

# 2018 Full-Year Results

Analysts' Presentation  
21 February 2019



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## **Introduction**

**Pascal Kiener, CEO**

FY 2018 financial results

Thomas W. Paulsen, CFO

Outlook

Pascal Kiener, CEO

Sustained growth in all key businesses and revenues up 1%, despite the ongoing negative-interest-rate environment

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Operating profit up (+4%), thanks to continuing strict cost control

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Net profit up 9% year on year to CHF 350m, including a capital gain from the disposal of a building as announced in the FY 2017 results

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Proposal to distribute a dividend of CHF 35 per share, representing an increase of CHF 2

# FY 2018 key figures

CHF (rounded)



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Revenues  
977m  
+1%

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Operating profit  
403m  
+4%

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Net profit  
350m  
+9%

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Total assets  
47.9bn  
+5%

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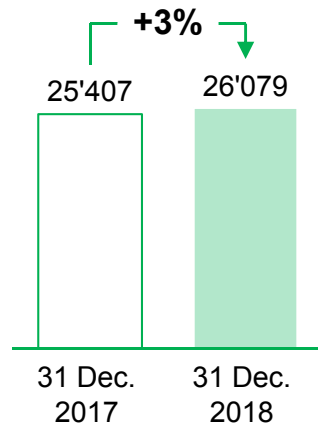
AuM  
87.6bn  
+1%

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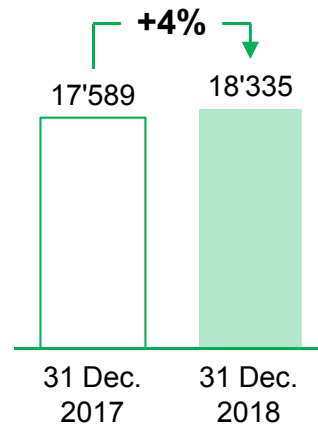
# Main business trends

CHF millions (rounded)

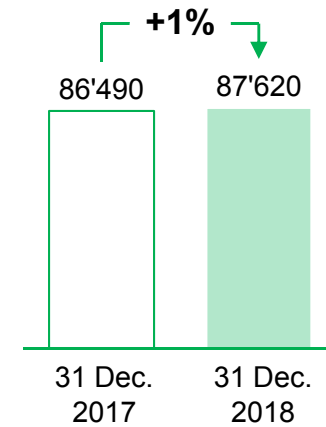
## Mortgage loans



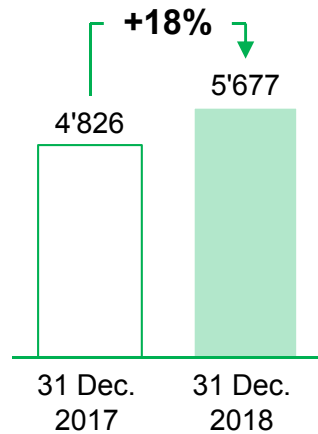
## Sight deposits<sup>1</sup>



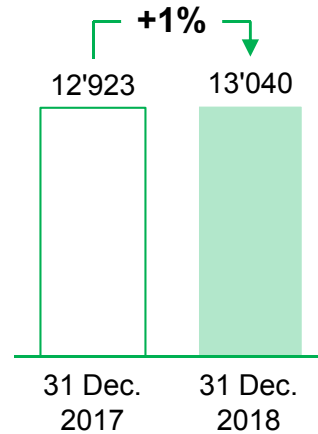
## AuM



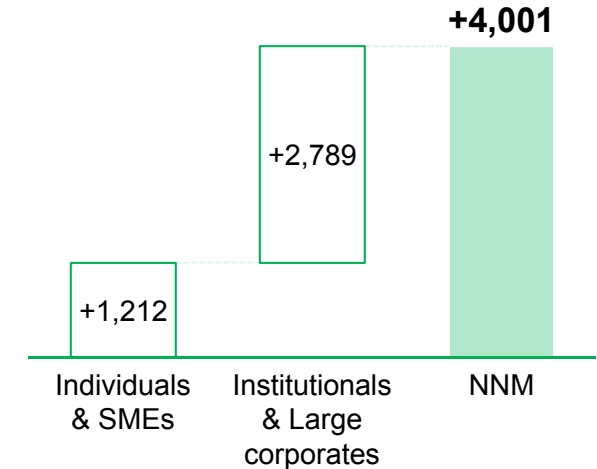
## Other loans



## Other client deposits



## Net new money



Note  
(1) Including savings deposits

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Fabienne Freymond Cantone appointed to the Board of Directors by the Vaud Cantonal Government, replacing Luc Recordon as of 26 April 2018

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Jean-François Schwarz appointed to the Board of Directors by the Vaud Cantonal Government, replacing Paul-André Sanglard as of 1 January 2019

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CHF 284m distributed to shareholders in May for the 2017 fiscal year; i.e., CHF 33 per share or a dividend yield of 4.5%<sup>1</sup>

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AA rating from S&P with a stable outlook

Aa2 rating from Moody's with a stable outlook

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In November, the Vaud Cantonal government announced that the corporate tax reform would go into effect in 2019, lowering the tax rate to 13.8%

Note

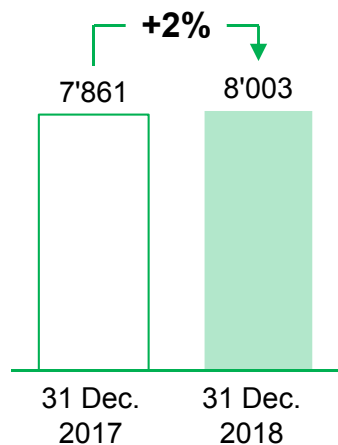
(1) Based on closing price at 31 December 2017

# Retail Banking

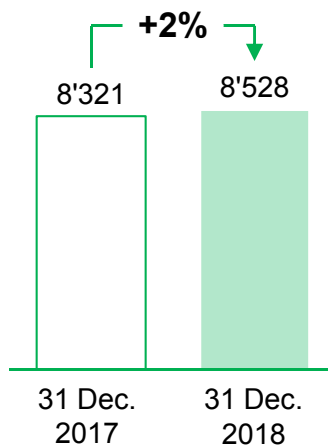
CHF millions (rounded)<sup>1</sup>



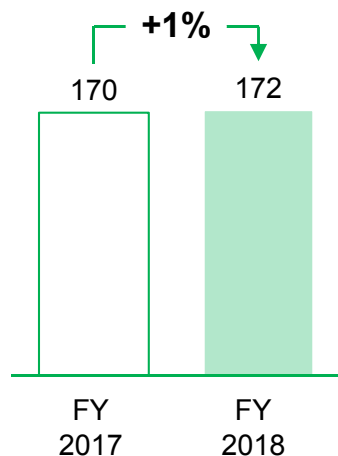
## Mortgage loans



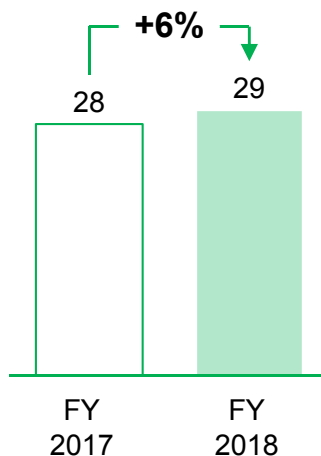
## Customer deposits



## Revenues



## Operating profit



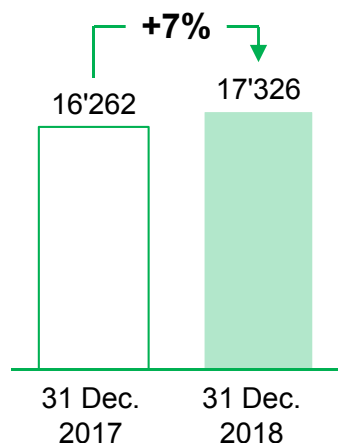
- Continuing rise in mortgage loans, which surpassed CHF 8bn
- Customer deposits up – no negative interest rates charged to retail customers
- Robust revenues and firm cost control helped push operating profit up 6%

