2019 Annual Report

175 1845•2020 BCV

BCV at a glance

2019 highlights

We delivered very solid results despite the ongoing negative-interest-rate environment

- Volumes expanded across the Bank's key business sectors, and revenues rose 3% to CHF 1.0bn.
- Operating profit increased 4% to CHF 419m, reflecting continued firm cost control.
- Net profit was up 4% to CHF 363m. A CHF 1 increase in the dividend to CHF 36 per share will be proposed at the next Annual Shareholders' Meeting.

BCV's credit ratings were reaffirmed by the two main rating agencies, underscoring our financial solidity

- Standard and Poor's reaffirmed our AA rating, and Moody's reaffirmed our Aa2 rating, both with a stable outlook. BCV is one of the best-rated banks in the world without an explicit government guarantee.

We paid out CHF 301m to our shareholders

- In accordance with our dividend policy, which was extended in 2018, BCV paid an ordinary dividend of CHF 35 per share to shareholders in May 2019, corresponding to a CHF 2 increase relative to the previous year. This CHF 301m payout, together with the appreciation in our share price, equates to a total return of 11.3% in 2019.

We developed a new strategic plan, *vista*

- Building on the positive results of our previous strategic plan, *stratégie2018*, we defined several areas where we will focus our efforts to meet future challenges. In particular, we plan to further improve our service quality and continue enhancing our distribution channels – branches, digital services, and call centers – in order to give customers an integrated multichannel experience. We also intend to capture more of the cross-selling potential inherent in our universal bank business model, and to increase our attractiveness as an employer.
- We maintained or slightly adjusted our financial targets: we are still targeting a cost/income ratio of 57%–59% and a CET1 ratio of at least 13%; our ROE target based on this minimum target CET1 ratio is now 13.5%–14.5%.
- The Board of Directors is recommending that shareholders approve a 10-for-1 stock split, in order to enhance the liquidity of BCV's share.

We signed the United Nations Principles for Responsible Investment (UNPRI)

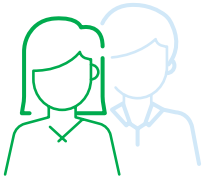
- In becoming a signatory, we have committed to six principles that range from incorporating environmental, social, and governance (ESG) criteria into our investment analyses, to reporting on our responsible investment activities annually and promoting the principles within the financial sector. The UNPRI are the world's leading framework for responsible investment and provide an important platform for stakeholder engagement.

Key figures – 5-year overview

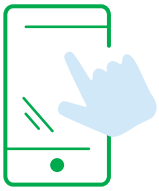
Balance sheet (in CHF millions)	2015	2016	2017	2018	2019
Total assets	43 418	44 085	45 415	47 863	48 352
Advances to customers	29 457	29 849	30 233	31 756	32 768
Customer deposits	28 877	29 245	30 512	31 375	33 048
Shareholders' equity	3 397	3 420	3 457	3 522	3 586
Assets under management (in CHF millions)					
Assets under management	87 972	85 382	86 490	87 620	97 840
cash and cash equivalents	*24 900*	*26 009*	*26 977*	*28 062*	*29 837*
investment funds	*21 164*	*19 812*	*21 807*	*21 817*	*25 217*
shares	*22 891*	*21 588*	*19 871*	*18 485*	*20 934*
bonds	*13 156*	*11 029*	*9 764*	*9 413*	*9 746*
other	*5 861*	*6 945*	*8 071*	*9 843*	*12 106*
Headcount					
Full-time equivalents	1 947	1 943	1 922	1 896	1 921
Income statement (in CHF millions)					
Total income	1 026	967	967	977	1 002
Operating expenses	514	509	508	500	505
Depreciation and amortization of fixed assets and impairment on equity investments	76	72	70	69	71
Other provisions and losses	37	3	1	5	7
Operating profit	399	383	387	403	419
Net profit	336	310	320	350	363
Liquidity and capital ratios[1]					
Liquidity Coverage Ratio (LCR)	111%	113%	121%	113%	129%
Leverage Ratio	6.7%	6.6%	6.5%	6.2%	6.3%
Tier 1 capital ratio[2]	18.3%	17.5%	17.1%	17.1%	17.1%
Total capital ratio[2]	18.4%	17.6%	17.3%	17.2%	17.3%
Income ratios					
Operating profit/average shareholders' equity	12.0%	11.4%	11.4%	11.6%	11.9%
Cost/income ratio[3]	57.2%	59.4%	58.3%	57.6%	57.7%
Operating profit per employee (in CHF thousands)	205.5	197.1	201.6	211.8	219.3
ROE	10.1%	9.1%	9.4%	10.1%	10.4%
Credit ratings					
Standard & Poor's					
Long term	AA / stable	AA / stable	AA / stable	AA / stable	AA / stable
Short term	A-1+	A-1+	A-1+	A-1+	A-1+
Moody's					
Long term	Aa2 / stable	Aa2 / stable	Aa2 / stable	Aa2 / stable	Aa2 / stable
Short term	Prime-1	Prime-1	Prime-1	Prime-1	Prime-1

1) More detailed information on Group and parent company liquidity and capital ratios can be found in the Basel III Pillar 3 report, which is available at www.bcv.ch and on the BCV Investor Relations iPad app.
2) To facilitate like-for-like comparison, the ratios for 2015 and 2016 have been recalculated without subtracting the countercyclical buffer from regulatory capital, in accordance with FINMA Circular 2016/1 "Disclosure – banks"
3) Excluding goodwill amortization and write-downs

Here are some examples of how we've executed on our commitment to **corporate social responsibility**

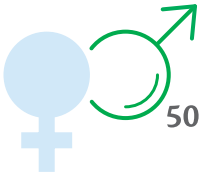


1 of 2 people in Vaud bank with BCV

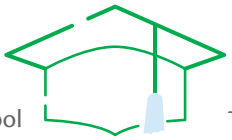


Over **60%** of our customers use our digital banking services

We provide **1** of 3 mortgage loans in Vaud



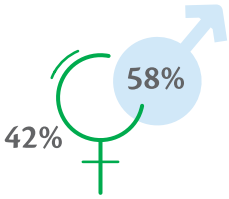
Personal banking advisors



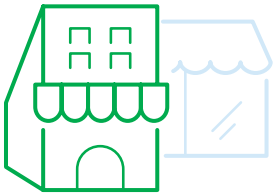
32 High-school graduates

37 Trainees

18 University interns

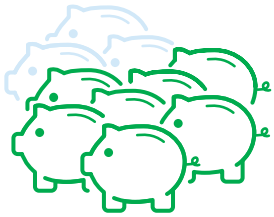


Staff



1 of 2 Vaud small businesses bank with BCV

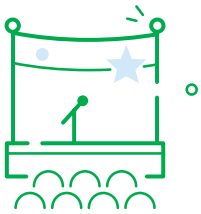
92 new businesses financed



7 of 10 Vaud pension funds count on BCV

-3%
Paper use

We work with over **600** local vendors



We back **650** events and associations

For more details on CSR at BCV please see our 2019 Sustainability Report.

Our reports

2019 Annual Report

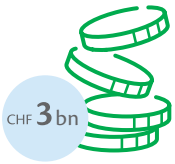
This report contains BCV's consolidated and parent-company financial statements. It also provides information on our activities in 2019, including a review of each of our business sectors and an overview of the overall economic environment. You will find other key information as well, especially in the chapters on risk management and corporate governance.

2019 Sustainability Report

Our Sustainability Report provides a detailed look at the progress we made and the steps we took as a responsible corporate citizen in 2019. It offers a broad, transparent view of what we are doing to fulfill our commitment to promoting economically, socially, and environmentally sustainable development. The report is drawn up in line with the Global Reporting Initiative standards (www.globalreporting.org), which are the worldwide reference for reporting on sustainable development issues.

