

Press Release

2005 results

BCV posts record financials

BCV Group reported excellent financial results for 2005. Total revenues broke through the billion-franc barrier for the first time, gross profit rose 22% to CHF 486m, and net profit jumped 36% to a record CHF 457m. “Our 2005 financials are solid” said CEO Alexandre Zeller. “Even in a rising market where all banks posted strong numbers, we stand out.”

Revenues break through the billion-franc barrier

Total revenues climbed 10% YoY to CHF 1.038bn. All of the Group's core businesses contributed, reflecting the strong diversification of the Group's revenue streams. Despite tough competition, interest income rose 9% to CHF 461m. The net interest margin improved from 1.29% to 1.40%, underpinned by BCV's efforts to optimize balance-sheet structure, which helped keep spreads stable. Fee and commission income rose 8% to CHF 323m, driven mainly by buoyant stockmarkets, the Group's astute investment policy and strong business trends at subsidiaries. Trading income advanced 22% to CHF 103m, benefiting from renewed market volatility and aggressive marketing of new structured products. As last year, revenues at the IT subsidiary Unicible account for most of other ordinary income, which rose by 10% to CHF 151m. The increase mainly reflects sales of securities held as investments and real-estate divestments.

Gross profit up on tight cost control and rising revenue

Total operating expenses grew only 1.2% YoY to CHF 552m. Personnel costs held steady at CHF 364m (-0.2%), as BCV trimmed its workforce by 3% to 2,349 employees. Other operating expenses rose by only 3.9% to CHF 188m, with the increase mainly resulting from strong business trends and strategic projects. This rigorous cost control, combined with the increase in revenue, drove a 22% YoY rise in gross profit to CHF 486m. The cost/income ratio improved significantly, falling from 67% to 62%.

Record net profit

Depreciation and write-offs increased 5% YoY to CHF 91m, while value adjustments, provisions and losses declined 60% to CHF 16m. Extraordinary income totaled CHF 211m. This figure consists mostly of provision releases generated by the Bank's pro-active approach to its impaired-loan portfolio, which was facilitated by a strong economic

environment, particularly in the property market. As in 2004, the Group chose to strengthen its reserves for general banking risks, with an allocation of CHF 112m. In spite of this charge-off, net profit soared 36% YoY to CHF 457m. These record earnings mainly reflected the excellent operating income trend.

Healthier balance sheet

Total assets rose 8% YoY to CHF 34.9bn. This change mainly reflects increases in "Other assets" (+CHF 2bn) resulting from higher replacement values for derivative financial instruments in line with the rising market trend. This also led to a CHF 1.8bn increase in "Other liabilities". The loan portfolio was affected mainly by the CHF 750m reduction in impaired loans (to CHF 1.9bn at year-end). The portfolio of performing loans has grown: mortgage lending increased 2% and commercial loans showed signs of renewed demand. On the liabilities side, savings deposits and other funds due to customers climbed 3%. The Group's refinancing costs continued to show significant improvement, thanks in large part to the 7% YoY reduction in long-term borrowings to CHF 6.7bn. The Group's shareholders' equity expanded to CHF 3.2bn at year-end.

Assets under management sharply up

AuM rose 12% YoY to CHF 71.8bn, due to the excellent performance of investment strategies at the parent company and subsidiaries Banque Piguet & Cie SA and Asesores & Gestores Financieros SA, as well as CHF 1.5bn in net new money.

Shareholders' meeting: higher dividend and P-C buyback

As a result of the sharp improvement in BCV's financials, the Board of Directors will submit a proposal to increase the dividend from CHF 3 to CHF 4.5 per registered share at BCV's Annual Shareholders' Meeting on 27 April. This decision is a tangible sign of Management's confidence in BCV Group's future. In addition, the Board will propose the buyback of another tranche of participation-certificate capital, in the amount of CHF 400m. The proposed share dividend and P-C buyback, along with the P-C dividend, mean that Vaud Canton stands to receive CHF 457m from BCV. Finally, the Board will propose that the three Board members chosen by the shareholders be re-elected for another term. The terms of the other four members of the Board of Directors, including the Chairman, have already been renewed by the Vaud Cantonal Government, in accordance with BCV's articles.

Outlook: innovation and stability

According to Mr. Zeller, 2006 will be a crucial year for BCV: "Our growth project has been up and running since the beginning of the year. We should see the first effects within the coming months. In the meantime, we will have succeeded in renewing our brand image while maintaining our close ties to customers – whom I thank for their loyalty."

Barring any major changes to the competitive and financial environment, the Group expects a slight increase in gross profit in 2006.

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The above text is a translation of the original French document entitled "Communiqué de presse : Résultat record pour le Groupe BCV"; only the French version is authoritative.