Note

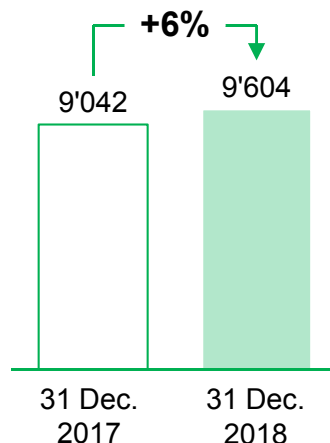
(1) 2017 figures were adjusted to facilitate like-for-like comparison



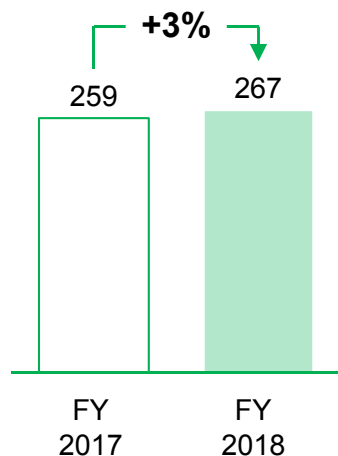
## Loans/off-BS commitments



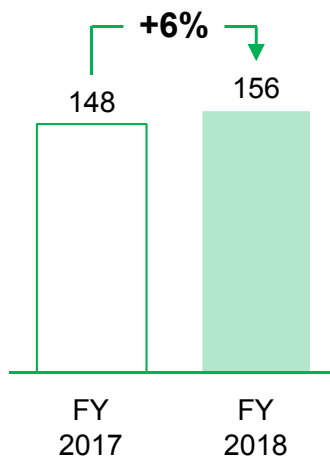
## Customer deposits



## Revenues



## Operating profit



Solid momentum in all Corporate Banking businesses

- SMEs
  - Loans and off-balance-sheet commitments up 6%
  - Customer deposits up 6%
- Large Corporates
  - Loans and off-balance-sheet commitments up 4%
  - Increase in deposits (+8%)
- Trade Finance
  - Average business volume up 12% on 2017
- Operating profit up 6%
- Sound credit portfolio. Low new provisioning needs.

Note

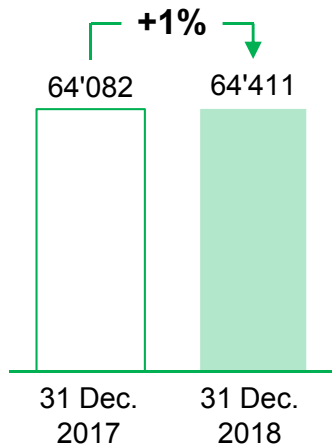
(1) 2017 figures were adjusted to facilitate like-for-like comparison

# Wealth Management

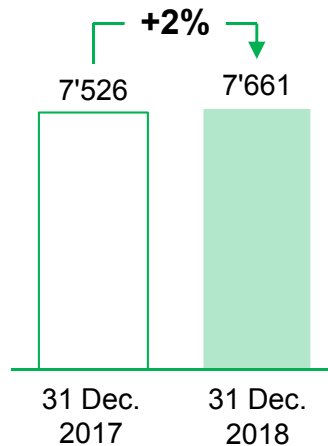
CHF millions (rounded)<sup>1</sup>



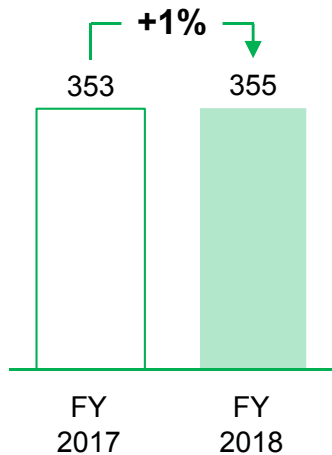
## AuM



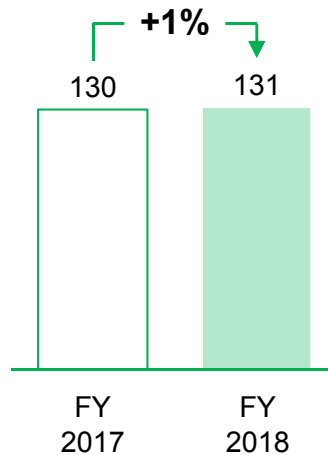
## Mortgage loans



## Revenues



## Operating profit



- Growth in AuM
  - NNM mainly from institutional and onshore Private Banking clients
  - Negative performance in financial markets
- Continuing increase in mortgage loans
- Resilient revenues and operating profit, both up 1%

Note

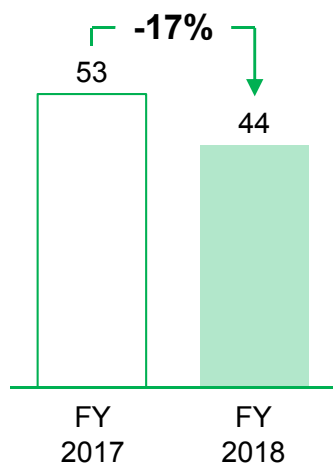
(1) 2017 figures were adjusted to facilitate like-for-like comparison

# Trading

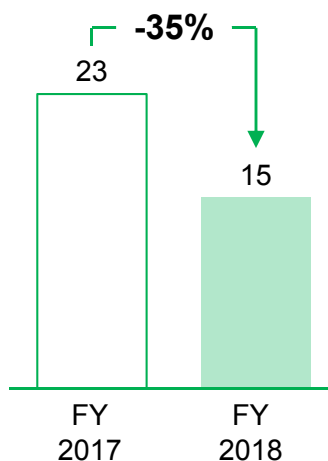
CHF millions (rounded)<sup>1</sup>



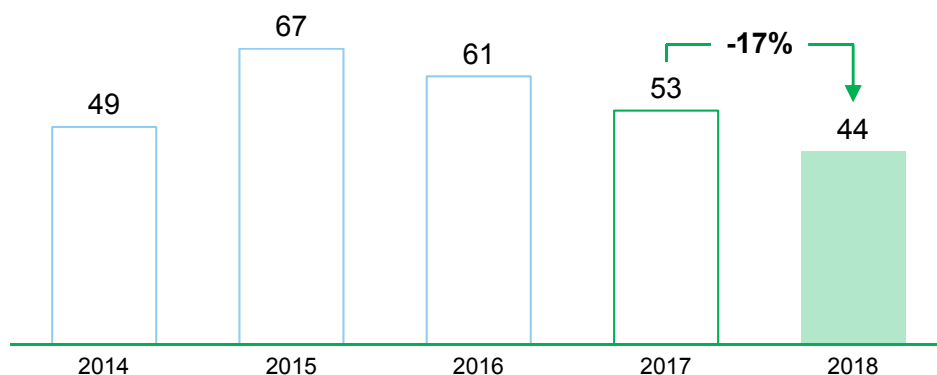
## Revenues



## Operating profit



## Revenues time series<sup>2</sup>



- Low volatility in the forex market and the ongoing negative-interest-rate environment have weighed on the three Trading businesses:
  - Forex
  - Equities, bonds, and fixed income
  - Structured products
- Forex trading still accounts for 2/3 of Trading revenues
- Revenues down 17% and operating profit down 35%

### Note

- (1) 2017 figures were adjusted to facilitate like-for-like comparison
- (2) No adjustment except for 2017 to facilitate like-for-like comparison with 2018

Introduction  
Pascal Kiener, CEO

**FY 2018 financial results**  
**Thomas W. Paulsen, CFO**

Outlook  
Pascal Kiener, CEO

# Income statement

CHF millions (rounded)



	FY 2017	FY 2018	Change	
<b>Total income from ordinary banking operations</b>	<b>967</b>	<b>977</b>	<b>+10</b>	<b>+1%</b>
Operating expenses	-508	-500	-8	-2%
Depreciation & amortization of fixed assets and impairment on equity investments	-70	-69	-1	-2%
Other provisions and losses	-1	-5	+4	+279%
<b>Operating profit</b>	<b>387</b>	<b>403</b>	<b>+16</b>	<b>+4%</b>
Net extraordinary income	17	35	+18	+108%
Taxes	-83	-88	+5	+6%
<b>Net profit</b>	<b>320</b>	<b>350</b>	<b>+30</b>	<b>+9%</b>