Pillar 3 Report

Our Pillar 3 Report provides investors, analysts, rating agencies, and regulators with in-depth information on risk management at BCV, including detailed information about the Bank's capital adequacy, risk-assessment methods, and risk levels in 2019. The report was drawn up in accordance with the Pillar 3 disclosure requirements set forth in the Basel III Accord and in Circular 2016/1 "Disclosure – banks" issued by the Swiss Financial Market Supervisory Authority (FINMA). The Pillar 3 Report is issued on a half-yearly basis with reporting dates at 30 June and 31 December.



Taxes and dividend payments to Vaud canton and municipalities – last 10 years

Standard & Poor's rating

Vevey was once again host to the Fête des Vignerons winegrowers' festival in 2019. The town pulled out all the stops for the festival's 12th edition, with 20 shows, 5,500 performers, 355,000 tickets sold, and close to a million visitors. From 18 July to 11 August, the streets of Vevey were filled with shows, processions, and a wide range of musical and cultural performances. The market square was transformed into a vast arena with space for 20,000 spectators – all eager to see the enchanting show and especially the grand finale in which winegrowers are crowned.

Outside the main arena, the whole town became an open stage with events from dawn to dusk. The Fête des Vignerons has been held approximately every 20 years since 1797. It's a symbolic event in Vaud Canton and further afield – and is part of UNESCO's intangible cultural heritage. For three weeks, locals and visitors alike mingled with a plethora of joyfully made-up characters, sparkling costumes, animals, and enormous insects as they wandered around town or took a seat at one of the 50 or so food stands and restaurants.

As in previous editions, BCV was an official sponsor of the Fête des Vignerons in 2019 as well. We are committed to supporting cultural activities and major events in our canton, so it made sense for us to be one of the main partner companies for this once-in-a-generation celebration of Vaud wines and winegrowers. A large number of BCV employees were also involved either as volunteers or walk-on performers. Dressed as bannerets, leaf-pickers, and buds, they spared no effort in ensuring that the festival was a success.

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Letter from the Chairman and the CEO

A very good year for BCV

We had a successful year in 2019, delivering results on several different levels. We posted very strong financials and grew our business volumes despite a slowing economy and persistently low and even negative interest rates. We also defined a new strategic plan, *vista*, which will guide our Bank over the coming years. And we continued to expand our offering with new online services and socially responsible investment solutions.

We're pleased to report that we achieved across-the-board gains in our financial results. Revenues rose 3% to CHF 1.0bn. As in recent years, we maintained our sharp focus on cost discipline, and operating profit was up 4% to CHF 419m. That increase, coupled with lower tax expense following the implementation of Vaud Canton's corporate tax reform, pushed net profit up 4% to CHF 363m.

Serving the people of Vaud for 175 years

In 2020, we are celebrating your Bank's 175th anniversary. We had planned a variety of special events to mark this milestone, including prizes, discounts, and other giveaways for our customers, our employees, and the general public. However these events have been suspended at the time of writing due to the coronavirus outbreak.

Beyond these events, we see this anniversary as an opportunity to highlight BCV's core guiding principles: close ties with the community we serve and a commitment to contributing to our home region by fostering economically, environmentally, and socially sustainable development.

As part of our *vista* strategic plan, we have enhanced our approach to corporate social responsibility (CSR). For example, we signed the United Nations Principles for

Pascal Kiener
CEO

Jacques de Watteville
Chairman of the Board of Directors

Responsible Investment (UNPRI) and have incorporated environmental, social, and governance (ESG) criteria into our institutional asset management processes. You can find more details about these and other CSR initiatives we've adopted in our 2019 Sustainability Report, which will be issued in the second quarter of 2020. And as of this year, we'll be publishing that report annually in both French and English, and under a new format in line with the Global Reporting Initiative standards.

More broadly, *vista* is designed to maintain the positive trend that our business lines have been experiencing and to position the bank to respond to the challenges we will face in the coming years. Our goals here include continuing to improve our service quality along the entire value chain to create an even better customer experience. We will also further enhance our distribution channels – branches, digital services, and call centers – to give customers an integrated multichannel experience. And we will continue to capture more of the cross-selling potential inherent in our universal bank business model.

Changes to the Board of Directors

Reto Donatsch will be stepping down from the Board of Directors at the Annual Shareholders' Meeting on 30 April 2020, as he will have reached the age limit set by cantonal legislation governing BCV. We would like to express our deepest appreciation to him for his professionalism and the unfailing commitment he has brought to BCV since joining the Board in 2011. At the Shareholders' Meeting, we will recommend that Eftychia Fischer be named as his replacement. We will also recommend that shareholders reelect Jack Clemons, whose term ends this year. The Vaud Cantonal Government appointed Jean-François Schwarz to replace Mr. Donatsch as Vice Chairman of the Board and reappointed Peter Ochsner for another four-year term starting on 1 July 2020.

Recognized financial solidity

BCV has one of the most diversified revenue streams of any Swiss cantonal bank, a CET1 ratio of 17.1%, and a leverage ratio of 6.3%. Our solid financial position is widely recognized. The two leading credit rating agencies, Standard & Poor's and Moody's, reaffirmed their respective AA and Aa2 ratings – just two notches below the agencies' highest possible rating. We also ended the year with a Basel III liquidity coverage ratio (LCR) of 129%, which is well above the regulatory minimum, now at 100%.

Proposed CHF 1 increase in dividend to CHF 36 per share

We are executing on the dividend policy that we announced in 2018, taking account of the reduction in the Vaud corporate tax rate. In light of our very strong 2019 results, the Board of Directors will recommend a CHF 1 increase in the dividend to CHF 36 per share. Based on the BCV share's 2019 year-end closing price, that corresponds to a total return of 4.6%, one of the highest among listed Swiss companies.

Proposed 10-for-1 stock split

At the Shareholders' Meeting, the Board will also propose a 10-for 1 stock split, where one BCV share before the split will equal ten shares after the split. This will enhance the liquidity of the BCV share and make it more attractive to private investors. If the proposal is approved by shareholders, BCV shares are currently expected to begin trading on a split-adjusted basis on 28 May 2020.

Coronavirus pandemic

At the time of writing, Swiss and Vaud authorities have just put in place exceptional measures to slow the spread of the new coronavirus, and the consequences of the pandemic are still difficult to predict. Here at BCV, we have taken all necessary measures to protect our staff and customers while continuing to provide the banking services our Canton needs to keep running, in order to help us all make it through this crisis.

Acknowledgements

We'd like to end this letter with our most heartfelt thanks to our customers for their loyalty, and also to our staff here at BCV for their commitment during this difficult period. Finally, we'd like to thank our shareholders for the trust they place in us year in and year out.

Jacques de Watteville

Pascal Kiener

Fête des Vignerons
2019

Who We Are

Overview of BCV

Our legal status

BCV (Banque Cantonale Vaudoise) was founded on 19 December 1845 by the Vaud Cantonal Parliament (Grand Conseil Vaudois) as a *société anonyme de droit public* (i.e., a corporation organized under public law). The Canton of Vaud is BCV's majority shareholder, with 66.95% of the share capital. BCV is listed in the Vaud Commercial Register and is subject to all applicable legislation. Its legal status is defined in the Cantonal Act Governing the Organization of Banque Cantonale Vaudoise (LBCV) of 20 June 1995, as amended on 25 June 2002, 30 January 2007, and 2 March 2010. BCV's commitments are not underwritten by the Canton. However, customer deposits are covered by a nationwide system of investor protection concerning Swiss banks and securities dealers. This system insures deposits of up to CHF 100,000 per person and per bank. In addition, a limited cantonal guarantee applies to deposits with Caisse d'Epargne Cantonale Vaudoise, a savings institution managed by the Bank.

