



**B E K B | B C B E**

**Focus on employees,  
customers and owners**





## **Focus on employees, customers and owners**

Extracts of speeches given at the annual  
general meetings held during the first  
term of office from 2003–2005

by Peter Kappeler, President of  
BEKB | BCBE's Board of Directors



The annual general meeting on the 2003 business year focused on our young employees and trainees



Small and medium-sized enterprises (SMEs) and new companies were the focus of the annual general meeting on the 2004 business year



At the annual general meeting on the 2005 business year, we turned our attention to our stockholders

## **Three supporting pillars**

The basis of BEKB | BCBE's successful growth is its broad public ownership and the fact that the canton of Berne is its majority stockholder. The Bank's business policy is geared towards the long-term and is built on continuity. Its three supporting pillars are

- **Dedicated employees who are committed to continuity**
- **Proximity to our customers**
- **Broad ownership base among stockholders and the local population.**

I highlighted the importance of these stakeholder groups for the Bank at the three annual general meetings held during my first term of office as Chairman of BEKB | BCBE's Board of Directors (business years 2003–2005), and was delighted to welcome and introduce representatives from all three. This brochure contains extracts from speeches given there and provides insights into the meetings themselves.



**Dario Mastrogiovanni** began his training at BEKB | BCBE's Grenchen branch on August 2, 2006. Over the next three years, he will learn about every aspect of banking and be deployed in various functions and specialist areas, for which he can count on the support of the BEKB | BCBE team.

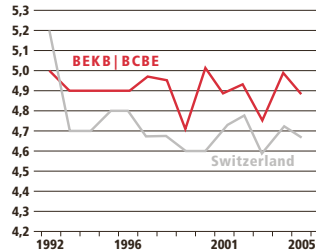
## Developing the next generation as an investment in the future

### The annual general meeting on the 2003 business year focused on our young employees and trainees.

Around 100 trainees introduced themselves to stockholders and were on hand to look after them during the meeting.

If we want to keep on being successful in the future, we have to invest in it. One way of doing this is by training the next generation. Around 10 per cent of our 1,400 jobs are training posts. We permanently train around one quarter of all bank trainees in the canton of Berne; we support them through their full learning schedule and offer an intensive and successive internal training program. We see the result of this strategy in the final examinations which show that our trainees have consistently outperformed the Swiss national average since 1993.

Average grades in final examinations





**Angela Bachmann** applied for a student internship with BEKB | BCBE after finishing high school. She has been learning all about banking and finance at the Spiez branch since February 1, 2006. After completing her training, she would like to gain a few years' experience at BEKB | BCBE before emigrating to Australia.

## High-level continuous training

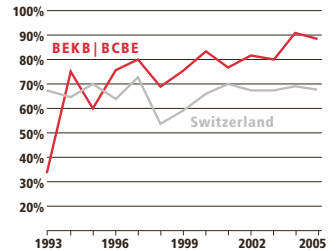
Let us now turn our attention to our assistants, some of whom are either university graduates, have attended a technical college or are young professionals with a few years' work experience. We give them around two years' continuous training as preparation for a banking career. We train around 30 assistants every year. BEKB | BCBE also offers high school graduates an 18-month course for those interested in a banking career.

To survive in the face of tough competition, permanent continuous training is crucial, or as Benjamin Britten said:

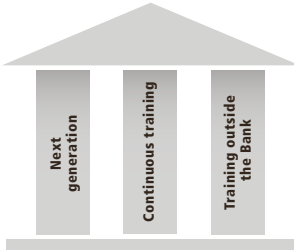
*“Learning is like rowing upstream;  
not to advance is to drop back.”*

Every BEKB | BCBE employee has the average of around five days' learning every year. We constantly monitor the effectiveness of all our training programs. One look at the success rate of our candidates in the Federal banking examinations shows that they have consistently and significantly outperformed the Swiss average over the past few years.