# Total income from banking operations

CHF millions (rounded)

## Total income from ordinary banking operations

967		977			
478		490		Net interest income	+10 +1%
316		317		Commissions & fees	+1 0%
134	39	128	41	Trading Other	-6 -4% +2 +6%
FY 2017		FY 2018			

- **NII** – Net interest income up
- **Commissions & fees** – Stable
- **Trading** – Activity down

## Net interest income

498		496		NII before loan impairment charges/reversals	-2 0%
	-20		-6	Loan impairment charges/reversals	-14 -71%
478		490		Net interest income	+12 +3%
FY 2017		FY 2018			

- **NII before loan impairment charges/reversals** – Stable thanks to effective balance sheet management in an ongoing negative-interest-rate environment
- **Loan impairment charges/reversals** – Low provisioning needs

# Operating expenses, depreciation and amortization

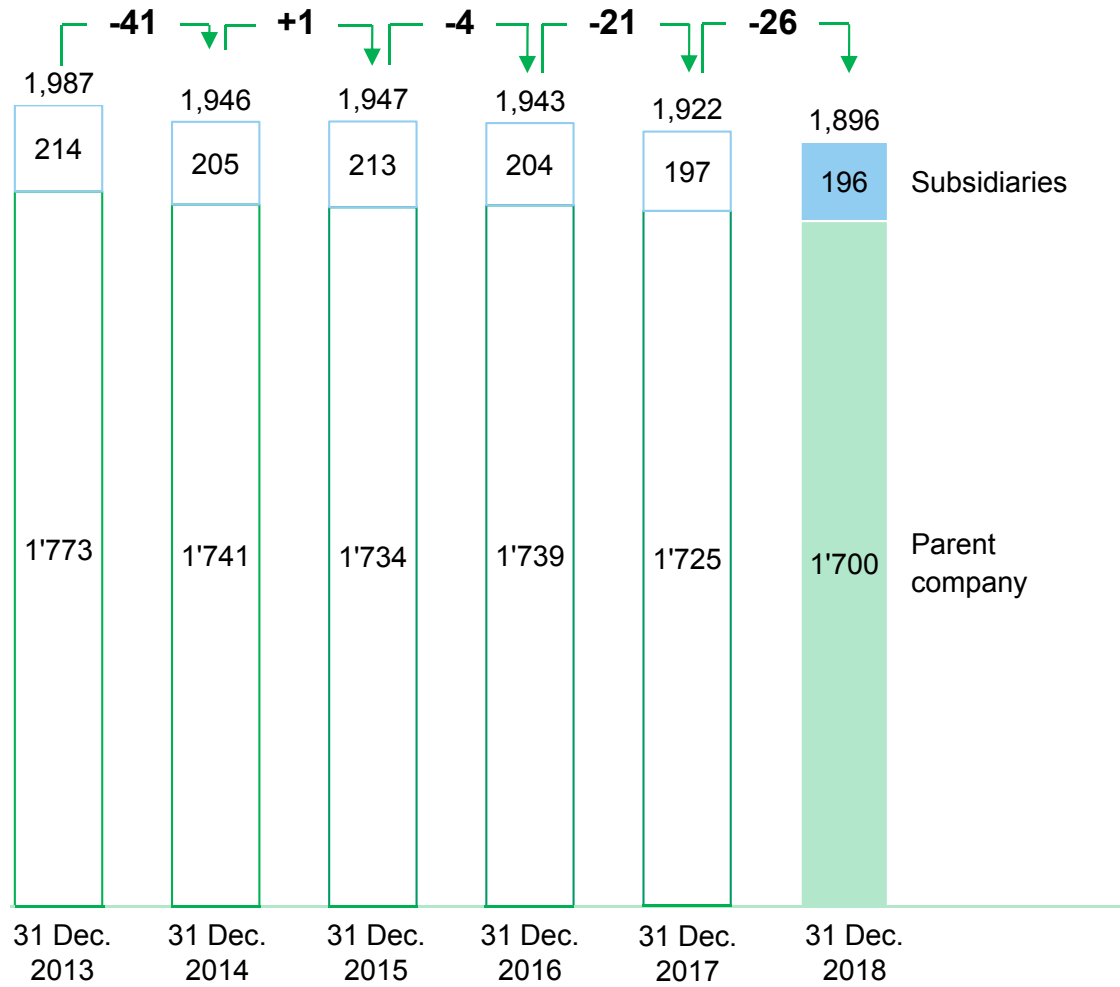
CHF millions (rounded)

	FY 2017	FY 2018		
	<b>579</b>	<b>569</b>		<b>-10</b> <b>-2%</b>
	171	167	Other operating expenses	-4   -2%
	337	333	Personnel costs	-4   -1%
	70	69	Depreciation & amortization	-1   -2%
	FY 2017	FY 2018		

- Continued firm control of operating expenses
- Total operating expenses, depreciation and amortization down 1.2% per year for the past five years

# Headcount

Full-time equivalents at period-end



- Continued firm cost control



# Assets

CHF billions (rounded)