Our core businesses

With revenues of CHF 1.0bn in 2019 and total assets of CHF 48.4bn, we rank among Switzerland's top five universal banks by total assets. BCV is the country's second-largest cantonal bank and the largest bank in Vaud, with a network of 63 staffed branches and more than 220 ATMs throughout the Canton. The Bank's organizational structure is based on four client-oriented divisions: Retail Banking, Private Banking, Corporate Banking, and Asset Management & Trading. We offer a comprehensive range of financial services to all client segments. BCV Group had 1,921 full-time-equivalent employees at 31 December 2019. At that date, in addition to the parent company, BCV Group comprised the private bank Piguet Galland & Cie SA and two fund management firms, Gérifonds SA and GEP SA (*société pour la gestion de placements collectifs*). The full scope of consolidation at 31 December 2019 is described on page 133.

Our missions

Pursuant to Article 4 of the LBCV, BCV's corporate mandate is to offer a comprehensive range of banking services to the local community and to contribute to the development of all sectors of the Vaud economy and to the financing of the Canton's public-sector institutions and entities. Also, as part of our community focus, we provide mortgage financing in Vaud. The LBCV also stipulates that BCV is to be guided by the principles of economically, environmentally, and socially sustainable development. More generally, our missions are to create value for our shareholders and clients, to be a benchmark employer, and to be a good corporate citizen.

Our recent history

Since the Bank was founded in 1845, it has considerably expanded its business in the Canton. In the 1990s, the banking industry in Vaud underwent major consolidation. BCV acquired Banque Vaudoise de Crédit in 1993 and merged with Crédit Foncier Vaudois in 1995. From 1996 to 2000, we moved to diversify our operations, particularly in international trade finance, offshore wealth management, and trading. Total assets more than doubled between 1990 and 2000 as a result. In 2001 and 2002, following an in-depth assessment of loan-book quality, BCV Group carried out two recapitalizations, in 2002 and 2003. The Canton provided most of the funds raised on both occasions.

From 2003 to 2005, we successfully refocused operations on our four core businesses while remaining active in selected niche activities offering strong potential in terms of both growth and profitability. From 2005 to 2008, we implemented the second phase of that strategy to take full advantage of our unrivaled presence in our local market, the Canton of Vaud. That project included the reorganization of our local distribution structure into nine regions in order to strengthen ties with customers.

In 2007, the Bank repurchased the final tranche of the participation-certificate capital created in the 2003 recapitalization. On 15 April 2008, the Vaud Cantonal Parliament voted to authorize the Cantonal Government to reduce the Canton's stake in our share capital from 66.95% to 50.12%. The Cantonal Government's decision not to sell any shares, first announced on 25 November 2008 and reaffirmed on 16 July 2010, remains unchanged.

Starting in 2008, we implemented a series of strategic plans based on our business model as a universal bank with solid local roots. These strategic phases have driven the Bank forward following the 2002–2007 phase where we refocused our activities on the Canton of Vaud, and have paved the way for new strategic focus areas – leveraging our high-quality service to set ourselves apart from the competition, further expanding our multichannel products and services to meet our customers' needs across all channels (branches, call centers, and online), and continuing to enhance our digital offering.

As part of the growth strategy for our onshore wealth management business, BCV Group acquired Banque Franck Galland & Cie SA in 2011. This bank was merged with Banque Piguet & Cie SA, a BCV subsidiary since 1991, creating Piguet Galland & Cie SA, a major wealth manager in French-speaking Switzerland.

In 2019, the Board of Directors and Executive Board conducted a new in-depth review of the Bank's strategy, in light of the numerous challenges facing the banking sector and the overall economy. The review confirmed that the strategy would continue on the same course and identified additional targeted improvements.

Our strategy

In 2019, we defined a new strategic phase – *vista* – that builds on those we have been implementing for more than ten years. This next phase aims to maintain the positive trend that the Bank's business lines have been experiencing over the past few years. It is also designed to position the Bank to respond to the main challenges we will face in the coming years, such as heightened competition, persistently low interest rates, advancements in digital technology, and ever-changing customer needs.

For the business lines, we are targeting:

- Above-market growth in asset management, SMEs, and onshore private banking;
- At least market growth in retail banking;
- A focus on the profitability of our commodities trade finance and large corporates businesses;
- Continued development of our other business lines.

We have identified several strategic focus areas that will enable us to meet future challenges. These goals include:

- Continuing to improve our service quality along the entire value chain to create an even better customer experience;
- Enhancing our distribution channels (branches, digital services, and call centers) to give customers an integrated multichannel experience;
- Capturing more of the cross-selling potential inherent in our universal bank business model;
- Implementing operational improvements through targeted measures;
- Increasing our attractiveness as an employer and fostering continuous skills development among our employees;
- Sharpening our focus on corporate social responsibility (CSR) measures, including a wider range of sustainable banking products, socially responsible investment options, and mortgage solutions.

We reviewed our strategic framework and maintained or slightly adjusted our key financial targets. In the prevailing low-interest-rate environment, the Group aims to achieve sustainable growth, with revenues and operating profit trending along the same lines as in recent years. We are targeting a cost/income ratio of 57%–59% and a CET1 ratio of at least 13%; our ROE target based on this minimum target CET1 ratio is now 13.5%–14.5%.These targets should be viewed from a long-term perspective.

In line with the approach adopted over the last decade, BCV decided in early 2018 to extend its dividend policy for another five years beginning with the 2018 reporting period. Following the reduction in our tax expense due to the implementation of Vaud Canton's corporate tax reform, the Bank intends to pay an ordinary dividend of CHF 34–38 per share, barring significant changes in the economic or regulatory environment or in the Bank's situation.

Our values

We have defined four values that are central to our strategy and culture: responsibility, performance, professionalism, and close ties with our customers and the broader community. We believe that a key to long-term success is ensuring that all our employees share a common culture built around core values. The values described below underpin all our actions – as well as our interactions with customers and colleagues.

Close ties

As a Swiss cantonal bank, BCV maintains a deep connection with the local community that goes back a century and a half. Our employees use their on-the-ground presence in Vaud Canton and knowledge of the local community to fully appreciate and understand the needs and expectations of BCV's customers.

Professionalism

Every employee is committed to delivering the best possible service to customers. To achieve this, our people draw on the best practices in their respective fields of expertise and constantly seek to expand their skills and knowledge.

Performance

At BCV, we set ourselves ambitious goals across the board. Our people are results-oriented. They systematically seek pragmatic and effective solutions to the challenges that arise every day.

Responsibility

BCV employees demonstrate responsible professional behavior. This includes taking responsibility for their actions, being conscientious in their work, and being loyal to the company.

Given the importance that we ascribe to our core values, we have put in place a long-term employee information and training program. Our values are also an integral part of employee performance reviews.