**Success rates Federal banking examinations**



## BEKB | BCBE as a training bank



Paul Klee Center

## Commitment to training extends beyond the Bank

Our training program is not only based on the “Next generation” and “Continuous training” pillars, but also extends beyond the Bank, such as teaching and expert activities in education entities. As a major enterprise in the canton of Berne, BEKB | BCBE is also committed to promoting the concept of training outside the Bank. One example of this is the Summer Academy at the Paul Klee Center which is aimed at talented artists who are interested in advanced continuous training during a two-week master class. The Academy also runs a range of other training programs which have a broader popular appeal.

Our commitment to training is a commitment to the future, an investment in service quality, professional expertise and the motivation of our current and future employees. This not only ensures that the Bank will be thriving in 20 years’ time, but also going forward into the future with motivated, committed and well-trained staff.

## Bank for SMEs and new companies

Our initiative as a training bank is an investment in the future. The same applies to our commitment to **small and medium-sized enterprises (SMEs) and new companies which were the focus of my speech to the annual general meeting on the 2004 business year.** Proximity to them is the second supporting pillar of our success.

It is BEKB | BCBE's aim in particular to promote small and medium-sized enterprises and provide opportunities for sound new businesses. Their success creates jobs, gives families in the region a livelihood and contributes to the economic growth of the Espace Mittelland. The new businesses of today are the economic supports of tomorrow. Having them as our partners means we play a part in securing the future of the Bank and our region.

As a sign of our commitment, we invited to the annual general meeting representatives of companies we funded in 2004 under our promotion concept. They were all bold enough to become independent or make operating investments that required particular entrepreneurial courage and created real jobs. These enterprises represent a broad spectrum, ranging from craft and industry sectors, trading, catering and travel to healthcare, social-related and education areas.



Leolea, day care center, Berne



Haus für Pflege, nursing home, Berne



Leo Gumbiller AG, precision work, Herzogenbuchsee



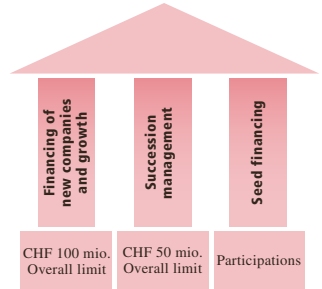
**Charles-Henri Aeschlimann** and **Jean-Daniel Waelti** work independently in their engineering and surveying offices in Ins and Moutier. Last year they acquired a business together in St-Imier, and their move helped to save seven jobs. BEKB | BCBE is supporting them in their venture.

## Promotion concept with three pillars

How does BEKB | BCBE actually nurture small and medium-sized enterprises and innovative new companies? Our promotion concept is based on three pillars:

1. We provide an overall limit of CHF 100 million for funding new companies and businesses with promising expansion projects.
2. We make available an overall limit of CHF 50 million for funding succession management.
3. We are involved in the area of seed financing through various partnerships.

### Commitment to SMEs and new companies





**Hans and Yvonne Brunner** are the third generation to run the “Grand Bazar” in Grindelwald. This family business, employing four part-timers, has made a name for itself as a specialty outlet for souvenir items. A joint stock company was established in 2002 as part of succession arrangements.

BEKB | BCBE was also involved in this corporate phase.

## **Opportunities for innovative companies**

With the first pillar, we support new companies and enterprises that have innovative business ideas and show promising growth prospects by providing an overall limit of CHF 100 million for them. Credits we have granted range from a few thousand to several million Swiss francs, spread over our entire operating area.

In the second pillar, we provide an overall limit of CHF 50 million for funding succession management. Why do we do this? There are some 45,000 micro, small and medium-sized enterprises in our market area that employ up to 250 staff. Every year, some 1,500 firms have to deal with the issue of succession management. The business can often be passed onto the next generation, i.e. stay in the family, perhaps be transferred to the management in the form of a management buy-out or taken over by a third party. In all three instances, BEKB | BCBE has instruments available to help fund succession arrangements. This strategy means that we take into account the economic significance of businesses established in our market.

