

Press release

BCV Group posts CHF 310m net profit in 2016

BCV Group delivered solid 2016 results in a challenging environment. Due to persistently negative interest rates and lackluster financial markets, revenues declined 6% to CHF 967m and operating profit dropped 4% to CHF 383m. As expected, net profit came in below the 2015 figure, which was pushed up by non-recurring items. It fell 8% to CHF 310m, which is nevertheless higher than in 2013 and 2014. At the next Annual Shareholders' Meeting, the Board of Directors will propose an ordinary dividend of CHF 23 per share and a special distribution of CHF 10 per share out of paid-in reserves, in accordance with the Bank's distribution policy. If the proposals are approved, the Group will pay out a total of CHF 284m to shareholders.

Revenues down in a difficult environment

Total revenues fell 6% year on year to CHF 967m despite slightly higher business volumes. In an environment marked by continued negative interest rates, which the Bank does not pass on to the great majority of its customers, net interest income before loan impairment charges/reversals edged down 1% to CHF 483m. Net interest income dropped 3% to CHF 478m owing to new provisions for credit risk. Commission and fee income decreased 7% to CHF 308m, reflecting a contraction in client trading volumes caused by lackluster financial markets, the end of BCV's online brokerage partnership with PostFinance, and a realignment of the Bank's cross-border wealth management business on a select group of countries. Net trading income, which derives mainly from client forex trading activities, remained solid at CHF 139m. This figure is down 7% from 2015 due to a spike in business in January and February 2015 after the Swiss National Bank (SNB) dropped the EUR/CHF currency floor. Other ordinary income came in at CHF 42m, a 20% year-on-year decrease attributable to a one-off dividend payment by SIX Group in 2015.

Firm cost control; operating profit of CHF 383m

Operating expenses were down 1% to CHF 509m. Personnel costs were flat at CHF 338m, while other operating expenses fell 4% to CHF 171m. Depreciation and amortization decreased 4% to CHF 72m, and other provisions and losses dropped 93% to CHF 3m. At CHF 383m, operating profit was down 4% on 2015 but was up versus 2013 and 2014, attesting to the Group's earnings stability.

Net profit of CHF 310m

Extraordinary income was CHF 7m, down CHF 22m on the 2015 figure, which included proceeds from the sale of the Bank's stake in Swisscanto. Net profit came in at CHF 310m, down 8% from 2015 but higher than in 2013 and 2014.

Growth in the balance sheet

Total assets expanded 2% to CHF 44.1bn. Cash and cash equivalents, which mainly comprise SNB sight deposits, totaled CHF 7.5bn (+9%). Mortgage lending rose 2%, or CHF 515m, to CHF 25.0bn. Other loans fell 2% to CHF 4.8bn as part of the Bank's treasury management activities.

On the liabilities side, customer savings and investment accounts grew further, rising 1%, or CHF 368m, to CHF 29.2bn.

Continued new fund inflows

The Group's assets under management decreased 3% to CHF 85.4bn as a result of the transfer of assets managed by Swisscanto following its acquisition by ZKB. Net new money totaled CHF 2.3bn, with an inflow of onshore funds (+CHF 3.3bn) offsetting the expected outflow of offshore funds (-CHF 1.0bn).

Solid financial position

The Bank's CET1 capital ratio stands at 16.8% and shareholders' equity amounted to CHF 3.4bn at end-2016, attesting to BCV's financial solidity. Standard & Poor's and Moody's reaffirmed their respective AA and Aa2 ratings for BCV, both with a stable outlook.

Key events in 2016*Peter Ochsner appointed to Board of Directors*

Peter Ochsner took up his position on BCV's Board of Directors on 1 July 2016. Mr. Ochsner, who was appointed by the Vaud Cantonal Government, gained extensive experience in corporate auditing primarily at PricewaterhouseCoopers S.A. and has deep knowledge of the banking sector. He took the reins from his predecessor, Stephan A.J. Bachmann, as Chair of the Audit and Risk Committee.

Jack Clemons appointed to Board of Directors

At the Annual General Meeting on 21 April 2016, shareholders approved Jack Clemons' appointment to BCV's Board of Directors for a four-year term of office. Mr. Clemons, who succeeded Pierre Lamunière, lives in Arzier, Vaud, and is a dual citizen of the UK and Switzerland. After working in auditing as a partner at Deloitte, he went on to hold managerial positions in the consumer goods and retail sectors, most notably as the CEO of a multinational until 2015.

New head of the Business Support Division

BCV's Board of Directors appointed Christian Meixenberger to the Bank's Executive Board as head of the Business Support Division. Mr. Meixenberger holds an engineering degree and has broad expertise in banking technology and back-office operations. Prior to joining BCV, he was a member of the Executive Board and head of the Services Division of Banque Cantonale de Fribourg. He took up his position on 1 January 2017, replacing Aimé Achard, who has retired.

Stakeholder in TWINT

BCV took a stake in the new company TWINT S.A., alongside Switzerland's largest banks – UBS, Credit Suisse, Raiffeisen, Zürcher Kantonalbank and PostFinance – as well as financial infrastructure operator SIX. TWINT S.A. merges Swiss mobile payment systems Paymit and TWINT to provide a mobile payment solution specifically designed for the Swiss market. BCV's decision to become a shareholder was in keeping with its strategic objective of achieving greater integration across its customer touch points and enhancing its digital banking services.

Proposed CHF 284m payout

At the next Annual Shareholders' Meeting, the Board of Directors will propose an ordinary dividend of CHF 23 per share and a special distribution of CHF 10 per share out of paid-in reserves, in accordance with the Bank's distribution policy. If these proposals are approved, BCV will return CHF 284m to its shareholders; the Canton of Vaud will receive CHF 190m in distributions together with CHF 57m in cantonal and municipal taxes for 2016, for a total of CHF 247m.

