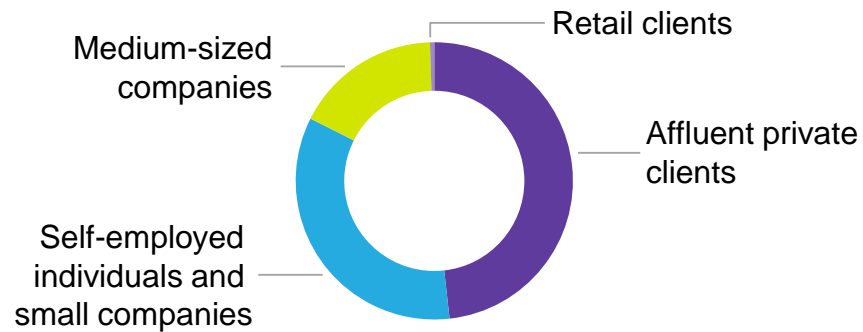
	31/12/2016	31/12/2015
Total eligible capital (Tier 1 + Tier 2)	2,203m	2,126m
Tier 1 capital ratio	16.1%	15.6%
Total capital ratio (Tier 1 + Tier 2)	17.3%	16.8%
Capital ratio (Tier 1 + Tier 2) incl. countercyclical capital buffer*	16.2%	15.7%

- Valiant's capital base clearly exceeds the regulatory requirements
- Target capital ratio (Tier 1 + Tier 2) >15%

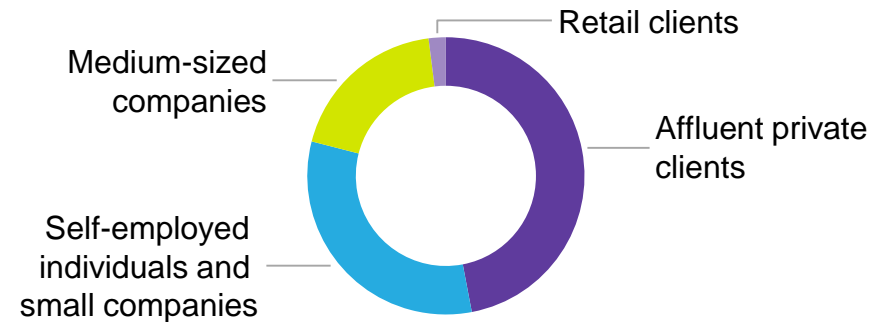
* Countercyclical capital buffer of 2% of risk-weighted positions on residential property

Segment view

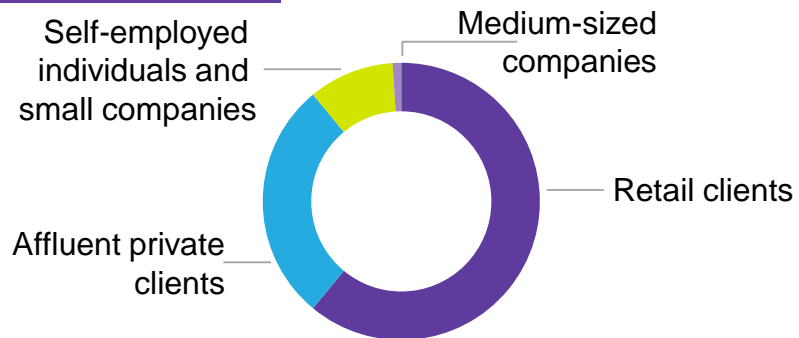
Client loans: CHF 22.1bn



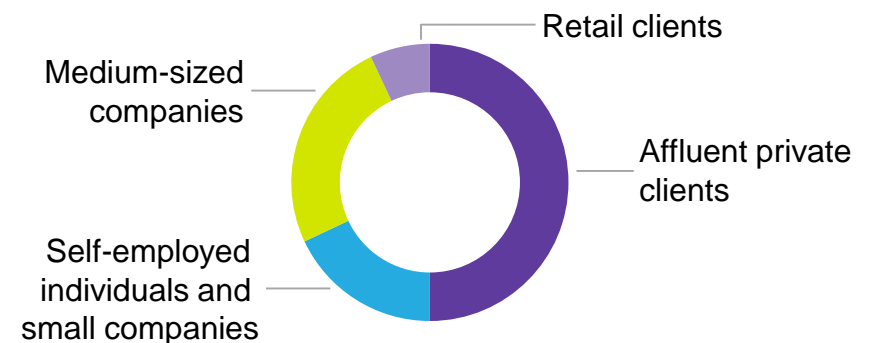
Total income: CHF 436m



Clients: ~ 380,000



Client assets: CHF 26.8bn



Key figures 2011 – 2016

Key figures	2016	2015	2014	2013	2012	2011
Total assets in CHF bn	26.1	25.4	25.3	25.5	25.3	25.2
Client loans in CHF bn	22.3	22.1	21.8	21.8	21.5	21.4
Client deposits in CHF bn	18.2	18.1	17.9	17.4	17.3	17.5
Shareholders' equity in CHF m	2.13	2.05	1.99	1.94	1.90	1.84
Net profit in CHF m	117.5	114.4	94.5	91.4	127.0	127.6
Cost/income ratio as %	58.4	55.8	59.8	58.3	59.8	58.9
FTEs	842	821	883	885	986	1,073

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	1,864	1,304	1,261	1,372	1,878	2,069	3,386	3,272	3,005

* subject to approval at AGM

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Financial calendar and contact information

Financial calendar

23 March 2017	Publication of 2016 annual report
3 May 2017	Q1 2017 results
18 May 2017	Annual General Meeting (Lucerne)
10 August 2017	H1 2017 results
2 November 2017	9M 2017 results



Information for investors

Investor relations page: www.valiant.ch/investoren
Information kit in English: www.valiant.ch/investors



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