## Partnerships for new companies with market potential



Development of a racing bike made possible by the Foundation for Technological Innovation

The third pillar of our promotion concept is our involvement in so-called seed financing. To this end, we have established several partnerships:

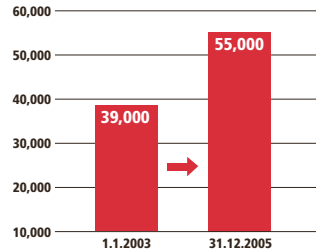
- BEKB | BCBE has set up a foundation (Foundation for Technological Innovation) with the College of Technology and Information Technology (HTI) in Biel, where graduates, academic staff and lecturers of the College are encouraged and supported in setting up spin-off businesses. The aim is for the latest research results and technological innovations to be adopted in entrepreneurial practice.
- The Bank has a second partnership with Ypsomed Innovationsfonds (formerly Disetronic Innovationsfonds). The aim is to promote innovative new companies in the Espace Mittelland through loans, convertible bonds and shareholdings.
- Thirdly, the Bank has been a stockholder since 2003 in BioMedinvest AG, a venture capital provider that specializes in funding and supporting innovative new companies in the biomedical, biotechnology, medical technology and diagnostics fields. In 2005 we provided another CHF 30 million to help support the growth of medical technology and bio-technology companies.

## Broad public base

**At the annual general meeting on the 2005 business year, we turned our attention to our stockholders.** Their co-ownership enables the Bank to focus on our common living environment. If foreign investors, hedge funds etc. were in charge, it would be almost impossible for the Bank to have a long-term focus on and be committed to the region. The loyalty of our stockholders is a contributory factor to BEKB | BCBE's broad base. It is also through them that the decision-making center of a major company remains in the canton of Berne. Thanks to them, we can stay on our chosen path and continue to provide services for the region in which we all live and work.

On April 26, 2006, the number of BEKB | BCBE registered stockholders was exactly 55,973. The Bank is one of the top 12 Swiss companies in terms of broad public ownership, just behind multinationals such as Nestlé, ABB and Novartis. If the number of stockholders per employee were the benchmark, we would actually be out in front.

Growth in number of stockholders





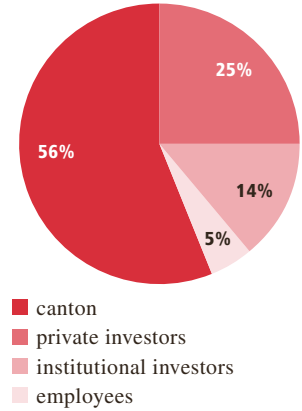
**Sandra and André Buache** from Gümligen both work. Sandra trained with BEKB | BCBE and today, as a customer and stockholder, she appreciates that both she and her husband can maintain the relationships she established at that time. The attractive stockholders' savings account made the decision easier for her to buy registered shares.

## 44 per cent private stockholders

The proportion of private stockholders rose to 44 per cent, and I am particularly pleased that our employees own around 5 per cent of share capital, equivalent to a stock market value of around CHF 90 million. This means that our employees are collectively the Bank's second-largest stockholder. One quarter of shares is owned by private investors, notably customers. A further 14 per cent belongs to institutional investors who are associated with us in some way. Around 47,000 stockholders own 1 to 50 shares, and around 4,000 own more than 100.

The canton's financial relieve since 1997 is considerable, amounting to more than CHF 770 million from the repayment of endowment capital, placement of shares, nominal value payback and rights issue compensation. The canton currently owns 56 per cent of the Bank. It remains a long-term, stable and important stockholder through its ownership strategy. Its aim is to maintain a successful, independent bank that operates in all regions and has its decision-making center in the canton of Berne.

Who owns BEKB | BCBE?