Outlook

Barring a significant deterioration in the financial markets and/or the overall economic situation, FY 2017 results are expected to trend along the same lines as in prior years.

Lausanne, 16 February 2017

2017 calendar

28 March	Publication of the 2016 Annual Report (on www.bcv.ch)
27 April	Annual Shareholders' Meeting in Lausanne
2 May	Ex-dividend date
3 May	Dividend record date
4 May	Dividend payment
17 August	Half-year 2017 results

Contacts

Christian Jacot-Descombes, Press Officer

Tel.: +41 79 816 99 30

Email: christian.jacot-descombes@bcv.ch

Gregory Duong, Investor Relations

Tel.: +41 21 212 20 71

Email: gregory.duong@bcv.ch

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; only the French text is authoritative.

Consolidated balance sheet

(in CHF millions)

	31/12/2016	31/12/2015	Absolute change	Change as %
Cash and cash equivalents	7 496	6 861	635	9
Due from banks	1 373	1 810	-437	-24
Reverse repurchase agreements	306	280	26	9
Loans and advances to customers	4 812	4 935	-123	-2
Mortgage loans	25 037	24 522	515	2
Trading portfolio assets	153	155	-2	-1
Positive mark-to-market values of derivative financial instruments	281	343	-62	-18
Other financial assets at fair value	630	581	49	8
Financial investments	3 234	3 140	94	3
Accrued income and prepaid expenses	107	106	1	1
Non-consolidated holdings	70	48	22	46
Tangible fixed assets	517	558	-41	-7
Intangible assets	16	23	-7	-31
Other assets	54	56	-2	-4
Assets	44 085	43 418	667	2
Total subordinated assets	0	0	0	0
of which subject to mandatory conversion and/or conditional write-off	0	0	0	0
Due to banks	1 070	1 224	-154	-13
Repurchase agreements	1 791	1 738	53	3
Customer deposits	29 245	28 877	368	1
Negative mark-to-market values of derivative financial instruments	244	331	-87	-26
Other financial liabilities at fair value	771	666	105	16
Medium-term notes	21	40	-19	-46
Bonds and mortgage-backed bonds	7 267	6 873	394	6
Accrued expenses and deferred income	184	219	-35	-16
Other liabilities	56	35	21	61
Provisions	16	18	-2	-10
Liabilities	40 666	40 021	645	2
Reserves for general banking risks	701	704	-3	0
Share capital	86	86	0	0
Capital reserve	207	292	-85	-29
Retained earnings	2 137	1 999	138	7
Currency translation reserve	-2	-2	0	1
Treasury shares	-19	-18	-1	6
Minority interests in equity	0	0	0	0
Net profit	310	336	-27	-8
of which minority interests	0	0	0	0
Shareholders' equity	3 420	3 397	22	1
Total liabilities and shareholders' equity	44 085	43 418	667	2
Total subordinated liabilities	0	0	0	0
of which subject to mandatory conversion and/or conditional write-off	0	0	0	0

Consolidated off-balance-sheet transactions

(in CHF millions)

	31/12/2016	31/12/2015	Absolute change	Change as %
Contingent liabilities	1 573	1 189	384	32
Irrevocable commitments	1 261	998	263	26
Commitments relating to calls on shares and other equity securities	178	113	65	57
Confirmed credits	77	53	24	44

Consolidated income statement

(in CHF millions)

	2016 1/1 - 31/12	2015 1/1 - 31/12	Absolute change	Change as %
Interest and discount income	599.0	628.7	-29.7	-5
Interest and dividend income from financial investments	40.3	47.4	-7.1	-15
Interest expense	-156.7	-186.9	-30.2	-16
Net interest income before loan impairment charges/reversals	482.5	489.2	-6.7	-1
Loan impairment charges/reversals	-4.7	0.9	-5.6	n/a
Net interest income after loan impairment charges/reversals (NII)	477.8	490.1	-12.3	-3
Fees and commissions on securities and investment transactions	241.5	263.3	-21.8	-8
Fees and commissions on lending operations	42.2	42.7	-0.5	-1
Fees and commissions on other services	75.2	80.9	-5.7	-7
Fee and commission expense	-51.0	-54.6	-3.6	-7
Net fee and commission income	307.9	332.3	-24.4	-7
Net trading income and fair-value adjustments	139.2	150.5	-11.3	-7
Gains/losses on disposals of financial investments	6.4	11.4	-5.0	-44
Income from equity investments	5.5	15.3	-9.8	-64
Real-estate income	11.0	10.7	0.3	3
Miscellaneous ordinary income	21.6	22.1	-0.5	-2
Miscellaneous ordinary expenses	-2.3	-6.8	-4.5	-66
Other ordinary income	42.1	52.7	-10.6	-20
Total income from ordinary banking operations	967.1	1 025.6	-58.5	-6
Personnel costs	-338.0	-337.2	0.8	0
Other operating expenses	-170.7	-177.0	-6.3	-4
Operating expenses	-508.7	-514.2	-5.5	-1
Depreciation and amortization of fixed assets and impairment on equity investments	-72.4	-75.6	-3.2	-4
Other provisions and losses	-2.7	-37.1	-34.4	-93
Operating profit	383.4	398.7	-15.3	-4
Extraordinary income	6.7	28.6	-21.9	-76
Extraordinary expenses	0.0	0.0	0.0	n/a
Change in reserves for general banking risks	3.0	0.0	3.0	n/a
Taxes	-83.5	-91.0	-7.5	-8
Net profit	309.6	336.3	-26.7	-8
Minority interests	0.0	0.0	0.0	0
Net profit attributable to BCV shareholders	309.6	336.3	-26.7	-8