

Press Release

2008 financial results

BCV Group weathers the crisis with a strong H2 increase in gross profit

BCV Group's 2008 financials show the Bank's strong resilience in an environment marked by financial crisis. H2 gross profit increased by 55% compared to the first half, when results were affected by losses on equity-derivatives trading. The second-half rebound underpinned a full-year gross profit of CHF 423m. Revenues fell to CHF 928m, and the Group posted a net profit of CHF 358m, the fourth-best performance in the Group's history. The year-on-year decline is in line with the expected normalization of BCV's financials.

The Group's new CEO Pascal Kiener has led BCV in defining its new strategy, modifying its internal organization and implementing its new equity optimization strategy and dividend policy. At the next Shareholders' Meeting, the Board of Directors will propose a CHF 20 dividend and a CHF 10 par-value reimbursement on the share. These two operations will return CHF 258m to shareholders.

Revenues fall 15%

Full-year revenues were down 15% to CHF 928m due to the transfer of IT subsidiary Unicable's operations, the disposal of the Group's stake in Asesores y Gestores Financieros SA (A&G), declining financial markets and first-half trading losses. On a like-for-like basis, revenues dropped 9%. Net interest income, the Bank's main revenue stream, held stable at CHF 504m despite the difficult economic climate. Fee and commission income decreased 12% to CHF 340m as a result of the downturn in stockmarkets; adjusted for the impact of the A&G sale, the decline was 7%. As anticipated at mid-year, the Bank's full-year trading results were positive, thanks to a very strong second-half performance (CHF 74m) that more than offset the first-half losses. Compared with 2007, however, full-year trading income declined 50% to CHF 37m. Other ordinary income fell 62% to CHF 47m, reflecting both the Unicable transfer and a fall-off in sales of financial investments compared with the exceptionally high levels in 2007; excluding the Unicable transfer, other ordinary income fell 41%.

Gross profit up 55% in the second half

Overall operating expenses were down 10% to CHF 505m thanks to disposals of business activities and ongoing cost control. Among items listed under operating expenses, personnel costs dropped 11% to CHF 310m, and other operating expenses contracted by 8% to CHF 194m. On a like-for-like basis, personnel costs were stable, while other operating expenses declined by 2%. Full-year gross profit contracted to CHF 423m, mainly due to first-half trading losses and the expected drop in other ordinary income. Thanks to very good H2 results there was a strong rebound in operating income throughout 2008, with the year-on-year decline in gross profit narrowing steadily, from 62% at the end of Q1 to 46% at 30 June, 32% at 30 September and 20% at year-end. This rebound in operating income exceeded the Group's guidance. The cost/income ratio was 63%.

Net profit of CHF 358m, the fourth-best performance in BCV's history

Depreciation and write-offs declined 10% to CHF 77m, while value adjustments, provisions and losses amounted to CHF 16m. Extraordinary income stood at CHF 130m, with CHF 73m resulting from the sale of A&G and the transfer of consumer credit operations, and the remaining CHF 57m resulting from releases of credit-risk provisions. Provision releases declined 79%, in line with 2007 guidance. As the Bank has now completed its strategic realignment and strengthened its balance sheet, there are no expectations of a significant positive impact from extraordinary income on BCV's financials going forward. In addition, the Group's tax burden for 2008 increased by CHF 3m to CHF 101m, as the tax credits relating to losses in 2001 and 2002 have now been used up. The Group nonetheless generated a net profit of CHF 358m, the fourth-best performance in its history.

Total assets stable

Total assets were stable at CHF 35.2bn. Mortgage lending expanded by CHF 495m (+3%) to CHF 17.3bn; excluding reductions in impaired mortgage loans, this item was up 4% (CHF 601m). Other loans contracted by 2% to CHF 5.6bn; excluding reductions in impaired loans and the transfer of consumer credit operations, this item was up 1%. The strategic reduction in equity-derivative trading risks led to a CHF 1.4bn decline (-70%) in trading portfolio assets.

On the liabilities side, customer accounts increased sharply (+6%) to CHF 22.2bn. Savings deposits rose by 5% to CHF 8.5bn. Medium-term notes jumped 51% to CHF 610m. Shareholders' equity remained stable at CHF 3.2bn, equivalent to a FINMA capital adequacy ratio of 180%.