Who We Are

The BCV Share

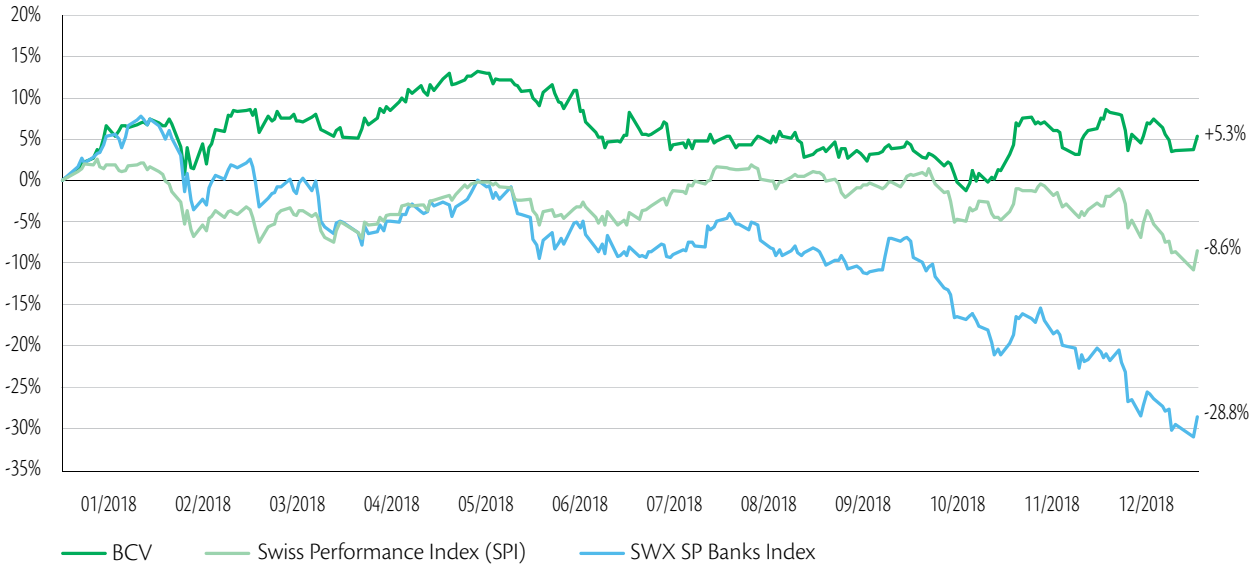
Following the sharp end-2018 correction in almost every stock market around the world, some market observers had a grim outlook for 2019. That pessimism seemed even more justified when the global economy slowed in 2019 amid trade tensions between the US and China. But in fact, indices rose across the board: In Europe, both the SMI and the CAC40 climbed 26%, the DAX was up 25%, and the Europe Stoxx 600 added 23%. In the US, the Dow Jones rose by 22%, the Nasdaq by 38%, and the S&P 500 by 29%. Elsewhere in the world, the Shanghai Stock Exchange gained 22% over the year, while the MSCI Emerging Markets index was up 15%. All the world's main indices posted double-digit gains, pointing to a clear decorrelation between economic fundamentals and share price movements.

The BCV share rose once again, closing at CHF 790 at end-2019 (vs. CHF 741 at end-2018). That share-price appreciation, coupled with the CHF 35-per-share dividend paid out to shareholders in May, brought the total return to 11.3% – the 8th consecutive year the share has generated a positive total return for our shareholders. BCV's share price has climbed significantly over the past ten years and become one of the highest-priced stocks in the Swiss banking industry. The Board of Directors will thus propose a 10-for-1 stock split at the 2020 Annual Shareholder's Meeting. That proposal is mainly intended to enhance the liquidity of the share and make it more attractive to private investors.

With over one million shares traded in 2019 – for an average CHF 3.4 million changing hands daily – the BCV share was already one of the six most-liquid banking stocks on the SIX Swiss Exchange.

The two main rating agencies, Standard & Poor's and Moody's, reaffirmed their respective AA and Aa2 ratings for BCV, both with a stable outlook. The agencies pointed in particular to the Bank's diversified revenue streams compared with other cantonal banks and strong capital base relative to its risk profile. BCV remains one of the best-rated banks in the world without a formal government guarantee.

Total shareholder return[1]



[1] Stock-market performance over the period plus dividends and capital distributions

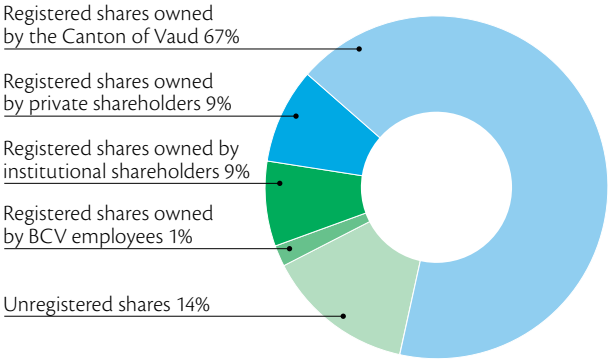
Listed on:	SIX Swiss Exchange
Par value:	CHF 10
Swiss security number:	1 525 171
ISIN code:	CH0015251710
Ticker symbols:	Bloomberg: BCVN Telekurs: BCVN Reuters: BCVN.S

Standard & Poor's	
Long-term credit rating:	AA / stable
Short-term credit rating:	A-1+
Moody's	
Long-term credit rating:	Aa2 / stable
Short-term credit rating	Prime-1

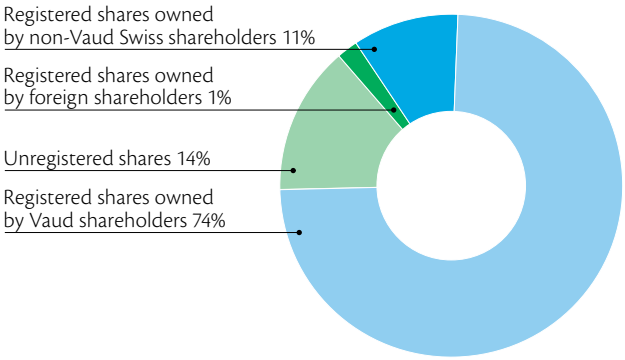
		2015	2016	2017	2018	2019
Number of shares outstanding (in thousands)		8 606	8 606	8 606	8 606	8 606
Period-end share price (in CHF)		636.50	645.00	735.00	741.00	790.00
Share price high / low (unadjusted, in CHF)	– high	640.00	694.00	764.50	823.00	820.00
	– low	510.50	582.00	644.00	688.00	708.00
EPS[1] (in CHF)		39.1	36.0	37.2	40.6	42.2
Adjusted EPS[2] (in CHF)		39.1	35.6	37.2	40.6	42.2
Dividend per share (in CHF)		23.0	23.0	23.0	35.0	36.0 [3]
Dividend yield[4] (in %)		3.6	3.6	3.1	4.7	4.6
Total payout[5] (in CHF)		33.0	33.0	33.0	35.0	36.0 [3]
Total payout yield[4] (in %)		5.2	5.1	4.5	4.7	4.6

1) Reported net profit after minority interests over total number of shares in issue
2) Reported net profit after minority interests, excluding an allocation to the reserves for general banking risks, over total number of shares in issue
3) Dividend to be proposed at the 2020 Shareholders' Meeting
4) Relative to the period-end share price
5) Total amount distributed to shareholders in the form of an ordinary dividend together with a distribution drawn from paid-in reserves

Share ownership structure



Share ownership by geographical zone



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Who We Are

Our Missions

Under the Cantonal Act Governing the Organization of Banque Cantonale Vaudoise (LBCV), BCV's objective as a full-service bank with a community focus is to contribute to the development of all sectors of the economy of our home region, the Canton of Vaud, and to the financing of public-sector entities as well as to help meet demand for mortgage lending in the Canton. Furthermore, these missions apply across the Canton and entail a particular focus on the principles of economically, environmentally, and socially sustainable development. Our role as a cantonal bank is to produce positive impacts for all our stakeholders – our customers, shareholders, and the people of Vaud. As a modern company mindful of our duties and obligations, we have defined a series of objectives in the area of corporate social responsibility:

1. Contributing to the development of all sectors of the economy of our home region, the Canton of Vaud, and to the financing of public-sector entities, as well as to help meet demand for mortgage lending in the Canton.

2. Meeting our clients' needs with high-quality financial products and services.

3. Paying particular attention to the principles of economically, environmentally, and socially sustainable development.

4. Creating lasting value for shareholders.

5. Being a benchmark employer.

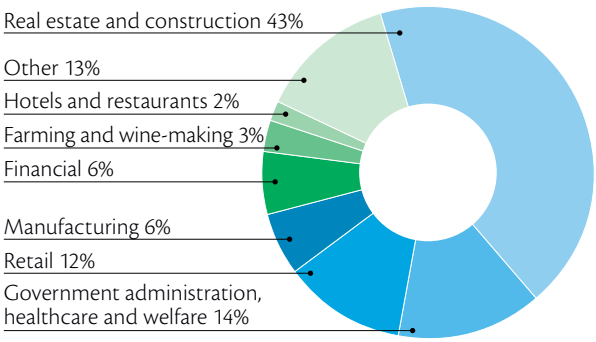
6. Playing an active role in the community.

