

## Press release

### **Continuing business volume growth and solid operating profit at BCV Group in a mixed environment**

**Customer-driven business volumes were once again on the rise in 2013. The low-interest-rate environment and the Bank's voluntary cap on growth in mortgage lending continued to weigh on revenues. Operating profit was nonetheless solid at CHF 471m (-3%) thanks to firm cost control. Net profit was CHF 280m (-10%). The decline reflected one-off items, in particular relating to the US Department of Justice's program aimed at settling the tax dispute between Switzerland and the USA. At the next Annual Shareholders' Meeting, the Board of Directors will propose an ordinary dividend of CHF 22 per share and a special distribution of CHF 10 per share out of paid-in reserves, in accordance with the distribution policy announced in 2013. The Group will thus pay out CHF 275m to shareholders.**

#### **Revenues down slightly in a mixed environment**

Total revenues edged down 2% year-on-year to CHF 991m. Interest income fell 3% to CHF 502m, reflecting the Bank's prudent liquidity management, its voluntary cap on growth in mortgage lending, and the continuing low-interest-rate environment. Fee and commission income was down 2% to CHF 341m due to the mixed effects of rising financial markets and the cyclical downtrend in trade finance activities. Trading income was stable, at a solid CHF 113m. Other ordinary income rose 15% to CHF 35m.

#### **Operating profit at CHF 471m**

Operating expenses dropped 1% to CHF 519m despite the transfer on 1 July 2013 of 80 specialists from IBM. Personnel costs were stable at CHF 337m (+1%) and other operating expenses fell 4% to CHF 182m. This effective cost control partly offset the impact of the downward pressure on revenues, with operating profit declining just 3% to CHF 471m as a result.

#### **Net profit at CHF 280m**

Depreciation and write-offs were stable at CHF 86m. Value adjustments, provisions and losses amounted to CHF 43m. This included the payment set out in the tax agreement between Switzerland and the UK, provisions relating to credit and operational risk, and a provision for the parent company and subsidiary Piguet Galland & Cie SA's participation in the US Department of Justice's program aimed at settling the tax dispute between Switzerland and the USA. Extraordinary income came in at CHF 21m, mainly reflecting releases of credit-risk provisions, as well as a real-estate disposal in connection with the relocation of Group subsidiary Piguet Galland & Cie SA's activities to a single site. Net profit amounted to CHF 280m (-10%). The cost/income ratio went from 60% to 61%.

### **Continued growth in customer-driven business volumes**

Customer-driven business volumes rose on the back of a resilient economy in Vaud and Switzerland as a whole. Total assets expanded 2% to CHF 40.5bn. Mortgage lending was up 2% (+CHF 511m) to CHF 23.4bn, in line with the Bank's controlled growth target in this area. Other loans increased by 7% to CHF 5.4bn.

On the liabilities side, the solid expansion in customer savings and investment accounts continued, with a 4% rise (+CHF 504m) to CHF 12.8bn. Other customer accounts grew by 4% (+CHF 544m) to CHF 15.5bn.

### **Rise in AuM and inflows of CHF 2.9bn in onshore funds**

Group assets under management (AuM) were up 6% (+CHF 4.7bn) to CHF 83.9bn. Net new funds amounted to CHF 1.6bn for the period, with CHF 2.9bn in onshore fund inflows significantly outweighing the CHF 1.3bn in offshore fund outflows.

### **Solid financial position**

Equity capital remained at a comfortable CHF 3.3bn, equating to a CET1 ratio of 17.8%, which attests to the Bank's financial solidity.

Following its decision to upgrade Vaud Canton's rating to AAA, Standard & Poor's announced in its 14 June 2013 press release that it was upgrading the Bank's outlook from negative to stable and was keeping BCV's long-term credit rating at AA. This cemented BCV's position as one of the world's best-rated financial institutions.

### **Distribution policy extended**

In early 2013 the Bank stated that it was extending the distribution policy announced in 2008 for a further five years. In May 2013 BCV returned a total of CHF 32 per share, or CHF 275m, to its shareholders for the 2012 financial year.

