BCV

Interim Report

Consolidated financial statements at 30 June 2012

Letter from the Chairman and CEO

We had a very good first half in 2012, delivering strong results in a challenging economic environment. Business volumes grew across all our main segments, net profit was up 2% year-on-year, and our total shareholder return came in higher than that of all other Swiss banks. We pressed ahead with our business strategy, focusing particularly on continuing efforts to enhance our product and service offering. And thanks to our solid capital base and strong liquidity, we also have ample means to meet new regulatory requirements and can face the future with confidence.

Despite the uncertain economic environment and questions about the future of the eurozone, the Swiss economy and that of Vaud Canton have proven remarkably resilient, with national and cantonal GDP both forecast to grow by 1.4% in 2012. The real-estate market in Vaud remains very dynamic, boosted by low interest rates and strong housing demand. However, in light of the Swiss government's declared intention to rein in the real-estate market and in order to prevent a housing bubble going forward, we decided to limit annual growth in mortgage lending to 4%, as against 8-9% in recent years. This clearly shows that we are mindful of our responsibilities as the Canton's leading mortgage lender – and committed to maintaining our fortress balance sheet.

Reflecting the trend in the local economy, our business volumes continued to expand during the first half. Customer savings deposits rose by 4%, testifying to our solid customer franchise, and mortgage lending grew 2%, which is in line with our target for this activity. AuM also increased, with a 4% rise to CHF 80.0bn, driven in part by new fund inflows from private clients, SMEs and institutional investors.

Our H1 income statement showed a rise in total revenues to CHF 508m (+CHF 5.1m), underpinned in particular by interest income. Operating expenses fell 1%; this firm grip on costs drove a 4% increase in operating profit to CHF 242m. Net profit rose 2% to CHF 157m, with low new provisioning needs attesting to the high quality of our loan book and the resilience of the Vaud economy.

Olivier Steimer
Chairman of the Board of Directors

Pascal Kiener
CEO

Our solid foundations and strategy were reflected in our share price. Total shareholder return in the first half was 17.2%, whereas the figure for the Swiss market as a whole rose only slightly. Total shareholder return included an ordinary dividend of CHF 22 per share and a special tax-free distribution of CHF 10 per share. This resulted in a total payout of CHF 275m, as approved at the Annual Shareholders' Meeting on 3 May. Since we first announced this distribution policy as part of our BCVPlus strategy in 2008, we have returned a total of CHF 1.1bn to shareholders. In addition, our share is now included in several major stockmarket indexes. It was added to the STOXX Europe 600 in late 2011 and this year joined the MSCI Europe and the MSCI Switzerland, which tracks the performance of the country's 40 largest market caps.

Looking ahead to the many regulatory changes facing the banking industry, we are confidently planning for the future with several key initiatives. It is important to point out that we meet the new requirements set by FINMA in the ordinance announced on 1 June 2012.

On another note, a major renovation project to enhance the customer experience is well underway in our head office at Place St. François in Lausanne. Finally, Olivier Calloud was confirmed as CEO of Piguet Galland & Cie SA in April this year.

With our strong local roots and a winning strategy, we have the strengths to face the future with confidence. We wish to thank our shareholders for their loyalty, which is one of the keys to our success. Our thanks also go to our staff for their tireless efforts, and to our customers for their continuing trust.

Olivier Steimer

Pascal Kiener

Business sector review

BCV Group H1 2012 operating profit and net profit up

BCV Group posted strong results in the first half of 2012. Despite the challenging market environment, revenues rose 1% to CHF 508m. Operating profit grew by 4% to CHF 242m and net profit rose by 2% to CHF 157m.

Retail Banking

Very strong momentum across the board

The Retail Banking Sector's strong momentum continued in H1 2012 with a rise in business volumes. The mortgage book grew by 1.8% to CHF 7.3bn, which was in line with our target growth rate for this activity. Customer savings accounts and other deposits increased by 3.1% to CHF 7.8bn. Revenues rose by 5.2% to CHF 106m and operating profit jumped 8.8% to CHF 58.1m.