1. Contributing to the economic development of the Canton of Vaud

We are the leading bank in Vaud. The surveys and studies we regularly conduct to assess our market position, along with the fact that half of the Canton's people and companies bank with us, show that we are an integral part of life in Vaud. Thanks to our concerted and ongoing efforts to improve service quality, and despite increasingly fierce competition, BCV is perceived as solid, reliable, and competent. Indeed, since the 2008–2009 financial crisis, we have witnessed a significant influx of new funds as a result of expanded business with existing clients and the arrival of many new clients.

Our strong market position in the Canton is the result of several factors: our extensive on-the-ground presence, our understanding of the needs of both individual and business customers, our know-how, our professionalism, and our responsible approach to banking. As the leading bank in Vaud Canton and in accordance with Article 4 of the LBCV, we are committed to contributing to the development of all sectors of the economy across our home region and to the financing of public-sector entities, as well as to help meet demand for mortgage lending in the Canton.

Business loans by sector



Source: BCV

80% of our lending is local

Our loan book covers all areas of the Canton, with the people and businesses of Vaud accounting for 80% of total lending volumes.

At end-2019, 51% of our outstanding customer loans were to individuals and 49% to companies across all sectors of the economy as well as public-sector entities.

We work with companies through every stage of their development: from startup and growth to maturity and succession. Our partnerships with growing and mature businesses are well known, but our role in business creation and succession is less so. In 2019, we provided around CHF 50m in financing to get 92 startups off the ground in Vaud Canton.

92
new businesses financed

In addition, BCV is part of Innovaud, the Vaud Cantonal Government's platform for promoting innovation in Vaud Canton. As part of the Innovaud project, we have committed CHF 500,000 in financing per year for 10 years to the Foundation for Technological Innovation (FIT).

To help encourage budding entrepreneurs in Vaud, for the seventh year in a row BCV organized the Silicon Valley Startup Camp in association with the University of Lausanne (UNIL), the École polytechnique fédérale de Lausanne (EPFL), the Canton's universities of applied sciences, the Vaud Chamber of Commerce and Industry (CVCI) and the FIT. Ten students from these local colleges and universities were given the chance to spend a week soaking up the atmosphere of Silicon Valley. They followed a packed schedule of university visits, meetings, and workshops, all organized by Swissnex, a Swiss organization based in San Francisco whose mandate is to strengthen ties between Switzerland and North America in the areas of science, education, art, and innovation. The students learned the basics of starting a business and were given first-hand exposure to the entrepreneurial mindset that is so pervasive in Silicon Valley.

These activities are part of an initiative launched several years ago. In 2011, we published guides to setting up a business, in collaboration with the CVCI. We also regularly conduct a series of seminars for new business owners of all ages, in collaboration with the CVCI, SAWI (a marketing and communications organization), and GENILEM (a startup support organization).

Working with clients in difficulty

In line with our mission, we aim to continue our relationship for as long as possible with businesses and individuals that, for one reason or another, run into temporary difficulties. Specialized staff work with these clients in order to find solutions that will help them restore their financial stability.

Naturally, continuing the business relationship is only possible if the company or individual can be reasonably expected to return to a sustainably sound financial position without any distortion of competition. Our procedures in this respect follow clearly defined rules that meet the highest ethical standards. We have shown that we can manage difficult cases effectively by looking for constructive solutions and working proactively on a case-by-case basis.

2. Meeting our clients' needs

Close ties with our customers

Our local presence is of key strategic importance. We are the Canton's top employer in banking and the most widely accessible bank in Vaud thanks to our dense retail network, which includes nine regional centers of expertise and 63 branch offices across the Canton (see our retail map and list of branch addresses on pages 196–199).

We believe that our branch footprint effectively aligns with the needs of the dynamic and diversified community and economy that we serve. And we continue to enhance our network each year to meet those needs. Between 2006 and 2013, most of our branch offices were partially or totally renovated, with the aim of making them more comfortable and user-friendly for our customers. This program came to

an end with the refurbishment of our head office at Place Saint-François in Lausanne. Since then, we have carried out several smaller-scale projects. For example, our Avenches and Bussigny branches moved into new premises in 2019.

Being close to our customers also means being increasingly accessible and in step with changing lifestyles. This is reflected in the convenient opening hours of our branches, with appointments for financial advice available Monday through Friday from 8am to 7pm and on Saturday mornings in some of our shopping center branches. Customers may also speak with an advisor remotely. Our Customer Service Center is available every weekday from 7:30am to 7:30pm, and customers can contact our center's advisors through traditional channels – such as telephone, email, and the post – or through our instant messaging service. Our advisors provide answers to customers' questions on topics spanning day-to-day banking, investments, and loans in videoconference sessions. They can also provide that information via call-back for individuals who make a request on bcv.ch. In 2019, our Customer Service Center handled 620,000 customer contacts. Our business banking hotline for Vaud companies is available to answer day-to-day banking questions between 8am and 6pm, Monday to Friday. This service handled around 90,000 inquiries in 2019.

We also offer automated services through our network of over 220 ATMs in more than 120 locations across Vaud. For greater ease of use, our ATMs feature touchscreens, and an interface for the visually impaired, and run on the new ATMfutura software for Swiss bank ATMs. In 2019, around 9 million transactions were carried out via our ATMs.

A broad digital proposition

Our clients are increasingly taking advantage of the 24/7 access provided by our online banking services through our website, bcv.ch, and our online banking platform accessible via BCV-net on a computer or BCV Mobile on a smartphone or tablet.

We regularly add new features to our digital-banking proposition.

For example, couples and families interested in a joint account as well as young people aged 14 and over can now open an account directly on our website. We also revamped our website's online help and contact pages to make it easier for customers to find the an-swers to their questions.

Over 60% of our customers bank online and more than eight out of every ten payments are made on BCV-net. Our customers are increasingly using their smartphones to access our online banking services. Three-quarters of e-banking log-ins are via our BCV Mobile app, and one-third of users now do their online banking exclusively on their smartphones.

In addition to the more standard functions, like viewing balances and transaction details and making payments, we have equipped both BCV-net and BCV Mobile with numerous new features. In BCV-net, for example, corporate clients can view all their payables and receivables on a single, redesigned page, as well as manage their employees' BCV-net access rights. For our wealth management clients, we

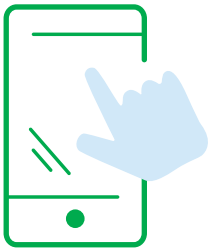
Comparison of mortgage loans, other loans, and workforce distribution, by region

	Broye	Lavaux	Nord Vaudois	Nyon	Morges	Riviera	Chablais	Gros-de-Vaud	Lausanne
Mortgages	4%	11%	15%	17%	13%	11%	8%	8%	15%
Other loans	4%	7%	16%	15%	10%	11%	10%	11%	17%
Workforce distribution	3%	5%	11%	10%	9%	9%	5%	6%	43%

Sources: BCV; Statistique Vaud
Mortgages: real-estate lending including fixed-term loans secured by a mortgage
Workforce distribution: Structural Business Statistics, 2017

rolled out our BCV Conseil range of investment advisory services, which include an easily accessible portfolio overview and personalized recommendations.

In addition, all BCV Mobile users can now view and manage e-statements, modify scheduled payments, make account-to-account transfers 24/7, view and manage debit and credit cards, share bank account information, and check estimated wait times at our branches and for calls to our Customer Service Center. These many improvements reflect our pledge to follow through on the customer feedback we receive from focus groups, through the comments left in app stores, or via any other channels. As a result, BCV Mobile is now one of the highest rated banking apps in Switzerland.



Over
60%
of our customers use our digital banking services

BCV TWINT mobile payment

The BCV TWINT app launched in 2017 is likewise growing in popularity. In early 2020, TWINT surpassed the two-million-user mark nationwide. This payment app developed by the Swiss banking sector allows users to pay for in-store and online purchases, transfer money to other TWINT users, buy public transportation tickets, and pay for parking. Additional new features are already in the pipeline for 2020. And, with the new European Mobile Payment Systems Association (EMPSA), of which TWINT is a member, TWINT users may one day be able to use the app abroad.

