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Press Release

31 August 2010

Valartis Group with net income of CHF 7.0 million in the first half of 2010

Valartis Group's Net Income for the first six months of 2010 was CHF 7.0 million, with Operating Income of CHF 56.7 million. In all three business segments, Private Banking, Asset Management and Investment Banking, progress has been made towards the goal of increasing the recurring income stream. The Group's shareholders' equity is CHF 341.2 million and its equity ratio is 13%. Inflows of new assets in the first half of 2010 stood at CHF 202 million, while assets under management climbed to approximately CHF 6.5 billion.

Stronger interest and commission business

Following the boost given to Private Banking through the acquisition of Valartis Bank (Liechtenstein) AG at the end of last year, the earnings structure of the Valartis Group continued to move in line with the defined strategy towards that of the interest margin and commission business. Interest income of CHF 26.9 million in the first half of the year (prior year: CHF 8.4 million) demonstrates that the targeted efforts made to build up a high-quality bond portfolio in the first six months of 2009 are starting to pay off. Figures are also slowly picking up in the commission and service fee business as clients gradually start to regain confidence and return to the markets, albeit at still modest levels. The Valartis Group recorded net commission income of CHF 22.6 million in the first half of the year, up 13% on the result achieved in the same period the previous year (CHF 20.0 million).

Difficult trading environment

In spite of slowly improving economic data, the volatility on the financial markets persisted in the first half of 2010. The loss of confidence in the Euro and in the more indebted countries of the European Community caused the single European currency to plummet in value, interest rates to fall sharply, and risk premiums on sovereign and corporate borrowers to widen once more. Whereas in 2009 we were able to benefit from the narrower credit spreads (income from trading for the 1st semester 2009 of CHF 29.4 million), the renewed rise generated a trading loss of CHF 17.0 million this year. Both on a fundamental and historical basis, however, we still regard credit spreads as very attractive. We are therefore sticking to our strategy of investing a proportion of our liquidity in a broad range of investment-grade corporate, sovereign and financial borrowers, and hedging our portfolio against a general increase in market interest rates. In a volatile financial market environment with historically low interest rates, this type of diversification continues to be the most attractive method of cash management.

After already posting large inflows of funds in Private Banking last year, this trend continued in a more muted fashion in the first half of 2010, with assets under management in Private Banking rising by CHF 287 million. Additional inflows of funds are expected in the coming months due to the recruitment of new relationship managers in Austria, Liechtenstein and Switzerland.

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Following last year's reorganisation of the Investment Banking segment, the focus in the equities, fixed income and currencies divisions is now predominantly on settlement services for our private banks and in brokerage. Asset Management also continues to perform in a difficult environment. The Valartis Russian and Swiss specialty funds showed a sharp outperformance during 2009 and the funds are positioned once again in the upper most quartile in 2010 compared with its peers.

The Valartis Group acquired a 72.5% stake in Jelmoli Bonus Card AG in May 2010 and now holds 100% of Jelmoli Bonus Card AG. The company issues both the free Visa Bonus Card and the SBB Visa Card in combination with a SBB Half-Fare travelcard. With card revenues totalling CHF 700 million, Jelmoli Bonus Card AG has a strong footing in the Swiss credit card market. The cornerstone of the company's growth strategy remains client acquisitions coupled with the launch of innovative card products and client loyalty programs.

Controlled cost increases

On the cost side, increases were recorded in relation both to acquisitions as well as to other factors. In the first half of 2010 the Group recorded total personnel and general expenses of CHF 45.9 million, with an increased cost/income ratio of 81%. A year ago we informed that we would not be able to keep the then cost/income ratio below the level of 50%. The growth of the Group meant that we had to expand in several areas, not least in terms of our support units.

Solid capital base

The Group's shareholders' equity was CHF 341.2 million as at end-June. With an equity ratio of 13%, the Group has a solid capital and financing base. This resulted in an equity of the shareholders of Valartis Group AG after minority interests of CHF 280.7 million or CHF 59 per outstanding bearer share at the middle of the year.

The 2010 Half-Year Report can be downloaded in PDF format from our website at www.valartis.ch

If you have any questions, please contact:

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Key figures, in CHF million

Income statement	H1 / 2010	H1 / 2009	Δ%
Net interest income	26.9	8.4	+220
Net commission income	22.6	20.0	+13.0
Income from trading	-17.0	29.4	
Other ordinary income	24.2	41.8	-42.1
Total income	56.7	99.6	-43.1
Personnel expense	-28.3	-23.1	+22.5
General expense	-17.6	-12.2	+44.3
Total expense	-45.9	-35.3	+30.0
Gross profit	10.8	64.3	-83.2
Depreciation, amortisation and provisions	-7.5	-5.9	+27.1
Taxes	3.5	-11.8	
Minority interests	0.2	-1.1	
Net profit (attributable to shareholders of Valartis Group AG)	7.0	45.5	-84.6

Balance sheet	30.6.2010	31.12.2009	Δ%
Assets	2'630.5	2'923.4	-10.0
Liabilities	2'289.3	2'566.7	-10.8
Shareholders' equity (including minority interests)	341.2	356.7	-4.3

Key figures	30.6.2010	31.12.2009	Δ%
Group profit per share, CHF 1)	1.54	9.52	-83.8
Equity per share, CHF	58.5	62.9	-7.0
Return on equity, ann. % 1)	5.0	38.5	
Cost/income ratio, % 1)	81.0	35.4	
Equity ratio, %	13.0	12.2	
Total assets under management	6'468	6'378	+1.4
Headcount	372	302	+23.2

1) Figures for the first half of 2010 and 2009, respectively