

Press Release

27 August 2009

Group increases net profit and assets under management

The Valartis Group achieved net profit after minority interests of CHF 45.5 million for the first six months of 2009 (prior year: CHF 4.0 million) on operating income of CHF 100 million. The Group's shareholders' equity was CHF 326.6 million as at end-June (including minority interests of CHF 47 million), producing an equity ratio of 17% based on total assets of CHF 1,920 billion. As at 30 June 2009, client assets under management had risen by CHF 345 million versus end-2008 to CHF 4,360 billion.

Sources of income more broadly based

The acquisition of Valartis Bank (Austria) AG, Vienna, last December – part of the Group's heightened strategic focus on private banking – has had a radical and lasting impact on the income structure of the Group. The resulting increase in total assets, which came to CHF 1,920 billion as at the end of June 2009, brings with it a more important role for interest arbitrage operations in particular; these produced net interest revenue (including dividends) of CHF 8.4 million in the first half of 2009 (prior year: CHF 1.8 million). In transactions with assets on the balance sheet, Valartis concentrated primarily on top-quality counterparties and attached a great deal of importance to the liquidity of the investments. As a result, it reduced amounts due from banks from CHF 902 million as at end-2008 to CHF 354 million by 30 June 2009 and built up a well-diversified portfolio of fixed-income investments totalling CHF 873 million (end-2008: CHF 2.6 million).

Thanks to the calm that has set in on the financial markets over recent months and the marked decline in credit risk premiums, the Group was able to generate income of CHF 17.3 million from trading in debt instruments. Meanwhile, trading in listed equity instruments (primarily Swiss equities) resulted in a gain of CHF 12.4 million (prior year: CHF -14.2 million), in spite of the conscious action taken to reduce these positions to below CHF 50 million (end-2008: CHF 70 million).

Net income from commission and service fee business fell as expected in the first six months of 2009, down year-on-year from CHF 29.8 million to CHF 20 million, due to cautious client activity and lower income from investment companies and investment funds under management. The increased market dynamism observed in the second quarter of 2009 and the rise in assets under management in the Asset Management and Private Banking divisions is, however, likely to have a positive impact on earnings from this line of business in future. The stepping up of Private Banking activities in Geneva and Zurich, which – alongside the organisation in Vienna – are being developed into key pillars of the Group, provides further grounds for confidence. As at end-June 2009, the Private Banking division had assets under management of CHF 2,288 billion (end-2008: CHF 1,937 billion). On a consolidated basis, assets under management totalled CHF 4,360 billion (prior year: CHF 4,015 billion).

The CHF 41.8 million recorded under "Other ordinary income" (prior year: CHF 14.0 million) comprises the increased stake – as previously announced – in the real estate and property development company Eastern Property Holdings Ltd., which was acquired at a substantial discount to the carrying value. The resulting appreciation gain after provisions for deferred taxes

totalled approximately CHF 31 million. Valartis Group had a 37.4% stake in EPH as at end-June 2009.

Cost structure under control

On the cost front, personnel and operating expenses rose to CHF 35.3 million (prior year: CHF 26.0 million) on the back of the acquisition. Stripping out the costs associated with the acquisition of Valartis Bank (Austria) AG, Vienna, however, expenditure was reduced slightly on a like-for-like basis, and cost efficiency was increased. The reduction in headcount in Investment Banking was offset by expansion in other business areas. After Reto Peczinka (Investment Banking) and Felix Morf (Asset Management) stood down from Group Management in the first half of 2009, the organisation was streamlined and a management level was eliminated, enabling the Group to respond to market opportunities that may arise in its various activities in a more targeted and flexible manner.

The total operating income of CHF 99.6 million and expenses of CHF 41.3 million (prior year: CHF 27.5 million) resulted in net profit before taxes of CHF 58.3 million (prior year: CHF 4.6 million). Depreciation and amortisation rose to CHF 5.9 million (from CHF 1.4 million) as a consequence of acquisitions. After taking into account tax expenses of CHF 11.8 million (prior year: CHF 1 million) and the profit attributable to minority interests, net profit attributable to the shareholders of Valartis Group AG increased from CHF 4 million to CHF 45.5 million, or CHF 9.52 per outstanding bearer share.

Solid capital base

The Valartis Group's shareholders' equity as at 30 June 2009 was CHF 326.6 million (end-2008: CHF 285.9 million). This means the Group has a solid capital and financing base: the equity ratio was 17% of total assets, while the tier I and tier II ratios were 10.5% and 12.1% respectively. Excluding minority interests of CHF 47 million, which remained unchanged versus end-2008, this resulted in a carrying value for the Valartis Group shareholders of CHF 280 million (end-2008: CHF 239 million), or CHF 59.8 (previously: CHF 48.5) per outstanding bearer share.

The 2009 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

<i>Income statement</i>	H1 / 2009	H1 / 2008	Δ%
Net interest income	8.4	1.8	+367
Net commission income	20.0	29.8	-32.9
Income from trading	29.4	-13.6	
Other income	41.8	14.0	+199
Total income	99.6	32.0	+211
Personnel expense	-23.1	-15.9	+45.3
General expense	-12.2	-10.1	+20.8
Total expense	-35.3	-26.0	+35.8
Gross profit	64.3	6.0	
Depreciation, amortisation and provisions	-5.9	-1.4	+321
Taxes	-11.8	-1.0	
Minority interests	-1.1	0.4	
Net profit (attributable to shareholders of Valartis Group AG)	45.5	4.0	
<i>Balance sheet</i>	30.6.2009	31.12.2008	Δ%
Total assets	1'919.9	1'501.2	+27.9
Liabilities	1'593.3	1'215.3	+31.1
Shareholders' equity (including minority interests)	326.6	285.9	+14.2
<i>Key Figures</i>	30.6.2009	31.12.2008	Δ%
Net profit per share, CHF ¹⁾	9.52	0.81	
Equity per share, CHF	59.8	48.5	+23.3
Return on equity, % ¹⁾	35.1	3.5	
Cost/income ratio, % ¹⁾	41.3	85.8	
Equity ratio, %	17.0	19.0	
Total assets under management	4'360	4'015	+8.6
Headcount	258	256	+0.8

1) Figures for the first half of 2009/2008