BCV's TradeDirect platform remains one of the most competitively priced online brokerage services in Switzerland. The tradedirect.ch website provides access to 25 stock exchanges and over 100,000 investment vehicles, and has powerful market-tracking, search, and analytical tools. An app for smartphones is also available. With this app, users can enter orders, manage their portfolios, track individual stocks, stay up to date with the latest market news, and view ratings and analyses provided by research firm TheScreener.

Next Property, a company owned by businesses in the real-estate sector, took a 50% stake in real-estate listings website newhome.ch, which is run by BCV and 17 other cantonal banks. This new ownership structure will make it possible to expand the website, add more innovative features, and enhance the user experience.

These various physical and digital distribution channels allow us to offer rapid, practical, and efficient services that can be accessed anywhere and at any time depending on our customers' needs.

A full range of high-quality banking services

We constantly strive to satisfy the changing needs of our customers – individuals, businesses, pension funds, and public-sector entities. Through our various digital and physical channels, we provide products and services that cover the full range of banking requirements, with a special focus on service quality and how we can continuously improve it. Those efforts have been recognized by the people of Vaud. BCV was named the most recommended bank in the Canton, according to surveys conducted by LINK Institut in 2018 and 2019 on a representative sample of Vaud residents.

We are materially improving our customer experience. For example, when customers open an account, they now receive a text message notifying them when the account is activated. We have also reduced the time it takes to carry out our new-customer verification processes, in over 90% of cases, to 48 hours. Plus, customers can choose to receive a notification once they have reached an account or card limit. That could be, for example, when they have made the maximum number of withdrawals from an e-Savings account – that way, there are no unpleasant surprises when they receive their monthly statement. We further encouraged customers to give us feedback after visiting one of our branches, carrying out certain transactions, or,

more generally, on BCV's service quality as a whole. We continued to leverage this valuable feedback to improve our service quality.

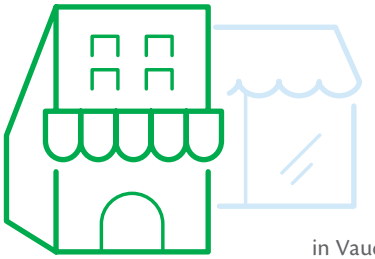
As for our specific banking solutions, we offer a comprehensive range of products and services to Retail Banking customers. That range includes a set of "banking pack" bundles, which can be opened online or at a BCV branch. Customers of all ages, whether working or in school, can simply choose the pack that best fits their daily banking needs. Personal banking customers can also take out a mortgage loan to meet their home financing needs and use our asset allocation funds or third-pillar individual retirement accounts to invest their savings for the long term. In 2019, we introduced an investment-fund savings plan that lets retail customers automatically invest a given amount – however small – every month at lower fees in order to build up their assets over time.

1 out of every 3 mortgage
loans in Vaud are provided by BCV

All individual customers, regardless of their wealth, can receive comprehensive financial planning advice and wealth management services. In Wealth Management, we offer a full range of banking and investment solutions and advisory services. Our regional footprint means we have advisors throughout the Canton; clients appreciate knowing that our specialists are close by when they want to sit down and talk over their financial situation or the larger economic picture. In 2019, we continued to grow our range of advisory services. To round out our BCV Conseil offering, we launched BCV Conseil Classique, BCV Conseil Premium, and BCV Active Advisory. These new services, in addition to the BCV Conseil Plus service we rolled out in 2018, enable us to meet all our clients' investment advisory needs, from occasional advice to frequent support for investors who require BCV's full range of expertise. With BCV Conseil, clients have a dedicated advisor and can track their portfolio performance on a digital platform - from the comfort of their home or on the go. In addition, every year we hold four roundtable discussions called "Les Rendez-vous de la Finance" that attract hundreds of private investors looking for insights into key business and market trends.

In Corporate Banking, BCV offers a comprehensive range of products and services, including financing, treasury management, hedging, occupational pension solutions, and advisory services at all stages of the company's life, from startup to succession. That means we can meet the needs of a very diverse clientele, from artisans serving the local market to multinationals conducting business the world over. Since 2016, over 2,000 newly created firms have taken advantage of our offer of a year's worth of no-fee services, designed to help them get off the ground. And, in 2019, BCV provided tens of millions of francs in financing for 63 business successions, thereby helping ensure that hundreds of jobs remain in the Canton.

Our business succession experts are backed by in-house specialists in financing, asset management and pensions, as well as our network of outside experts.



1 out of every 2 SMEs
in Vaud Canton bank with BCV

In Asset Management & Trading, investors can take advantage of BCV's proven expertise through our comprehensive range of advisory and other services together with investment products, from investment funds and structured products to management mandates and asset allocation funds in both specific and global investment universes. To meet our clients' needs in institutional asset management – an area in which BCV is a leading player – we focused on socially responsible investment solutions that comply with environmental, social, and governance (ESG) criteria. Our Bank is playing an active role in this field. For example, to fully adopt our ESG-centric approach, we adjusted the investment universe for our stock portfolios, without negatively impacting their expected risks or returns – two key factors in how we manage our portfolios.

These efforts paid off and were positively viewed by our institutional clients. Clients also sought advice about financial markets; 2019 was a year marked by economic uncertainty, stock-market rallies, and interest rates that continued to decrease, remaining low or negative in Switzerland and the rest of Europe. Against this backdrop, BCV's funds and other investment products generated good returns relative to their benchmark indices and peers.

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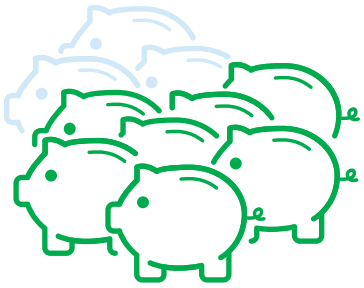


7 out of every 10 pension funds
in Vaud count on BCV

Given the current and upcoming regulatory changes affecting financial products, we are adapting our service model and product range accordingly. Our aim is to ensure that all individual and corporate customers are well-informed, protected, and provided with high-quality service across all our physical and digital distribution channels.

3. Acting on the principles of sustainable development

The principles of economically, environmentally, and socially sustainable development are innately linked to BCV's mission and our success in the Vaud market. We see this link as a chance to create a virtuous circle that allows us to be both competitive and socially responsible. That is how we can maximize the benefits we bring to all our stakeholders – by creating value for our customers, shareholders, and the people of Vaud all while doing our part to address economic, social, and environmental issues. For over the past ten years, we have shared the details of our sustainable development performance as well as the impacts of our Bank's activities across Vaud in our Sustainability Report. Until now, the report has been published in French every two years.

As part of the new strategic plan we defined in 2019, called *vista* (see the Overview of BCV and BCV in 2019 sections), we have enhanced our approach to sustainability. We have created dedicated CSR organizational and governance structures and, as of the 2019 report, are publishing our Sustainability Report annually in both French and English, with added content in line with the Global Reporting Initiative standards. The first edition of the report in its new format will be issued in the second quarter of 2020. As with our previous reports (in French only), it can be downloaded from the BCV website at https://www.bcv.ch/en/About-us/Corporate-Social-Responsibility.

Reinforcing our CSR approach entails both strengthening what we already offer and developing new solutions. For example, we have made it possible for institutional and private clients to build an ESG-centric portfolio based on Socially Responsible Investing (SRI) principles. The overall ESG profiles of their portfolios are improved by reweighting the equity allocations, based on each stock's ESG rating. To do this, we draw on analyses that have been conducted by MSCI Research using a tried-and-tested methodology. We have also drawn up guidelines on how to vote at the AGMs of Swiss companies whose stocks are held by our investment funds. Companies involved in illegal activities or with controversial practices are excluded. And to reduce our environmental footprint, we have screened out companies that generate a significant proportion of their income from coal. Lastly, BCV became a signatory to the United Nations Principles for Responsible Investment (UNPRI). More information on SRI and ESG at BCV can be found on our website at www.bcv.ch.