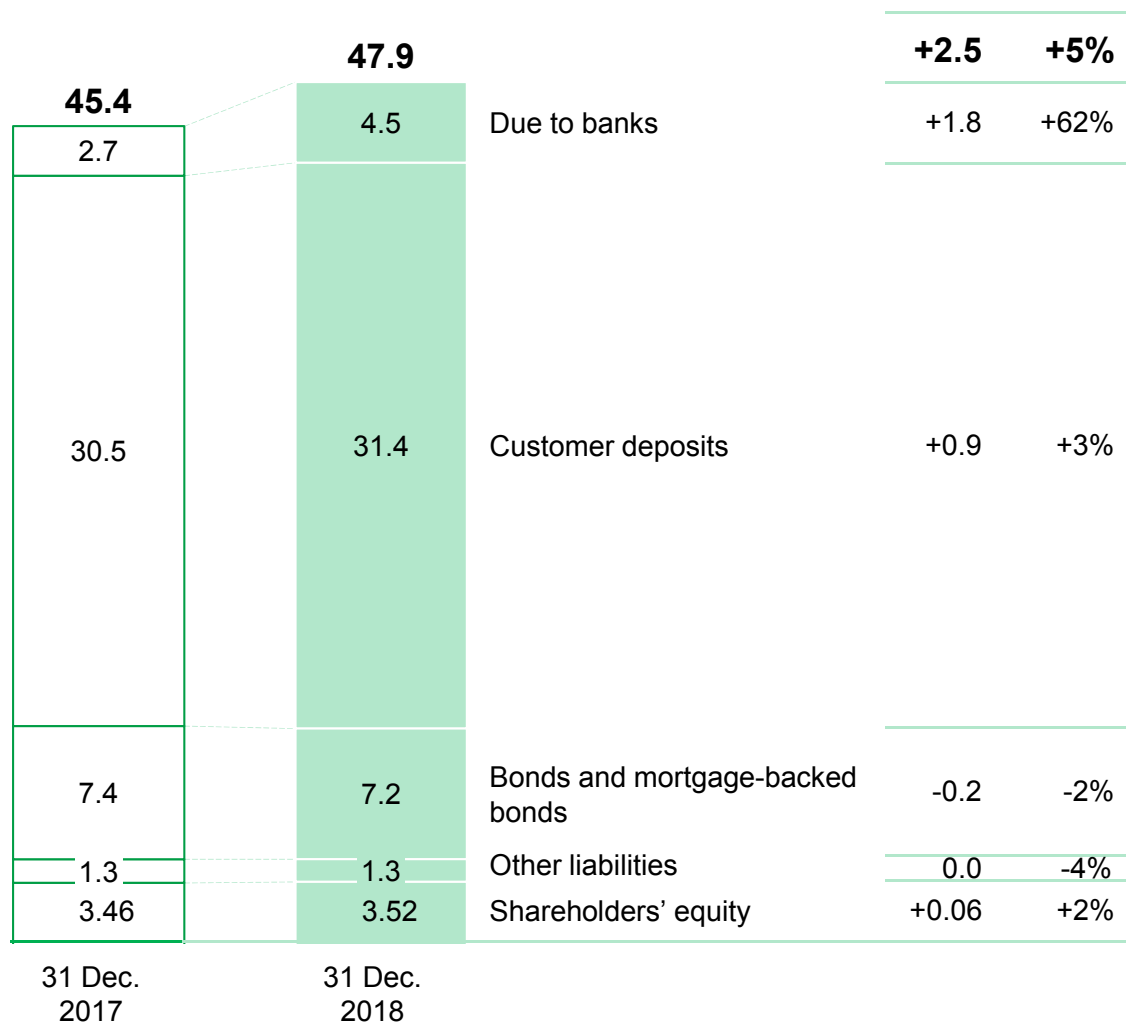


		31 Dec. 2017	31 Dec. 2018		
		<b>45.4</b>	<b>47.9</b>		<b>+2.5 +5%</b>
8.0	Cash and equivalents	8.0	8.2	+0.2	+2%
1.5	Due from banks and reverse repo agreements	1.5	2.2	+0.7	+48%
4.8	Loans and advances to customers	4.8	5.7	+0.9	+18%
25.4	Mortgage loans	25.4	26.1	+0.7	+3%
3.8	Financial investments	3.8	3.8	0.0	0%
1.9	Other assets	1.9	1.9	0.0	0%

- **Cash and equivalents** – Continuous increase in SNB sight deposits despite the ongoing negative-interest-rate environment
- **Loans and advances to customers** – Up significantly, especially in the Large Corporates and Trade Finance segments
- **Mortgage loans** – Moderate but steady growth

# Liabilities and equity

CHF billions (rounded)



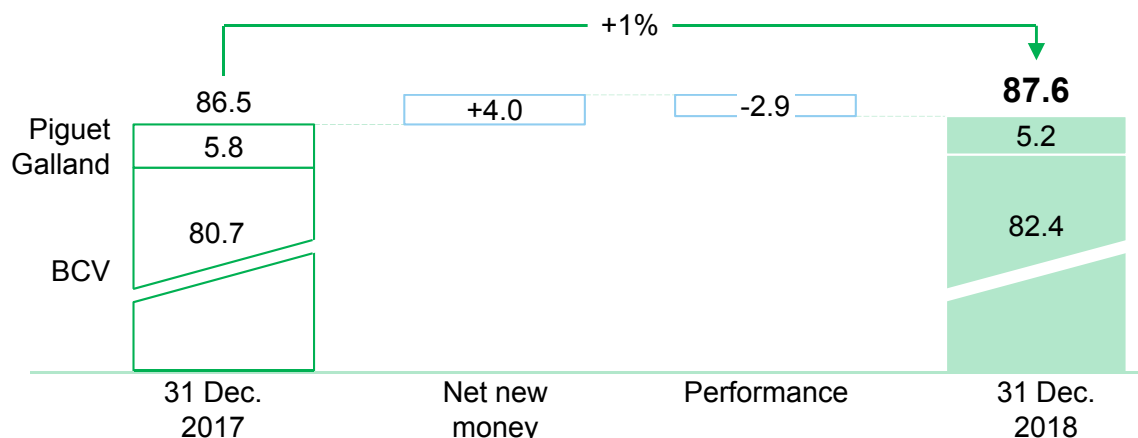
- **Due to banks** – Strong increase as a result of repo agreements
- **Customer deposits** – Continuous increase despite the ongoing negative-interest-rate environment
- **Shareholders' equity** – Up by CHF 65m

# Assets under management

CHF billions (rounded)



## Assets under management



- AuM up 1% to CHF 87.6bn
- Net new money of CHF 4.0bn
- Performance of -CHF 2.9bn

## Net new money



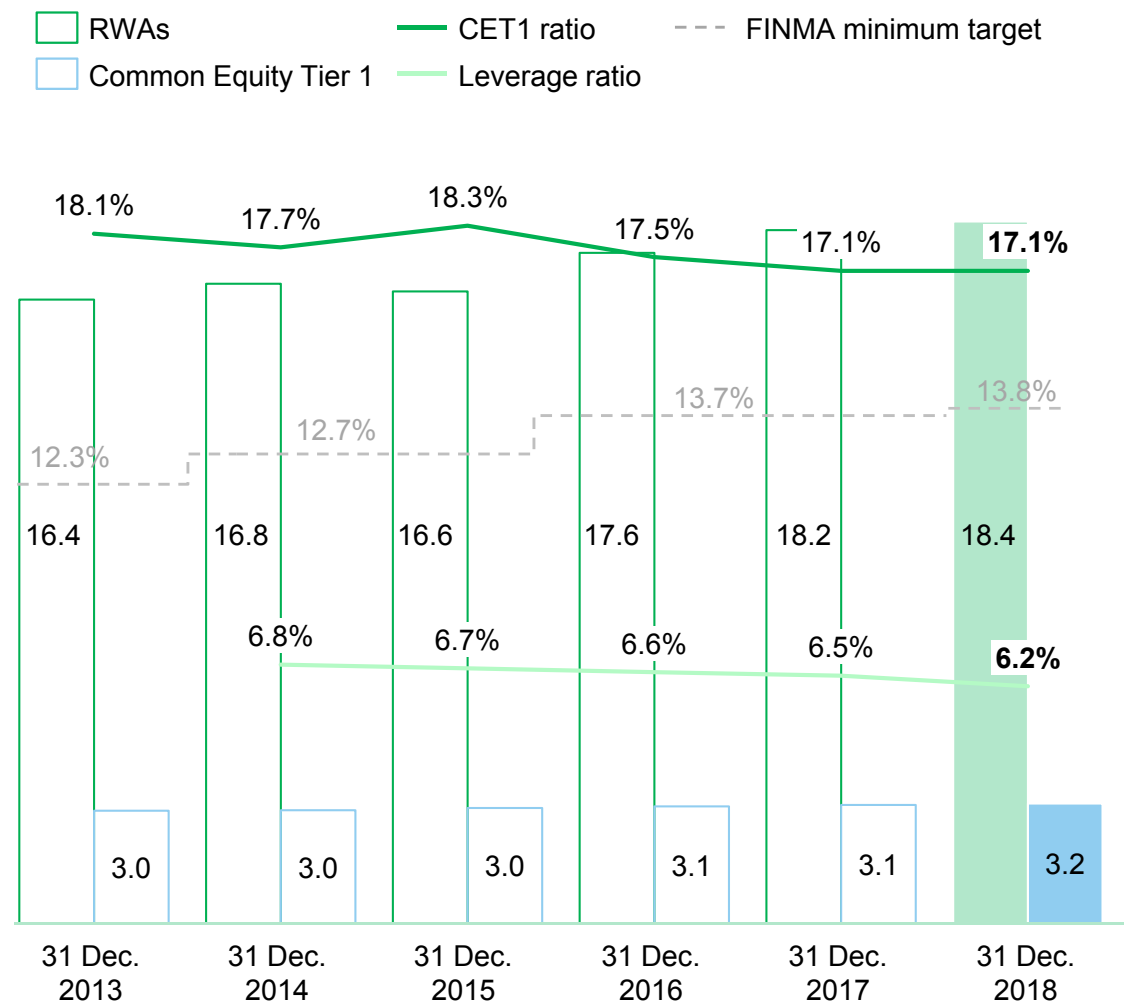
- Onshore net inflows of CHF 4.5bn:
  - CHF 1.7bn from personal banking customers and Vaud SMEs
  - CHF 2.8bn from large-corporate and institutional clients
- Offshore net outflows of CHF 0.5bn, entirely in Private Banking

# Capital ratios

CHF billions (rounded)



## Risk-weighted assets and CET1 ratio



### CET1 ratio

- CET1 ratio stable at 17.1%
  - Business growth, mainly in residential mortgages and Corporate Banking
  - IRB certification of the internal model used for Large Corporates
  - Increase in retained earnings (after subtracting out the proposed dividend)
- Look-through CET1 ratio of 16.9%, including the fully-loaded specific IRB multiplier