Decrease in AuM and CHF 1.7bn in fund inflows from local clients

Group AuM fell by 21% to CHF 66.8bn due to the downturn in stockmarkets and the A&G disposal (CHF 3.9bn). The inflow of CHF 1.7bn in new funds from private banking clients and local small businesses during the period was partially

offset by an intentional reduction of approximately CHF 1.3bn in funds held mainly in time deposits for Large Corporates and Trade Finance clients as part of a strategy to limit bank-counterparty risk exposure. As a result, net new funds for the period amounted to CHF 354m.

New strategy and reorganization

Led by Pascal Kiener, who became the Bank's CEO on 1 May 2008, BCV announced its strategy for the coming years on 25 November. The Bank intends to win market share through four customer-oriented front-line divisions as well as a division devoted solely to credit decisions.

The Board of Directors appointed Serge Meyer on 1 January 2009 to the Executive Board as head of BCV's new Credit Management Division. It also named Thomas W. Paulsen, until now the Bank's Chief Risk Officer, to the Executive Board as CFO and head of the Finance and Risks Division. In addition, the Board has appointed Gérard Haeberli to the Executive Board as head of the new Private Banking Division. Mr. Haeberli, who is currently in charge of French-speaking Switzerland for Credit Suisse, will join the Bank on 1 July 2009. The new head of the Asset Management and Trading Division, which was also set up as part of the strategic reorganization announced on 25 November 2008, has not yet been announced.

Strong, stable dividend payout and equity optimization

The Bank's new strategy is expected to generate sustainable growth and greater stability in profits going forward. In the coming years, the Bank aims to pay a stable ordinary dividend of CHF 20-25 per share, set to rise slightly as BCV grows its business.

Active capital management is one of the cornerstones of the new strategy. BCV will thus optimize equity by making an additional annual distribution of CHF 10 per share.

Barring any significant changes, the Bank intends to maintain this distribution level for the next five to six years. This should make it possible to achieve a FINMA capital adequacy ratio of 145%.

Under the new strategy, the Bank also aims to expand revenues by 4-5% and gross profit by 5-8% per year. The long-term targets are 13-14% for ROE, 57-59% for cost/income and 12% for the Tier 1 capital ratio. The ongoing financial crisis is likely to have a temporary effect on these indicators and the Bank's financials in general, particularly in 2009-10. These strategic objectives should thus be viewed from a multi-year perspective.

Proposed dividend and par-value reduction: CHF 258m to shareholders

In line with the equity optimization strategy, the Board of Directors will submit a proposal at BCV's Annual Shareholders' Meeting on 30 April for a major increase in the dividend, from CHF 14 to CHF 20 per registered share. The Board will also propose reducing the share's par value by CHF 10. If these proposals are accepted, BCV will return CHF 258m to its shareholders.

Credit rating upgrade; approval for FIRB risk management

In 2008, rating agency Standard & Poor's raised its long-term credit rating on BCV from A+ (stable) to AA- (stable). S&P also raised the Bank's short-term rating, from A-1 to A-1+. BCV's management welcomed this announcement, which it regards as a fair reflection of its efforts over the last five years and confirmation of the Bank's strong financials. In addition, the Swiss Financial Market Supervisory Authority (FINMA) has granted BCV admission to the Foundation Internal Ratings-Based approach (FIRB) under the Basel II agreement. As the first Swiss cantonal bank to meet such stringent requirements, BCV has clearly demonstrated how far it has come in improving its credit risk management over the last five years.

Finally, after withdrawing from its joint IT project with Zurich Kantonalbank in August 2008, the Group has extended its IT outsourcing contract with IBM through 2016. This will give the Bank the time it needs to consider its options in this area.

Financial outlook

BCV has weathered the financial turmoil of 2008, and Management is confident in the Bank's earnings capacity despite persistent uncertainty relative to the economic climate.

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Note to editors:

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

The above text is a translation of the original French document entitled "Le Groupe BCV résiste à la crise grâce à une augmentation notable de son bénéfice brut au second semestre"; only the French version is authoritative.