Corporate Banking

Sharp rise in operating profit

The Corporate Banking Sector posted firm business growth in H1 2012. Customer deposits expanded by 1.4% to CHF 6.6bn, while lending on the balance sheet and off-balance-sheet commitments edged down 1.8% to CHF 15.1bn. The SME segment continued to experience solid growth, with loan volumes up 0.7% and deposits rising by 8.4%. The generally volatile Large Corporates segment, in contrast, saw a 1.1% decrease in lending and off-balance-sheet commitments and a 7.7% drop in short-term cash balances. Trade Finance lending and off-balance-sheet commitments contracted by 11.7% relative to the strong volumes of late 2011, in line with the market, but margins remained high. Overall, the Corporate Banking Sector's revenues grew by 9.6% to CHF 148m and operating profit increased by a strong 11.9% to CHF 125.1m.

Wealth Management

Revenues and operating profit up

Assets under management expanded by 4.2% to CHF 61.7bn thanks to inflows of customer funds both in private banking and institutional asset management as well as the generally positive trend on the financial markets. Mortgage lending continued to increase in a buoyant real-estate market, rising by 3.3% to CHF 6.2bn. Against this backdrop, revenues grew by 1.8% to CHF 186m and operating profit was up 3.7% to CHF 103m.

Trading

Very good first half

The Trading Sector had a very good first half. Currency trading continued to benefit from hedging demand and client-driven business volumes, while structured product activities picked up well, especially towards the end of the period. Overall, trading income rose 3% to CHF 29m and operating profit grew by 3.2% to CHF 17.3m.

Consolidated financial statements at 30 June 2012

Growth in customer-driven business volumes

Total assets expanded 5% to CHF 39.8bn, mainly reflecting the rise in liquid assets deposited with the Bank. Mortgage lending was up 2% (+CHF 430m) to CHF 22.5bn. This increase is entirely in line with the full-year growth target of 4% announced at the beginning of the year. Other loans fell 6% to CHF 5.5bn.

On the liabilities side, the expansion in customer savings and investment accounts continued, with a 4% rise (+CHF 469m) to CHF 12.1bn. Other customer accounts grew by 5% (+CHF 697m) to CHF 14.8bn.

Capital ratios remained at comfortable levels: the FINMA capital ratio was 13.3% and the BIS Tier 1 ratio 16.8%. These ratios attest to the Bank's financial solidity.

Revenues up in a challenging market environment

Total revenues were up 1% year-on-year to CHF 508m. Interest income rose 2% to CHF 265m despite the continuing low-interest-rate environment, while fee and commission income was stable at CHF 173m. Trading income increased 8% to CHF 56m, reflecting strong customer-driven forex and structured product activities.

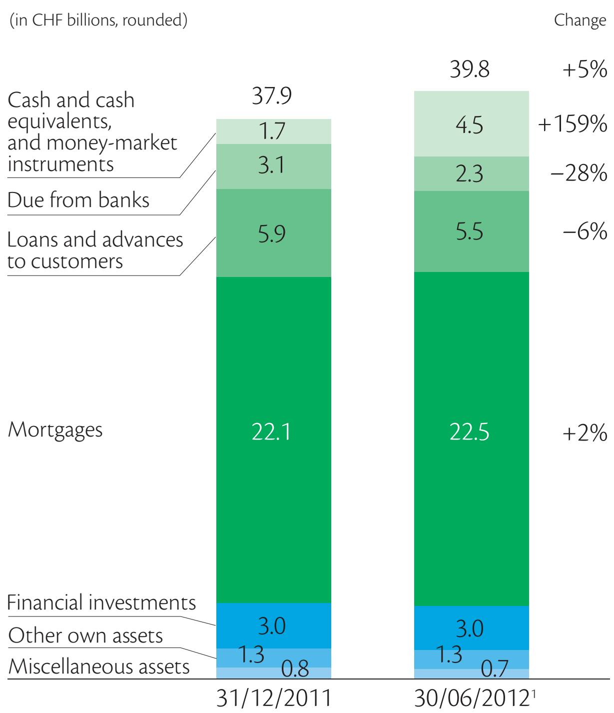
Operating profit increases 4% to CHF 242m