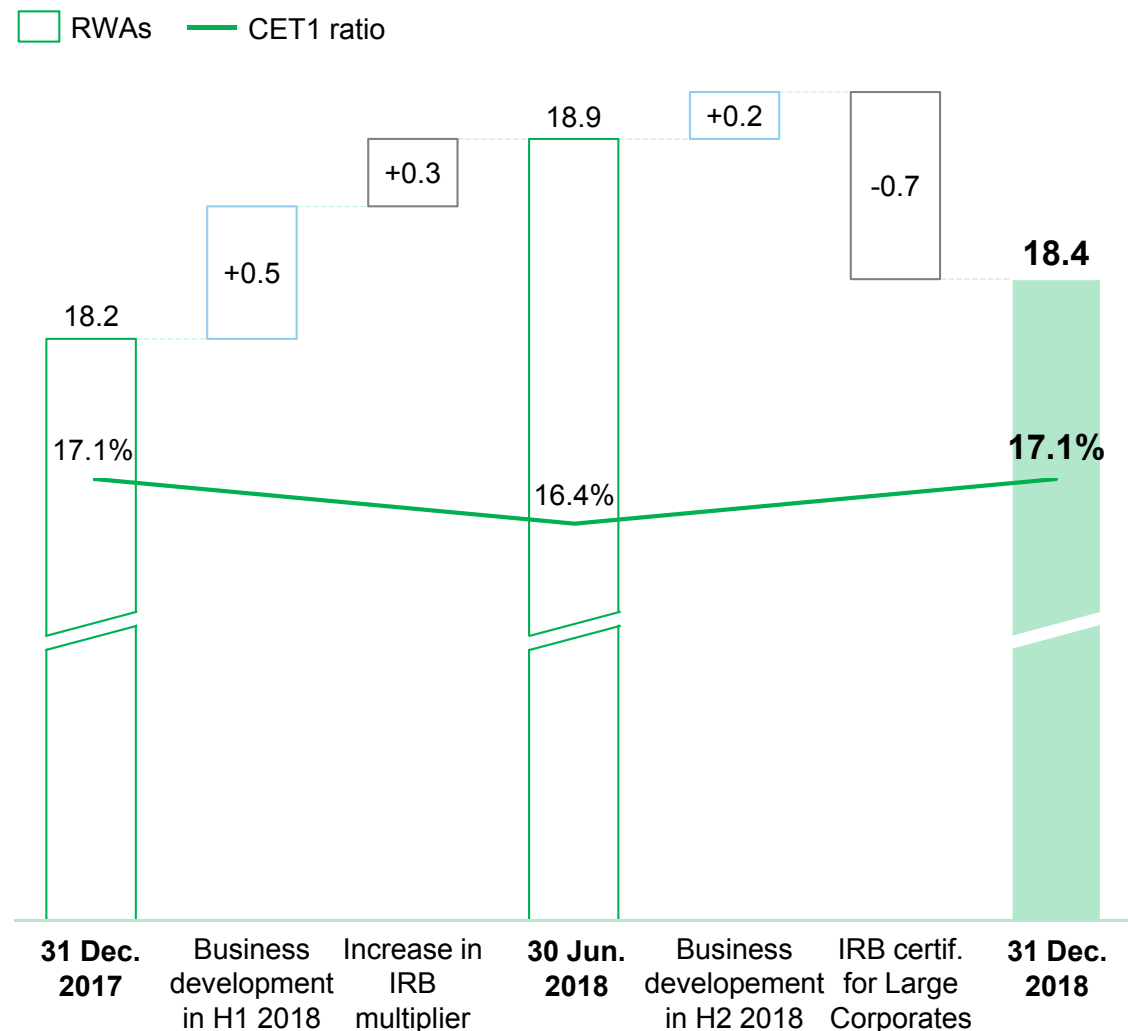
### Leverage ratio

- 30 bp decrease in the leverage ratio to 6.2%, vs. requirement of 3.0%

# Risk-weighted assets

CHF billions (rounded)

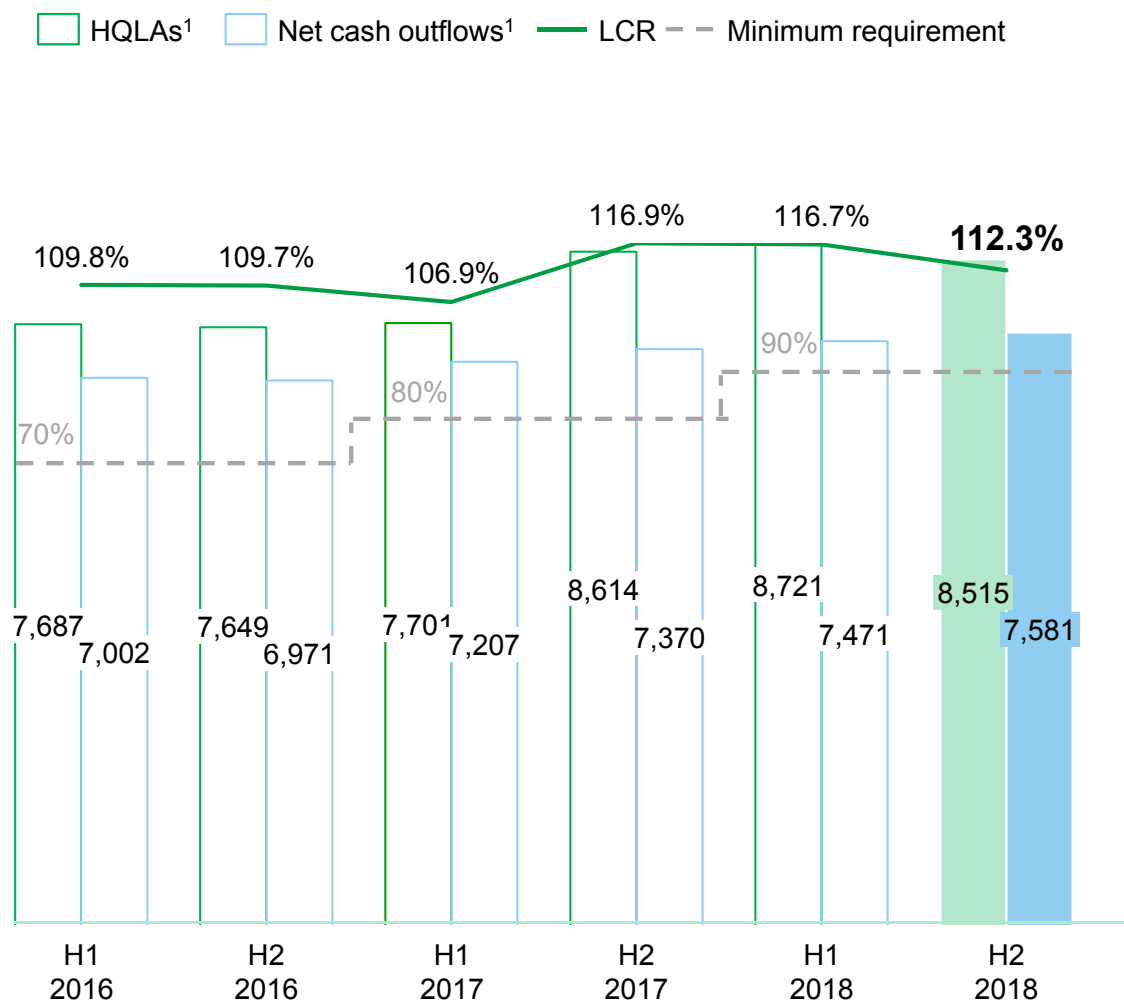
## Risk-weighted assets and CET1 ratio



- In H1 2018, the increase in RWAs was driven by:
  - A higher specific IRB multiplier for residential mortgages
  - Business development mostly in Corporate Banking
  
- In H2 2018, the decrease in RWAs was driven by:
  - IRB certification of the internal model used for Large Corporates, which more than offset business development

# Liquidity ratio (LCR)

CHF millions (rounded)



- **LCR** has decreased slightly since H1 2018
- Composition of the Bank's HQLAs:
  - 65%: cash deposited with the SNB
  - 35%: mainly Swiss-issued, AAA- and AA-rated securities eligible as SNB collateral
- Minimum requirement increased by 10 percentage points each year until 2019