### **Proposed CHF 275m payout**

In accordance with the Bank's distribution policy, the Board of Directors will submit a proposal to pay an ordinary dividend of CHF 22 per registered share at the Annual Shareholders' Meeting to be held on 1 May 2014 in Lausanne. It will also propose a special distribution of CHF 10 per share out of paid-in reserves. If these proposals are accepted, BCV will return CHF 275m to its shareholders. The Canton of Vaud will receive CHF 185m in distributions, together with CHF 59m in cantonal and municipal taxes for 2013, for a total of CHF 244m.

### **New head of Retail Banking Division**

BCV's Board of Directors has appointed José François Sierdo to the Bank's Executive Board as head of the Retail Banking Division. Mr. Sierdo has more than 20 years of banking experience in Switzerland and abroad as well as in-depth knowledge of the Canton of Vaud. This makes him the ideal person to develop BCV's retail activities going forward. Mr. Sierdo replaces Markus Gygax, who left the Bank in November. He will take up his position on 3 March.

**Board members' terms renewed**

The Vaud Cantonal Government renewed the four-year terms of three of the members it appoints to BCV's Board of Directors, namely Olivier Steimer (Chairman), Luc Recordon and Paul-André Sanglard.

**Successful transfer of IBM employees**

As announced in December 2012, 80 IBM specialists were transferred to BCV on 1 July 2013 to continue working on maintenance and development of the Osiris platform. This will help to bring down IT costs slightly and give the Bank more control over platform development. IBM will remain BCV's provider of IT hosting services, as well as certain other projects and consulting.

**Outlook**

Barring a significant deterioration in the financial markets and the overall economic situation, business development for 2014 is expected to trend along the same lines as in 2013.

**Lausanne, Switzerland, 20 February 2014**

**2014 financial calendar:**

- 1 May First-quarter results press release
- 1 May Annual Shareholders' Meeting, Lausanne, Switzerland
- 5 May Ex-dividend date\*
- 7 May Record date
- 8 May Dividend payment\*
- 21 August First-half results press conference
- 13 November Nine-month results press release

Contact(s)

Christian Jacot-Descombes, Press Officer

Phone +41 79 816 99 30

Email [christian.jacot-descombes@bcv.ch](mailto:christian.jacot-descombes@bcv.ch)

Gregory Duong, Investor Relations Officer

Phone +41 21 212 20 71

Email [gregory.duong@bcv.ch](mailto: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 version is authoritative.

**Consolidated balance sheet**

(in CHF millions)

	31/12/2013	31/12/2012	Absolute change	Change as %
Cash and cash equivalents	4 669	4 735	-66	- 1
Money-market instruments	39	26	13	+ 50
Due from banks	1 609	2 007	-398	- 20
Loans and advances to customers	5 434	5 094	340	+ 7
Mortgage loans	23 375	22 864	511	+ 2
Trading portfolio assets	932	667	265	+ 40
Financial investments	3 146	3 101	45	+ 1
Non-consolidated holdings	50	52	-2	- 4
Tangible fixed assets	602	621	-19	- 3
Intangible assets	32	37	-5	- 14
Accrued income and prepaid expenses	196	198	-2	- 1
Other assets	370	398	-28	- 7
<b>Assets</b>	<b>40 454</b>	<b>39 800</b>	<b>654</b>	<b>+ 2</b>
Total subordinated assets	-	-	-	-
Total claims on non-consolidated holdings and significant shareholders	8	8	-	-
<i>of which claims on the Canton of Vaud</i>	5	5	-	-
Money-market paper issued	43	3	40	+ 1 333
Due to banks	1 921	2 444	-523	- 21
Customer savings and investment accounts	12 799	12 295	504	+ 4
Other customer accounts	15 452	14 908	544	+ 4
Medium-term notes	81	131	-50	- 38
Bonds and mortgage-backed bonds	6 064	5 837	227	+ 4
Accrued expenses and deferred income	224	231	-7	- 3
Other liabilities	377	461	-84	- 18
Value adjustments and provisions	171	175	-4	- 2
<b>Liabilities</b>	<b>37 132</b>	<b>36 485</b>	<b>647</b>	<b>+ 2</b>
Reserves for general banking risks	704	704	-	-
Equity capital	86	86	-	-
Capital reserve	192	275	-83	- 30
Own equity securities	-11	-11	-	-
Retained earnings	2 071	1 949	122	+ 6
Minority interests - equity	-	1	-1	- 100
Net profit before minority interests	280	311	-31	- 10
<i>Minority interests</i>	-	-	-	-
<b>Shareholders' equity</b>	<b>3 322</b>	<b>3 315</b>	<b>7</b>	<b>-</b>
<b>Total liabilities and shareholders' equity</b>	<b>40 454</b>	<b>39 800</b>	<b>654</b>	<b>+ 2</b>
Total subordinated liabilities	-	-	-	-
Total liabilities to non-consolidated holdings and significant shareholders	1 287	1 331	-44	- 3
<i>of which liabilities to the Canton of Vaud</i>	1 284	1 327	-43	- 3