**Therese Seewer** from Lengnau used to be a nurse, but trained as a carpenter 14 years ago, and is today joint owner of a carpentry business. She identifies with BEKB | BCBE as a bank of the Bernese people, and feels she is in good hands as a customer of the Biel branch. She has also been a stockholder since 2003.

## Across all regions and generations

Around 85 per cent of our 55,000 stockholders live in the canton of Berne; in fact, they are spread over an amazing 98 per cent of the 398 Bernese local communities. There are only eight in which we are not represented. The Mörigen local community is a model example, as around ten per cent of residents there are stockholders of our Bank. We expanded our stockholder reach further through a successful market launch in the canton of Solothurn. Over 2,000 of our stockholders live there, spread over 108 of its 126 local communities. With a presence in at least 85 per cent of all of them, BEKB | BCBE is also broadly based in this neighboring canton.

This broad public base also extends across the generations. Our oldest stockholder was born in 1903, and our youngest one in March 2006 – that’s a spread of more than a century! The gender breakdown is almost equal, with 26,000 female and 28,000 male stockholders. In the true sense of the word, BEKB | BCBE is today a bank that belongs to the people.



Tobias Zbinden from Langenthal is our youngest stockholder

Dedicated employees who are committed to continuity



Proximity to customers



Broad ownership base among stockholders and the local population



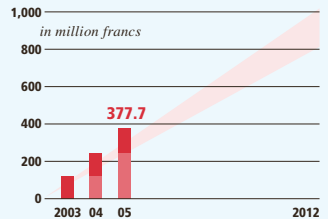
**Focused strategy**

How has the Bank performed over the past three years? Our strategy has proven successful, so we have not changed it. We concentrate on two business areas, namely business with private individuals and corporate clients, particularly SMEs, and investment counselling (private banking). We have a strong customer base and a concentrated network of more than 90 branches in the cantons of Berne and Solothurn. This enables us to remain close to our customers who are serviced by committed employees in the regions.

**Free cash flow as benchmark for corporate success**

The benchmark for the Bank’s corporate success is based on an established long-term financial target. We want to generate free cash flow to the value of our target stockholders’ capital of CHF 800 million to CHF 1 billion within a ten-year period from 2003–2012. In the first three of those years, we added value of some CHF 380 million which was slightly above our long-term target. We are aware that free cash flow can fluctuate strongly and that we have set

**Free cash flow 2003–2005 above target range**

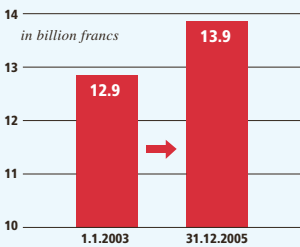


ourselves a challenging ten-year target. The free cash flow generated by 2012 will be divided in two: half will be distributed to stockholders, the other half ploughed back into the bank's development.

### **Core business private and corporate clients**

In our private and corporate client business, lending has increased over the past three years by CHF 1 billion. Under our promotion concept for SMEs and new companies, we funded a total of 289 projects in all regions of the Bank's operating area in the same period, helping create or save 1,953 jobs. Customer deposits rose by more than CHF 2 billion, with savings deposits growing to CHF 11 billion to account for around three-quarters of customer deposits in the strict sense by the end of 2005.

**Growth in lending 2003–2005**



### **Core business investment counseling**

In private banking, assets under management increased between 2003 and 2005 by almost CHF 4 billion to around CHF 19 billion, almost equal to our total assets. Discretionary management mandates grew to CHF 4.5 billion.

### **Outlook**

BEKB | BCBE intends to keep contributing to the canton of Berne's independent development and basis of its livelihood. Thanks to our employees, customers and broad base among our stockholders, we can continue our business and credit policies, maintain a bank with a decision-making center in the canton of Berne for the benefit of the regional economy and contribute to the future of the region in which we all live and work.

**Growth in assets 2003–2005**

