Banque Cantonale Vaudoise

PRESS RELEASE

2004 Results

Stage One of BCV Group's New Strategy: Objectives Attained

“The first chapter in the story of BCV Group's turnaround has now been written," said CEO Alexandre Zeller, who pointed to a successfully implemented strategic realignment, a strengthened financial base and an increase in net profit to CHF 336.6 mn in 2004. BCV is now ready for the next stage of its development: expansion in core markets and continued improvement in profitability.

Lausanne, Switzerland, 15 March 2005 – BCV Group achieved several key strategic objectives in 2004. “The Group has successfully withdrawn from international trade-finance operations in the ship-financing and oil sectors, and reduced the number of its private banking subsidiaries abroad” said Mr Zeller. Strategic restructuring had an impact on BCV’s revenue flows in 2004, but this was offset by an improvement in income from core businesses. Gross profit rose, thanks to rigorous cost control. Net profit was up 114%YoY to CHF 336.6 mn, reflecting reduced depreciation and write-offs as well as provision releases driven by recoveries on impaired loans.

Higher income

Excluding the effects of strategic withdrawals and divestments, total income rose by an encouraging 4.7%. This reflects BCV's strength in its core business areas, which have benefited from a high level of customer satisfaction and brand loyalty as well as the commitment and efforts of staff. With the effects of strategic restructuring included, revenues remained stable at CHF 944.2 mn. Net interest income was up 1.3% to CHF 424.2 mn, and there was an improvement in the net interest margin, which rose from 1.23% to 1.29%. Commission and fee income was up 3.6% to CHF 298.5 mn. Trading income from securities, foreign currencies and derivatives declined by 23% to CHF 84.0 mn, reflecting historically low volatility in the markets and the moderate risk exposures taken during the period. As a result of the good business trend at the IT subsidiary Unicible, other ordinary income was up 8.2% to CHF 137.5 mn. “The numbers show that BCV has been able to generate the same revenue flows as in 2003 while considerably improving its risk profile,” noted Pascal Kiener, the Group’s Chief Financial Officer.

Operating expenses down; gross profit up

Stringent cost control was behind a 1.6% drop in operating expenses, which totaled CHF 545.6 mn. Personnel costs were reduced by 2.1% to CHF 364.9 mn, while other operating expenses showed a slight decline of 0.5% to CHF 180.7 mn. The stable revenue trend, coupled with efforts to hold down costs, resulted in a 2.5% increase in gross profit to CHF 398.6 mn, and a substantial improvement in the Group’s cost/income ratio (from 71% to 67%).

Sharply higher net profit

Depreciation and write-offs were smaller than in 2003, in particular on holdings. “In addition, the pro-active approach we have taken on impaired loans combined with favorable conditions on the real-estate market allowed us to release CHF 157 mn of provisions to the income statement, which showed a total of 170.2 mn of extraordinary income for the year” said Mr Kiener. Consequently, the Group was able to take an extraordinary charge of CHF 80.9 mn against earnings to strengthen its reserves for general banking risks while still posting a net profit of CHF 336.6 mn for the year.

Improved balance-sheet quality

A 5.7% decline in total assets to CHF 32.3 bn mainly reflects the impact of the strategic refocusing and the reduction in the portfolio of impaired loans. “Leaving aside these factors," said Mr Kiener, "commercial loans were stable and mortgage business was up slightly.”

On the liabilities side, savings deposits rose by 1.3% to CHF 8.9 bn. As the strategic withdrawals freed up large amounts of liquid assets, long-term financing needs dropped markedly. The Bank's successful efforts to scale back the portfolio of impaired loans drove a 17.2 % drop in provisions, which stood at CHF 1.8 bn at year-end. The resulting improvement in balance-sheet quality is evinced by a rise in capital levels and risk-based capital-adequacy ratios, which are now at 185% for the Group and 176% for the parent company.

Assets under management on the rise

Group assets under management showed an encouraging YoY rise of 6.3% to CHF 64.1 bn, with net new inflows of funds amounting to CHF 0.8 bn (corrected for double-counting). This was mostly due to a strong performance in institutional asset management, along with subsidiary Banque Piguet & Cie.'s success in attracting new clients.

Higher dividend

Given the strong growth in net profit, the Board of Directors will submit a proposal to increase the dividend by CHF 1 to CHF 3 per registered share for approval by the shareholders. The proposed payout increase shows Management's confidence in the current business trend.

Financial objectives and 2005 guidance

According to CEO Zeller, the foundations for the next stage of BCV Group's development have been laid. “We are ready to grow in our core businesses and in our home region. Our goal is to improve our profitability (raising ROE to 11-12%), boost our productivity (cutting the C/I ratio to 60-63%) and push the Bank's net interest margin above 1.5%. But we have much left to do before all our ratios measure up to those of a comparable Swiss cantonal bank. Many of our business processes have to be optimized, and we still need to significantly reduce the volume of impaired loans.”

As for 2005, Mr Zeller noted that “several non-recurring provision releases boosted our net profit in 2004, so it is likely that our 2005 net profit will be lower. However, Management expects BCV Group's gross profit to continue its year-over-year improvement in 2005 in spite of a very competitive environment and subdued financial markets.”

For further information, please contact:

Wilhelm Blaeuer, Investor Relations

Tel.: ++ 41 21 212 20 71

E-mail: wilhelm.blaeuer@bcv.ch

Christian Jacot-Descombes, Press Officer

Tel: ++ 41 21 212 28 61

E-Mail: christian.jacot-descombes@bcv.ch

Note to editors:

This press release is being issued outside the trading hours of the SWX Swiss Exchange in order to comply with the principles of ad hoc disclosure pursuant to the SWX Listing Rules.