**Consolidated off-balance-sheet transactions**

(in CHF millions)

	31/12/2013	31/12/2012	Absolute change	Change as %
Contingent liabilities	1 144	1 238	-94	- 8
Irrevocable commitments	1 140	1 105	35	+ 3
Commitments relating to calls on shares and other equity securities	93	94	-1	- 1
Confirmed credits	23	31	-8	- 26
<b>Derivative financial instruments</b>				
Positive replacement values	521	509	12	+ 2
Negative replacement values	585	641	-56	- 9
Values of underlyings	52 701	45 821	6 880	+ 15
Fiduciary transactions	316	359	-43	- 12

**Consolidated income statement**

(in CHF millions)

	2013 1/1 - 31/12	2012 1/1 - 31/12	Absolute change	Change as %
Interest and discount income	672.7	712.3	- 39.6	- 6
Interest and dividend income from financial investments	56.3	57.9	- 1.6	- 3
Interest expense	- 227.5	- 250.9	- 23.4	- 9
<b>Net interest income</b>	<b>501.5</b>	<b>519.3</b>	<b>- 17.8</b>	<b>- 3</b>
Fees and commissions on lending operations	44.5	50.2	- 5.7	- 11
Fees and commissions on securities and investment transactions	285.4	281.9	+ 3.5	+ 1
Fees and commissions on other services	76.7	79.1	- 2.4	- 3
Fee and commission expense	- 65.3	- 64.2	+ 1.1	+ 2
<b>Net fee and commission income</b>	<b>341.3</b>	<b>347.0</b>	<b>- 5.7</b>	<b>- 2</b>
<b>Net trading income</b>	<b>112.8</b>	<b>113.1</b>	<b>- 0.3</b>	<b>-</b>
Profit on disposal of financial investments	1.8	5.9	- 4.1	- 69
Total income from holdings	9.6	4.8	+ 4.8	+ 100
Real-estate income	11.5	11.3	+ 0.2	+ 2
Miscellaneous ordinary income	15.2	9.5	+ 5.7	+ 60
Miscellaneous ordinary expenses	- 3.1	- 1.1	+ 2.0	+ 182
<b>Other ordinary income</b>	<b>35.0</b>	<b>30.4</b>	<b>+ 4.6</b>	<b>+ 15</b>
<b>Total income from ordinary banking operations</b>	<b>990.6</b>	<b>1 009.8</b>	<b>- 19.2</b>	<b>- 2</b>
Personnel costs	- 337.3	- 334.7	+ 2.6	+ 1
Other operating expenses	- 182.1	- 189.3	- 7.2	- 4
<b>Operating expenses</b>	<b>- 519.4</b>	<b>- 524.0</b>	<b>- 4.6</b>	<b>- 1</b>
<b>Operating profit</b>	<b>471.2</b>	<b>485.8</b>	<b>- 14.6</b>	<b>- 3</b>
Depreciation and write-offs on fixed assets	- 85.7	- 86.2	- 0.5	- 1
Value adjustments, provisions and losses	- 42.7	- 3.9	+ 38.8	+ 995
<b>Profit on ordinary banking operations before extraordinary items and taxes</b>	<b>342.8</b>	<b>395.7</b>	<b>- 52.9</b>	<b>- 13</b>
Extraordinary income	21.3	9.0	+ 12.3	+ 137
Extraordinary expenses	- 0.1	- 1.6	- 1.5	- 94
Taxes	- 83.9	- 92.0	- 8.1	- 9
<b>Net profit before minority interests</b>	<b>280.1</b>	<b>311.1</b>	<b>- 31.0</b>	<b>- 10</b>
Minority interests	-	- 0.1	- 0.1	- 100
<b>Net profit</b>	<b>280.1</b>	<b>311.0</b>	<b>- 30.9</b>	<b>- 10</b>