Note  
(1) Simple average of figures at month-end

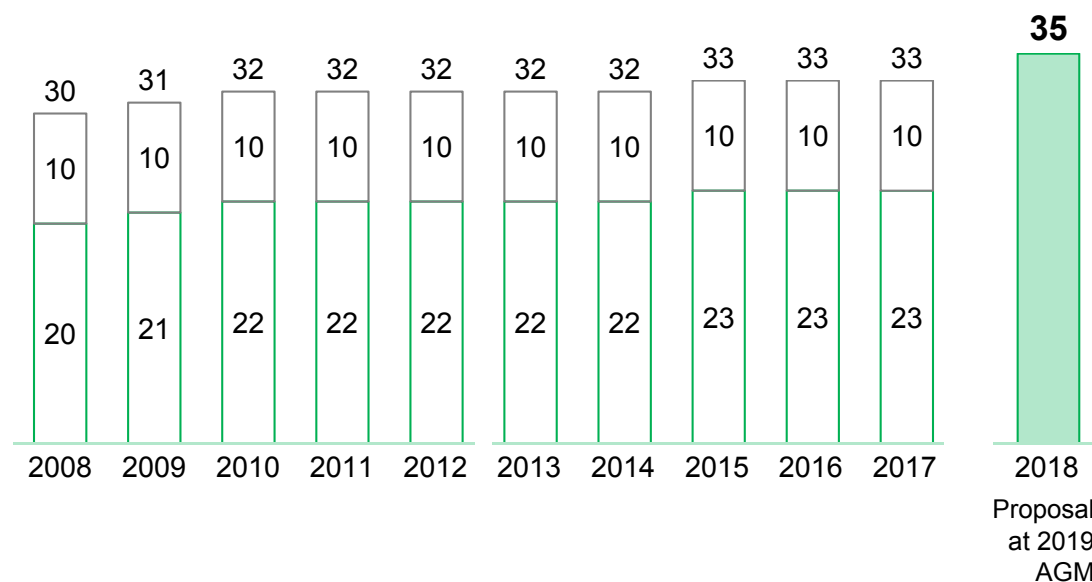
# 2018 dividend

CHF per share



Horizon 1 2008-2012	Horizon 2 2013-2017	Horizon 3 2018-2022
------------------------	------------------------	------------------------

■ Ordinary dividend
  Tax-exempt distribution



Total payout (CHFm)										
258	267	275	275	275	275	275	284	284	284	<b>301</b>
As % of net profit										
72%	89%	88%	91%	88%	98%	93%	84%	92%	89%	<b>86%</b>

- New distribution policy (2018-2022)
  - Applicable as of the 2018 dividend
  - Between CHF 34 and CHF 38 per share
  - Designed to mirror the gains from the Vaud corporate tax reform, starting with the 2019 dividend
  
- Proposal at 2019 AGM: Dividend of CHF 35 per share; i.e., an increase of CHF 2
  - Total payout: CHF 301m
  - 86% of 2018 net profit

Introduction  
Pascal Kiener, CEO

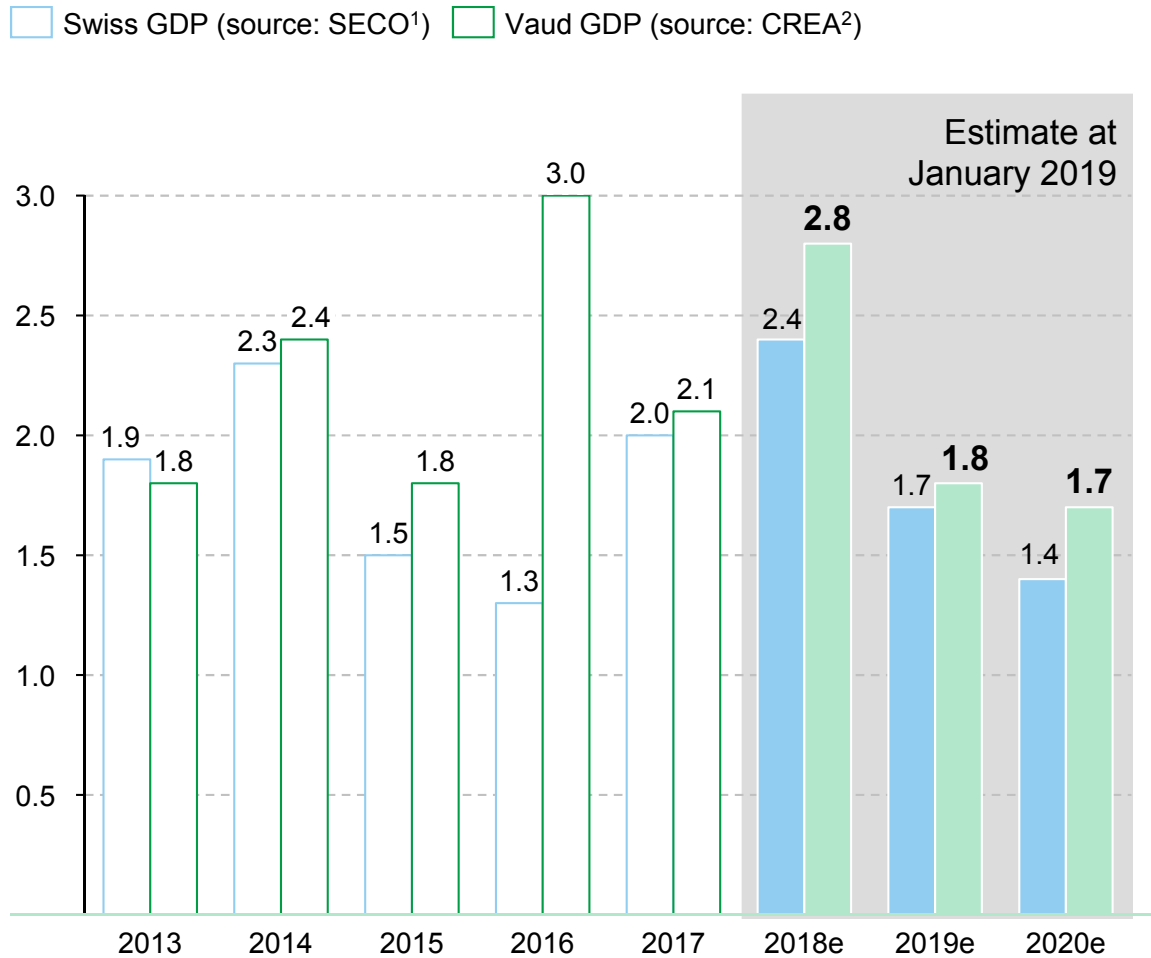
FY 2018 financial results  
Thomas W. Paulsen, CFO

**Outlook**  
**Pascal Kiener, CEO**



# Swiss and Vaud GDP growth

In %

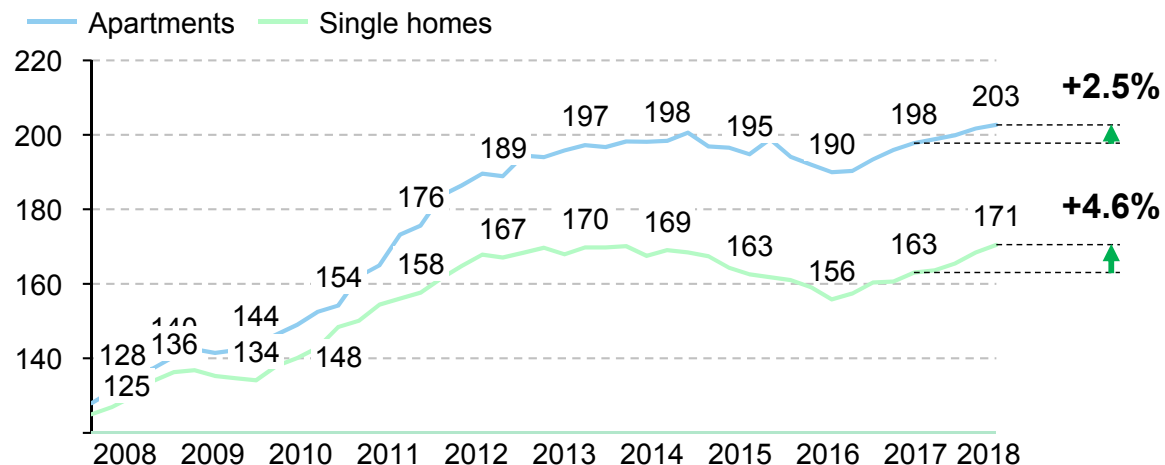


- In 2018: Strong GDP growth in Switzerland and Vaud (above 2%) thanks to a robust first half
- In 2019-2020: Lower GDP growth (between 1.5% and 1.8%) due to the global economic slowdown
- Economic expansion in Switzerland is driven by two main factors:
  - Growth in Europe and the rest of the world
  - Exchange-rate fluctuations