Among the three dimensions of sustainable development, economic development is, of course, fundamental for a bank. The previous sections of this chapter have illustrated some of the ways we contribute to the local economy and serve individuals and businesses in Vaud. To continue achieving our objective of contributing to the economic development of our Canton, we must ensure that our foundations are solid and that our vision for BCV leads to steady profitability going forward. In keeping with this mission, our strategy targets sustainable growth and a low risk profile. This approach benefits all our stakeholders. In 2019, for example, we paid out CHF 262m to our majority shareholder (the Canton of Vaud) and to Vaud municipalities. This amount comprised a dividend and cantonal and municipal taxes.

The principles of sustainable development underpin the actions we take to enable employees to reach their full potential and are reflected in our involvement in the local community. Yet another example of this approach concerns the environment. We continued our efforts to reduce our energy consumption and environmental footprint in 2019. For several years now, we have been commissioning an environmental assessment in order to quantify our impact and suggest targeted mitigation measures. While we regularly take steps to reduce our consumption of paper and other supplies and to make our IT system more energy efficient, most of the potential savings are to be found in our infrastructure, an area we have been investing in for a number of years. We cut our electrical energy consumption by 15% in just five years by installing new electrical equipment.

In recent years, we have invested several million francs into our Aigle and Nyon regional decision-making centers so that the buildings meet "Minergie" energy-efficiency certification criteria and to reduce energy consumption in both buildings by at least 60%. And as mentioned above, when it comes to our investment funds, we have screened out companies that generate a significant proportion of their income from coal.

In 2019, BCV earned a B grade from the Carbon Disclosure Project (CDP) survey; B is the third-highest of eight grades ranging from A to D-. The Bank has been taking part in the CDP, which measures the greenhouse gas emissions of companies, every other year since 2010.

4. Creating lasting value for shareholders

At BCV, we are committed to creating lasting value for our shareholders. In keeping with this mission, our strategy targets sustainable growth and a low risk profile. We have therefore adopted a dividend policy aimed at generating attractive returns for all our shareholders over the long term.

We paid out a total of CHF 3.5bn to our shareholders for the 2007 to 2019 financial years. We distributed 12 ordinary dividends: the first three of CHF 14, CHF 20, and CHF 21 per share; then five of CHF 22 per share and three of CHF 23 per share; and the last of CHF 35 per share. We also made 11 special distributions, which were tax-free for shareholders. The first distribution was CHF 32.50 per share and the following 10 were each CHF 10 per share. The first three payments were in the form of par-value reimbursements, while the following eight were distributions out of paid-in reserves.

Our financial strength, solid market position and status as a cantonal bank have won recognition from the rating agencies. Standard & Poor's maintained our AA rating for the eighth year running, and Moody's reaffirmed our long-term rating of Aa2 for the fifth year in a row. Both agencies' ratings are accompanied by a stable outlook. Our ratings attest to the Bank's ongoing efforts in recent years, in terms of both strategy and operations. All of the rating agencies' credit opinions can be found in the Investor Relations section of our website, bcv.ch, or via the free BCV Investor Relations iPad app.

5. Being a benchmark employer

BCV is one of Vaud's leading employers and the largest employer in the Canton's banking sector. We consider our dynamic human resources policy to be crucial to both our mission and our strategy. Alongside missions and objectives, skills development is a key employee performance factor. We encourage training as a driver of staff motivation and knowledge management. Moreover, we are dedicated to creating workplace equality, promoting diversity, and offering the same opportunities to all staff.

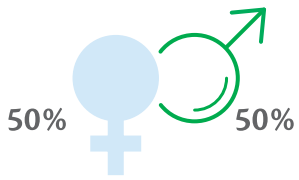
A common corporate culture is an integral part of our human resources policy. At the heart of this culture are BCV's four core values: responsibility, performance,

professionalism, and close ties with our customers and the broader community. These values are also central to the ethical principles and code of conduct in force within BCV Group. This code, which is available on our website, was reviewed and expanded in 2013.

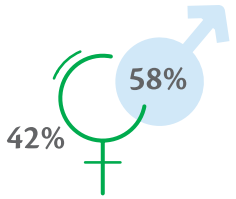
Staff

At the end of 2019, BCV Group had 1,921 employees on a full-time-equivalent (FTE) basis, up slightly from the prior year. The parent company accounts for the largest share of the workforce, with a total of 1,915 employees, or 1,728 FTEs. In 2019 we filled 283 positions: there were 165 outside hires, and 87 internal transfers, and 31 people were kept on after they completed BCV internships or training programs. Average staff turnover was 8.5% in 2019.

In terms of gender equality, the parent company had 805 female employees (42% of the workforce) at the end of 2019. Women accounted for 28% of employees with signing authority (277 positions) and 10% of all senior managers (32 positions). In addition, women run 38% of our branches (16 positions), where they play a key role in running our retail network. There were 516 employees (27% of the Bank's staff) working part time at the end of the year.



Personal banking advisors



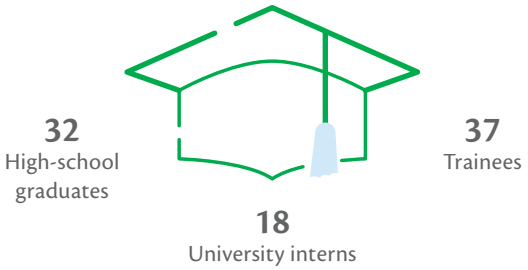
Staff

BCV regularly commissions a third-party polling service to conduct an anonymous survey of all staff members in order to obtain their opinions on working conditions, workplace relations, satisfaction with supervisors and, more generally, to determine employee buy-in and commitment. 84% of employees took part in the 2018 survey. The findings showed that employee buy-in remains high. Once again this year, the results were considered very good in comparison with those at other companies in almost all areas studied, but especially in terms of support for the Bank's strategy and confidence in senior management.

Focus on training

In 2019 BCV provided job training for 98 entry-level employees, including 37 trainees, 32 high-school graduates, 18 university interns and 11 participants in the "Rejoignez-nous" training program.

BCV is one of the Canton's main providers of professional training. We have our own training center with around 260 instructors, more than three quarters of whom work elsewhere within the Bank.



In 2019, the training center focused on skills development for all of the Bank's employees. Client advisors in particular require regular training to be able to keep pace with constant changes in client needs and the regulatory environment. To that end, we adopted a certification system used by several other banks that is in line with the ISO 17024 standard and recognized by the Swiss Association for Quality (SAQ). Over 180 client advisors had received their certification by end-2019.

The participants in the seventh edition of BCV's Micro MBA program, offered in collaboration with the Entrepreneurial Leadership program at the University of Geneva's School of Economics and Management, began the 2019–2020 program in March. The 24 participants, six of whom are women, will develop interdisciplinary and project management skills. In addition, 14 BCV employees received post-secondary degrees from outside institutions in 2019, with BCV's support. Through these actions, we are laying the groundwork to fill future leadership roles within the Bank.

Employee benefits

BCV Group provides its employees with comprehensive pension cover well in excess of the minimum legal

requirements. The staff pension fund is run as a defined-contribution plan for purposes of retirement benefits, and as a defined-benefit plan for purposes of death and disability benefits.

At the end of 2019, pension fund members comprised 2,051 employees, 1,848 of whom were working at the parent company, and another 1,309 pension recipients, including 1,025 retirees.

BCV takes several kinds of action in the interest of employees' health. Our focus is on prevention, for instance by providing flu shots and financing a sports association.

6. Playing an active role in the community

Our local community is important to us, and we take our responsibilities as a corporate citizen in Vaud Canton seriously. In addition to the purely economic aspects of our mission, we provide support for cultural and sporting activities as well as outreach initiatives.