Total operating expenses fell by 1% to CHF 266m. Personnel costs dropped 1% to CHF 170m and other operating expenses were down 2% to CHF 96m. Underpinned by this solid cost control and top-line growth, operating profit rose 4% to CHF 242m.

Net profit rises 2%

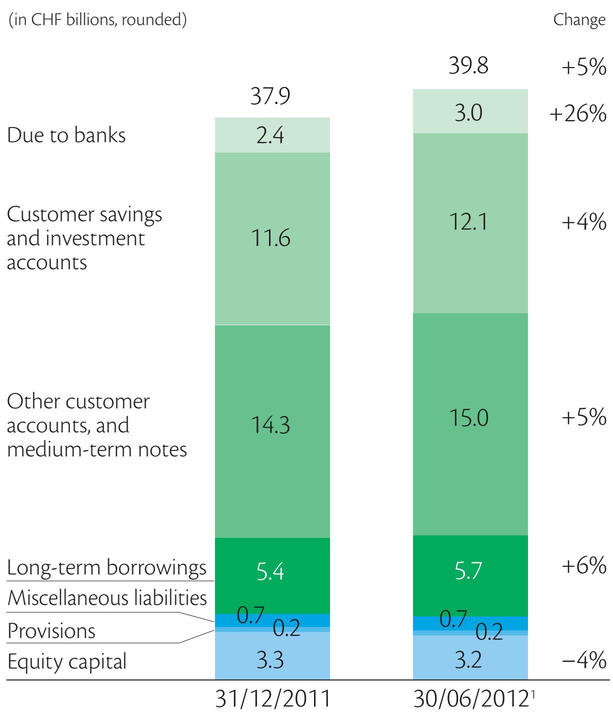
Depreciation and write-offs increased 5% to CHF 45m, and value adjustments, provisions and losses remained low at CHF 1m. Extraordinary income amounted to CHF 6m. As a result, net profit grew 2% to CHF 157m. The cost/income ratio improved from 62% to 61%.

Assets[1]



[1] H1 2012 figures unaudited

Liabilities[1]



[1] H1 2012 figures unaudited

Rise in AuM

Group assets under management (AuM) were up 4% (+CHF 2.9bn) to CHF 80.0bn. Net new money amounted to CHF 372m for the period. This figure is the result of two contrasting trends. On one hand, the private-client, SME and pension-fund segments continued to bring in net new money (+CHF 1.0bn). On the other, short-term deposits by large corporates contracted (–CHF 0.6bn) following the Bank's decision to keep deposit interest rates low in an environment marked by plentiful liquidity.

CHF 275m paid out to shareholders

In accordance with the Bank's capital-management strategy and the motions approved at the Annual Shareholders' Meeting, BCV returned CHF 275m to its shareholders in May. As the Bank's majority shareholder, the Canton of Vaud received an amount of CHF 185m, in addition to CHF 65m in cantonal and municipal taxes for the 2011 financial year.

S&P rating confirmed

S&P confirmed BCV's AA rating in a press release published on 3 July. BCV thus remains one of a select group of banks worldwide to be rated AA or above. S&P also announced in its 3 July press release that it would be paying particular attention to the Swiss real-estate market and had lowered its outlook on BCV and 8 other Swiss banks operating in this market from stable to negative.