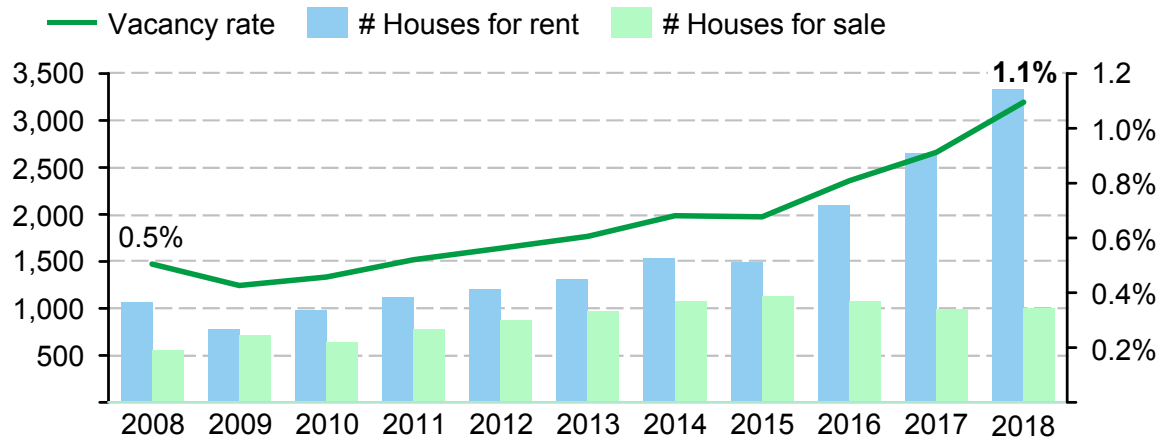
## Note

- (1) SECO = Switzerland's State Secretariat for Economic Affairs  
(2) CREA = Lausanne University's Créa Institute of Macro-economics

## Transaction prices in Vaud (Basis 100 in Dec. 2004)



## Vacant housing in Vaud



Source: Wüest Partner, Statistique Vaud

- Vaud real-estate market has levelled off since 2014
- In 2018, prices on Vaud real-estate transactions increased slightly, mainly due to a smaller supply of owner-occupied housing:
  - +2.5% on apartments
  - +4.6% on single-family homes
- Compared with the peak in 2013-2014, prices are:
  - Up 1.1% on apartments
  - Flat on single-family homes (+0.4%)
- A larger supply of rental housing is pushing up the vacancy rate
- BCV mortgage policy unchanged

Business trends in line with 2018

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Low revenue growth expected given the current interest-rate environment

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Continued firm control of operating expenses

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New corporate tax rate of 13.8% (down from 21%) applicable since the beginning of this year

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**23 August 2018**

Half-year 2018  
results

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**21 February 2019**

Full-year 2018  
results

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**2 April 2019**

Publication of the  
2018 Annual Report

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**2 May 2019**

Annual  
Shareholders'  
Meeting in Lausanne

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**6 May 2019**

Ex-dividend date<sup>1</sup>

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**7 May 2019**

Dividend record  
date<sup>1</sup>

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**8 May 2019**

Dividend payment<sup>1</sup>

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**22 August 2019**

Half-year 2019  
results

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Note

(1) Total amount distributed to shareholders in the form of an ordinary dividend of CHF 35 per share, subject to approval at the Annual Shareholders' Meeting

**Appendices**



# Income statement



CHF millions (rounded)

	FY 2018	FY 2017	Abs	%
Interest and discount income	573.1	576.4	-3.3	-1
Interest and dividend income from financial investments	31.0	34.7	-3.7	-11
Interest expense	-108.0	-113.3	-5.3	-5
<b>Net interest income before loan impairment charges/reversals</b>	<b>496.1</b>	<b>497.8</b>	<b>-1.7</b>	<b>0</b>
Loan impairment charges/reversals	-5.9	-20.2	-14.2	-71
<b>Net interest income after loan impairment charges/reversals (NII)</b>	<b>490.1</b>	<b>477.6</b>	<b>12.5</b>	<b>3</b>
Fees and commissions on securities and investment transactions	250.2	250.3	-0.1	-0
Fees and commissions on lending operations	46.1	44.6	1.5	3
Fees and commissions on other services	72.6	71.8	0.8	1
Fee and commission expense	-51.7	-50.3	1.4	3
<b>Net fee and commission income</b>	<b>317.2</b>	<b>316.4</b>	<b>0.8</b>	<b>0</b>
<b>Net trading income and fair-value adjustments</b>	<b>128.1</b>	<b>133.9</b>	<b>-5.8</b>	<b>-4</b>
Gains/losses on disposals of financial investments	2.1	2.5	-0.4	-16
Income from equity investments	11.9	6.2	5.6	91
Real-estate income	7.5	10.9	-3.4	-31
Miscellaneous ordinary income	20.0	20.0	-0.1	-0
Miscellaneous ordinary expenses	-0.3	-0.9	-0.6	-65
<b>Other ordinary income</b>	<b>41.1</b>	<b>38.7</b>	<b>2.4</b>	<b>6</b>
<b>Total income from ordinary banking operations</b>	<b>976.5</b>	<b>966.6</b>	<b>9.9</b>	<b>1</b>
Personnel costs	-332.7	-337.0	-4.3	-1
Other operating expenses	-167.5	-171.4	-3.9	-2
<b>Operating expenses</b>	<b>-500.2</b>	<b>-508.4</b>	<b>-8.3</b>	<b>-2</b>
Depreciation and amortization of fixed assets and impairment on equity investments	-68.8	-70.4	-1.6	-2
Other provisions and losses	-4.7	-1.2	3.4	279
<b>Operating profit</b>	<b>402.9</b>	<b>386.5</b>	<b>16.4</b>	<b>4</b>
Extraordinary income	34.9	16.8	18.1	108
Extraordinary expenses	-0.0	-0.0	-0.0	-35
Taxes	-88.1	-83.1	5.1	6
<b>Net profit</b>	<b>349.7</b>	<b>320.3</b>	<b>29.4</b>	<b>9</b>
Minority interests	-0.0	-0.0	0.0	11
<b>Net profit attributable to BCV Group shareholders</b>	<b>349.7</b>	<b>320.2</b>	<b>29.4</b>	<b>9</b>

# Balance sheet



CHF millions (rounded)

	31 Dec. 2018	31 Dec. 2017	Abs	%
Cash and cash equivalents	8,235	8,044	191	2
Due from banks	1,921	1,013	908	90
Reverse repurchase agreements	314	499	-185	-37
Loans and advances to customers	5,677	4,826	851	18
Mortgage loans	26,079	25,407	672	3
Trading portfolio assets	334	186	148	80
Positive mark-to-market values of derivative financial instruments	268	282	-14	-5
Other financial assets at fair value	621	653	-32	-5
Financial investments	3,767	3,753	13	0
Accrued income and prepaid expenses	80	91	-12	-13
Non-consolidated holdings	70	70	-0	-0
Tangible fixed assets	445	519	-74	-14
Intangible assets	9	12	-3	-28
Other assets	42	57	-15	-26
<b>Assets</b>	<b>47,863</b>	<b>45,415</b>	<b>2,448</b>	<b>5</b>
Due to banks	2,655	1,398	1,257	90
Repurchase agreements	1,809	1,350	460	34
Customer deposits	31,375	30,512	863	3
Negative mark-to-market values of derivative financial instruments	236	205	31	15
Other financial liabilities at fair value	766	812	-46	-6
Medium-term notes	7	15	-8	-53
Bonds and mortgage-backed bonds	7,244	7,392	-148	-2
Accrued expenses and deferred income	156	172	-16	-9
Other liabilities	77	87	-10	-11
Provisions	15	15	-0	-0
<b>Liabilities</b>	<b>44,341</b>	<b>41,958</b>	<b>2,383</b>	<b>6</b>
Reserves for general banking risks	701	701	0	0
Share capital	86	86	0	0
Capital reserve	35	121	-86	-71
Retained earnings	2,371	2,249	122	5
Currency translation reserve	-1	-1	-0	-5
Own shares	-20	-19	-1	-4
Minority interests in equity	0	0	-0	-10
Net profit	350	320	29	9
<i>of which minority interests</i>	0	0	0	11
<b>Shareholders' equity</b>	<b>3,522</b>	<b>3,457</b>	<b>65</b>	<b>2</b>
<b>Total liabilities and shareholders' equity</b>	<b>47,863</b>	<b>45,415</b>	<b>2,448</b>	<b>5</b>