MSCI Switzerland listing

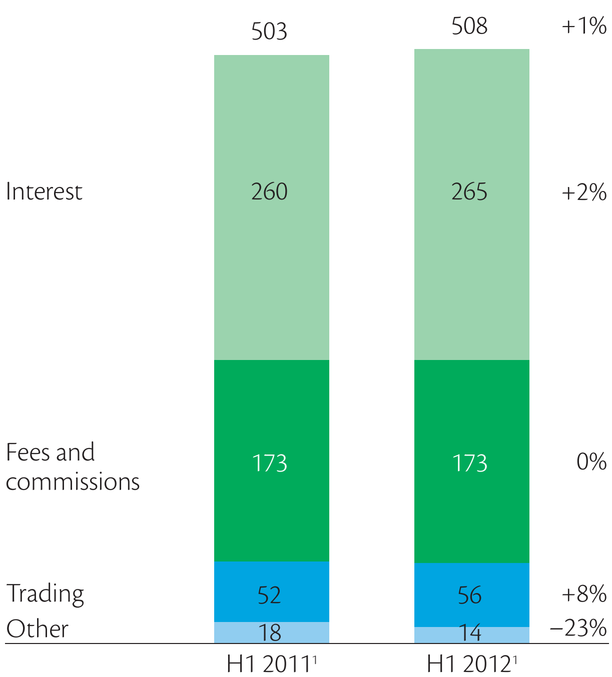
Following its inclusion in the STOXX Europe 600 index at the end of 2011, the BCV share was added to the MSCI Switzerland index on 1 June 2012. This index tracks the performance of Switzerland's 40 largest companies by market capitalization.

Outlook

These solid results in a still uncertain market environment reflect BCV's strong customer franchise and its solid positioning in a dynamic local economy. Barring a significant deterioration in the financial markets and the overall economic situation, business development in H2 2012 is expected to trend along the same lines as in the first half.

Revenues[1]

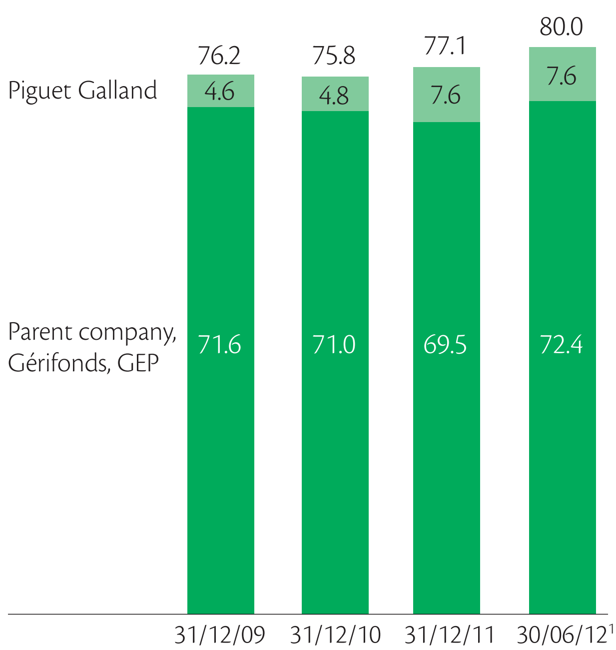
(in CHF millions, rounded)



[1] Unaudited figures

Assets under management[1]

(in CHF billions, rounded)



[1] H1 2012 figures unaudited

BCV Group
Consolidated balance sheet (unaudited)

(in CHF millions)	2012 30 June	2011 31 December	Change absolute	Change as %
Cash and cash equivalents	4 477	1 711	2 766	162
Money-market instruments	35	28	7	25
Due from banks	2 261	3 128	– 867	– 28
Loans and advances to customers	5 542	5 894	– 352	– 6
Mortgage loans	22 501	22 071	430	2
Trading portfolio assets	633	573	60	10
Financial investments	2 980	2 975	5	0
Non-consolidated holdings	88	88	0	0
Tangible fixed assets	608	628	– 20	– 3
Intangible assets	30	35	– 5	– 14
Accrued income and prepaid expenses	209	206	3	1
Other assets	471	566	– 95	– 17
Assets	**39 835**	**37 903**	**1 932**	**5**
Total subordinated assets	1	1	0	0
Money-market paper issued	1	6	– 5	– 83
Due to banks	2 965	2 352	613	26
Customer savings and investment accounts	12 089	11 620	469	4
Other customer accounts	14 784	14 087	697	5
Medium-term notes	172	209	– 37	– 18
Bonds and mortgage-backed bonds	5 712	5 384	328	6
Accrued expenses and deferred income	243	215	28	13
Other liabilities	490	523	– 33	– 6
Value adjustments and provisions	196	206	– 10	– 5
Liabilities	**36 652**	**34 602**	**2 050**	**6**
Reserves for general banking risks	704	704	0	0
Equity capital	86	86	0	0
Capital reserve	275	360	– 85	– 24
Own equity securities	– 9	– 8	– 1	– 13
Retained earnings	1 950	1 838	112	6
Minority interests - equity	20	20	0	0
Net profit for reporting period	157		157	
Net profit for 2011		301	– 301	
Minority interests	*1*	*– 1*		
Shareholders' equity	**3 183**	**3 301**	**– 118**	**– 4**
Total liabilities and shareholders' equity	**39 835**	**37 903**	**1 932**	**5**
Total subordinated liabilities	0	0	0	0

Consolidated off-balance-sheet transactions (unaudited)

(in CHF millions)	2012 30 June	2011 31 December	Change absolute	Change as %
Contingent liabilities	1 424	1 457	– 33	– 2
Irrevocable commitments	1 094	1 095	– 1	0
Commitments relating to calls on shares and other equity securities	94	95	– 1	– 1
Confirmed credits	12	45	– 33	– 73
Derivative financial instruments				
Gross positive replacement values	622	765	– 143	– 19
Gross negative replacement values	702	801	– 99	– 12
Values of underlyings	48 614	36 163	12 451	34
Fiduciary transactions	495	740	– 245	– 33

BCV Group
Consolidated income statement (unaudited)

(in CHF millions)	2012 1st half	2011 1st half	Change absolute	Change as %
Interest and discount income [1]	360.4	359.9	0.5	0
Interest and dividend income from financial investments	30.1	29.9	0.2	1
Interest expense	– 125.6	– 129.6	– 4.0	– 3
Net interest income	**264.9**	**260.2**	**4.7**	**2**
Fees and commissions on lending operations [1]	27.9	22.7	5.2	23
Fees and commissions on securities and investment transactions	141.5	152.0	– 10.5	– 7
Fees and commissions on other services	37.4	35.8	1.6	4
Fee and commission expense	– 33.6	– 37.9	– 4.3	– 11
Net fee and commission income	**173.2**	**172.6**	**0.6**	**0**
Net trading income	**55.8**	**51.8**	**4.0**	**8**
Profit on disposal of financial investments	1.4	8.3	– 6.9	– 83
Total income from holdings	3.4	3.4	0.0	0
Real-estate income	5.2	4.8	0.4	8
Miscellaneous ordinary income	4.7	4.5	0.2	4
Miscellaneous ordinary expenses	– 0.4	– 2.5	– 2.1	– 84
Other ordinary income	**14.3**	**18.5**	**– 4.2**	**– 23**
Total income from ordinary banking operations	**508.2**	**503.1**	**5.1**	**1**
Personnel costs	– 170.1	– 171.5	– 1.4	– 1
Other operating expenses	– 95.9	– 97.8	– 1.9	– 2
Operating expenses	**– 266.0**	**– 269.3**	**– 3.3**	**– 1**
Operating profit	**242.2**	**233.8**	**8.4**	**4**
Depreciation and write-offs on fixed assets	– 44.5	– 42.2	2.3	5
Value adjustments, provisions and losses	– 0.8	– 2.3	– 1.5	– 65
Profit on ordinary banking operations before extraordinary items and taxes	**196.9**	**189.3**	**7.6**	**4**
Extraordinary income	5.7	13.2	– 7.5	– 57
Extraordinary expenses	0.0	– 2.1	– 2.1	– 100
Taxes	– 45.4	– 46.1	– 0.7	– 2
Net profit before minority interests	**157.2**	**154.3**	**2.9**	**2**
Minority interests	– 0.7	– 0.3	0.4	133
Net profit	**156.5**	**154.0**	**2.5**	**2**