# Key performance indicators



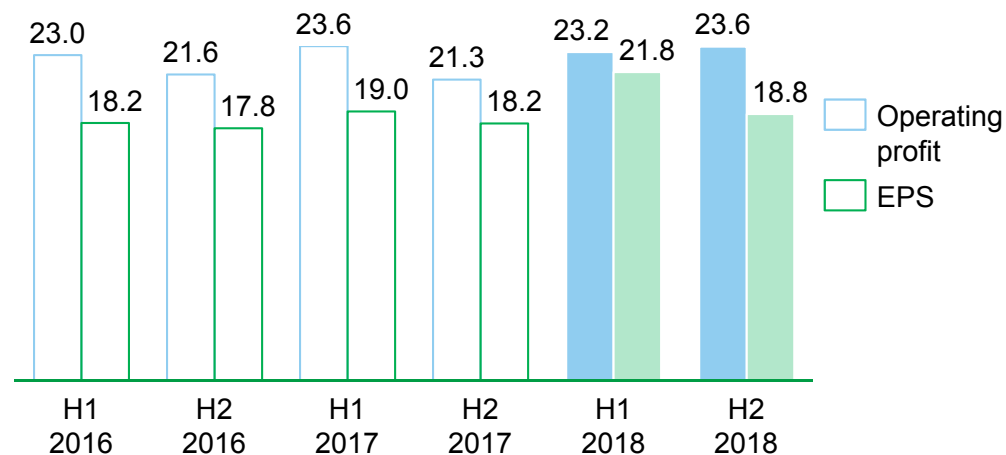
		31 Dec. 2014	31 Dec. 2015	31 Dec. 2016	31 Dec. 2017	31 Dec. 2018
<b>Asset quality and balance sheet structure</b>	Impaired loans/ credit exposure	0.7%	0.7%	0.7%	0.7%	<b>0.6%</b>
	Customer deposits/ loans to customers <sup>1</sup>	96%	98%	98%	101%	<b>99%</b>
	Interest margin	1.22%	1.14%	1.11%	1.12%	<b>1.10%</b>
<b>Capital</b>	CET1 ratio <sup>2</sup>	17.7%	18.3%	17.5%	17.1%	<b>17.1%</b>
	Total capital ratio <sup>2</sup>	17.9%	18.4%	17.6%	17.3%	<b>17.2%</b>
	Leverage ratio	6.8%	6.7%	6.6%	6.5%	<b>6.2%</b>
<b>Productivity</b>	Cost/income ratio (excl. goodwill amortization)	59.6%	57.2%	59.4%	58.3%	<b>57.6%</b>
<b>Financial performance</b>	ROE (net profit/average equity)	9.0%	10.1%	9.1%	9.4%	<b>10.1%</b>

## Note

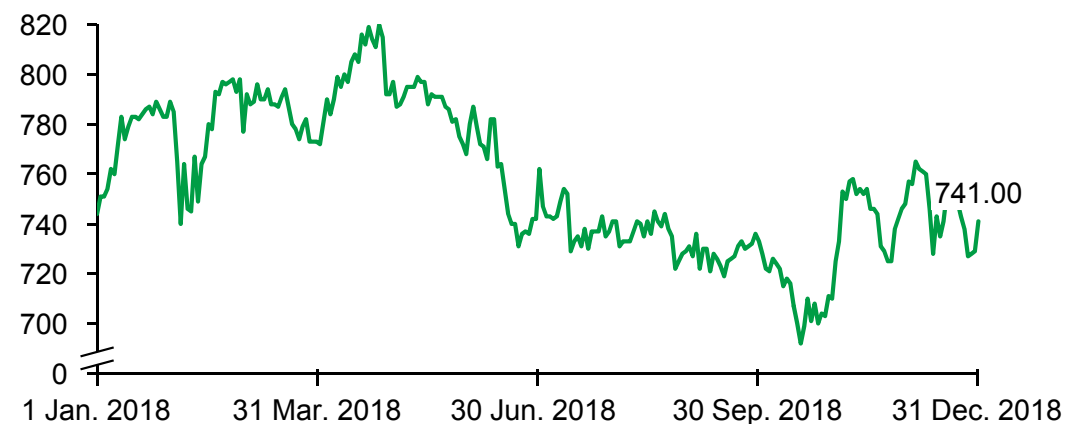
- (1) 2014 figures were adjusted to facilitate like-for-like comparison  
 (2) Ratios are calculated in accordance with FINMA Circular 2016/1, "Disclosure – banks"



## Per share (CHF)



## Stock price



## Key figures

	31 Dec. 2014	31 Dec. 2015	31 Dec. 2016	31 Dec. 2017	31 Dec. 2018
Number of issued shares	8,606,190	8,606,190	8,606,190	8,606,190	8,606,190
Market capitalization (CHF billions)	4.64	5.48	5.56	6.33	6.38
High / low prices YTD	541.00 / 472.75	640.00 / 510.50	694.00 / 582.00	764.50 / 644.00	823.00 / 688.00

# BCV Investor Relations iPad App

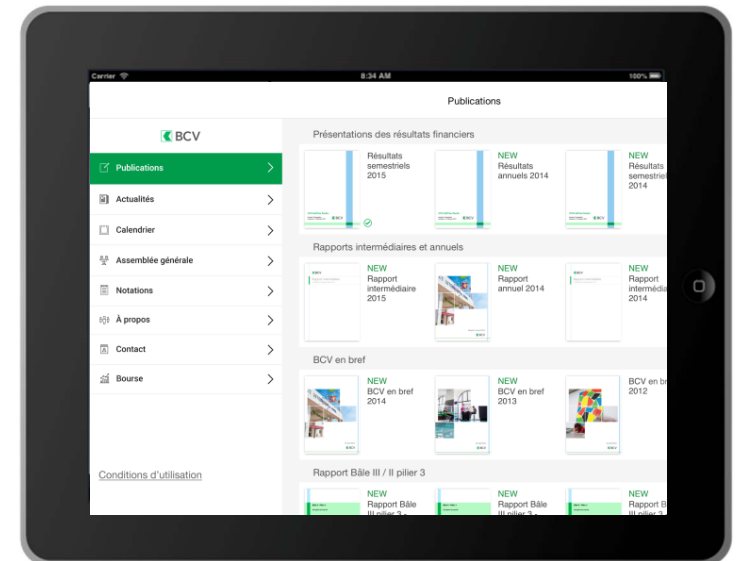


**Our BCV Investor Relations app keeps you in touch with the latest developments at BCV Group**

It brings together everything of interest to shareholders, investors and analysts, including:

- An overview of BCV
- Our key figures
- Annual and interim reports
- Press releases
- Pillar 3 reports
- BCV stock price and chart
- Corporate social responsibility reports
- Presentations for investors

The app also displays upcoming BCV events that you can add to your calendar at the push of a button. Shareholders can read the agenda for the next AGM and download all the relevant documents. The app displays BCV's credit rating, as well as credit opinions on the Bank. You can also contact BCV's Head of Investor Relations, whose email and phone number you'll find in the app.



Note  
(1) iPad is a registered trademark of Apple Inc.