[1] To facilitate like-for-like comparisons, 2011 figures were adjusted following the reclassification of certain income.

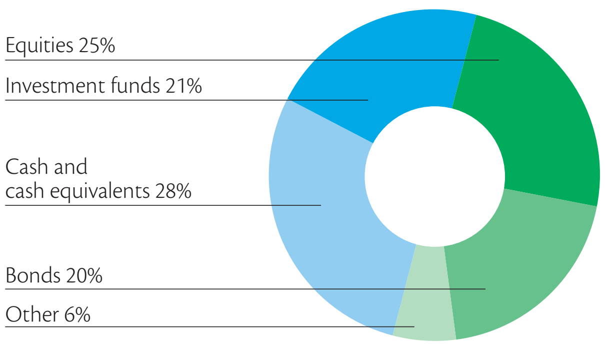
Key figures at 30 June – 5-year overview (unaudited)

(in CHF millions)	2008	2009	2010	2011	2012
Balance sheet at 30 June					
Total assets	34 085	36 109	36 741	37 555	39 835
Advances to customers	22 859	23 357	24 782	26 517	28 043
Customer deposits and bonds	26 899	29 685	30 102	30 190	32 757
Shareholders' equity	3 291	3 145	3 191	3 156	3 183
Assets under management	75 913	71 386	75 967	78 229	80 015
H1 income statement					
Total income	420	479	503	503	508
Operating expenses	254	251	259	269	266
Operating profit	166	228	244	234	242
Depreciation and write-offs	39	39	40	42	45
Value adjustments, provisions and losses	1	17	5	2	1
Net profit	192	136	146	154	157
Headcount at 30 June					
Full-time equivalents	1 948	1 923	1 946	2 060	1 967
Ratios at 30 June					
Shareholders' equity / total assets	9.7%	8.7%	8.7%	8.4%	8.0%
FINMA capital adequacy ratio [1]	179%	180%	178%	172%	166%
BIS Tier 1 capital ratio [1]	16.4%	18.3%	18.0%	17.5%	16.8%
BIS total capital ratio [1]	16.3%	18.3%	18.0%	17.5%	16.8%
Interest margin on total assets	1.53%	1.45%	1.49%	1.47%	1.39%
Cost / income ratio [2]	70%	61%	59%	62%	61%
ROE	11.7%	8.6%	9.0%	9.5%	9.5%

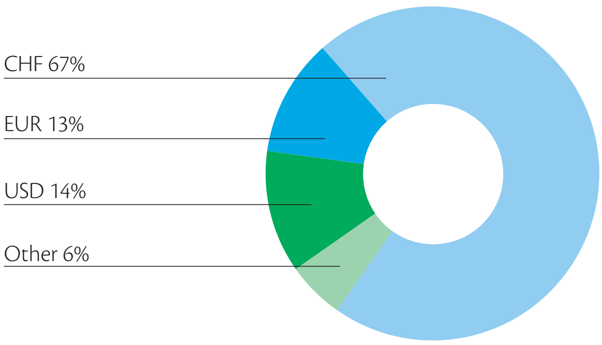
1) BCV obtained approval from FINMA in December 2008 to apply the Basel II Foundation Internal Ratings-Based (FIRB) approach starting in 2009. End-June ratios do not take into account H1 income.

2) Excluding goodwill amortization and write-downs.

Breakdown in AuM by investment type



Breakdown in AuM by currency



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