Cultural activities are a fundamental part of life in Vaud and a key component of our sponsorship policy. Last year we supported the following cultural events and organizations: the Paléo Music Festival, Rock Oz'Arènes, the Cully Jazz Festival, the Fête des Vignerons, the Red Pigs Festival in Payerne, the Paillote Festival in Morges, the Festival Off at the Montreux-Vevey Septembre Musical, the Théâtre du Jorat, the Théâtre de Beausobre, the Théâtre Benno Besson in Yverdon-les-Bains, the Vevey Festival of Images, Lausanne-Pully Museum Night, the Maison d'Ailleurs science-fiction museum, the Fondation Vaudoise pour la Culture, the Fondation du Conservatoire de Lausanne, and the Fondation de soutien à la plateforme Pôle muséal (i.e., the Musée cantonal des Beaux-Arts, or MCBA, in Lausanne).

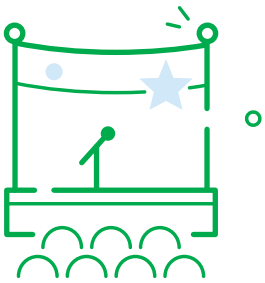
We also support a number of outreach initiatives, which help bring together the local community. In 2019, these included: Société Vaudoise d'Utilité Publique (an association of social-service institutions), La Paternelle (a not-for-profit mutual insurance company for orphans), the Vaud Red Cross, Ma Vie Ton Sang, the Association Cantonale Vaudoise des Samaritains (a first-aid training organization), La Main Tendue Vaud helpline, Association Romande des Familles d'Enfants atteints d'un Cancer (a charity that provides support services to children with cancer and to their families), Fondation Proxy (an organization that supports caregivers), and the Fondation Compétences Bénévoles (an organization that provides support services to charities).

The future of Vaud is taking shape in its schools. Last year we presented prizes at schools across the Canton (including primary schools, secondary schools, and universities) and provided support for Lausanne's Centre Sports-Etudes for school-age athletes.

Sports activities are also a key part of the social fabric of Vaud and are central to our sponsorship policy. Last year we sponsored a number of sports clubs and events, including: Lausanne 20K, FC Lausanne-Sport, the Fondation Foot Avenir, the Association Cantonale Vaudoise de Football, the Lausanne Hockey Club, the International Hot Air Balloon Festival in Château-d'Oex, the Fondation d'Aide aux Sportifs Vaudois, the Muveran cross-country ski race, the Mérite Sportif Vaudois, the Vevey Lavaux Up car-free event, and the Leysin Tobogganing Park.

We also support various other important initiatives in the Canton, including the Forum de l'Economie Vaudoise, the Forum des 100, the Forum de l'Economie du Nord Vaudois, the Ouest Forum, the Mérites de l'Economie awards, the Forum Economique de la Côte, the Christmas market in Vevey, and the Numerik Games Festival in Yverdon-les-Bains.

650 associations and events sponsored



For over 10 years we have had links with programs that allow staff members to take part in humanitarian and environmental initiatives in association with non-governmental organizations. In 2019, we supported the following programs: Don du Sang, a blood-donation program; the sale of oranges by the NGO Terre des Hommes; and the Red Cross flower-selling initiative Mimosa du Bonheur. Another initiative close to our heart

is BCV Solidarity. In 2012, we decided to replace the end-of-year gift to employees with an annual donation in our employees' name to a humanitarian project somewhere in the world. Every year, a different project is chosen by a working group selected from a pool of volunteers. In 2019, BCV Solidarity supported The Butterfly Help Project in an initiative to rebuild a school in a poor region of Nepal. Thanks to that support, children will be able to attend a school in a building that is equipped with the basic necessities such as insulation and lighting and is designed to meet earthquake resistance standards.

In addition, BCV supports its employees' involvement in the community, thereby contributing to their personal development. In 2019, over 200 staff members were actively involved in a variety of societies, associations, and other organizations of a social, political, cultural, or sporting nature. However, BCV has a policy to not provide any type of formal support to any political party or organization.

Year in Review

Economic Environment

The global economy continued to decelerate in 2019 as a result of trade tensions between the US and a number of countries, most notably China, along with economic slowdowns in the US, the eurozone, and China. GDP growth weakened from 3.6% in 2018 to 2.9% in 2019, its lowest level since the 2009 global recession.

Switzerland and Vaud Canton were no exception to the trend, especially since exporters were also hit by a rise in the Swiss franc against the euro. However, both Switzerland as a whole and Vaud continued to experience solid domestic demand. Switzerland's GDP growth eased from 2.3% in 2018 to 1.3% in 2019, while Vaud's growth went from 2.9% to 1.5%.

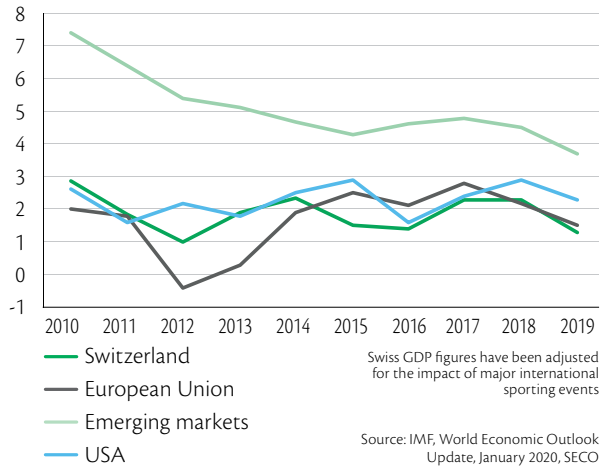
Weakening global growth

Despite central-bank monetary stimulus, the global economy has never fully recovered from the financial crisis, and growth in 2019 was its weakest since the 2009 recession. Following on from the deterioration in the economic climate and outlook in 2018, emerging economies were affected by trade tensions between the US and China, while the European economy weakened and the US economy was sluggish. This resulted in global growth declining from 3.6% in 2018 to 2.9% in 2019. In response, both the US Federal Reserve and the European Central Bank (ECB) loosened their monetary policies. Bond yields fell, reaching their year lows in the summer on fears of a recession that failed to materialize. Equity markets were largely unrattled and posted solid gains.

In the US, growth slowed from 2.9% in 2018 to 2.3% in 2019, due in particular to a decline in manufacturing activity. Although the world's largest economy is running at full employment after several years of rapid economic expansion, the Fed stopped tightening monetary policy and cut rates three times in 2019. In the eurozone, aggregate growth continued to slow, from 1.9% to 1.2% – half of what it was in 2017 – pulled down by the region's leading economies. In the UK, Brexit-related uncertainty meant that the economic climate remained gloomy, with growth stagnating at 1.3%.

GDP growth around the world

as %

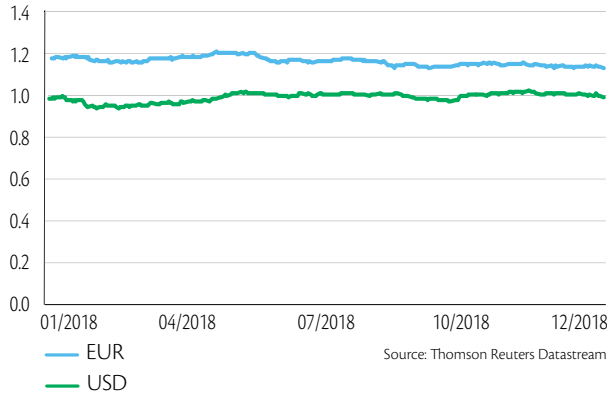


Swiss GDP figures have been adjusted for the impact of major international sporting events

Source: IMF, World Economic Outlook Update, January 2020, SECO

Exchange rates

versus CHF



Source: Thomson Reuters Datastream

Emerging-market economies also grew at a slower pace – 3.7% in 2019 versus 4.5% in 2018 – partly because of weaker momentum in global trade. Growth fell from 6.6% to 6.1% in China, from 6.8% to 4.8% in India, from 2.3% to 1.1% in Russia, and from 1.3% to 1.2% in Brazil.

Mixed financial-market and macro climates

2019 was an excellent year for stock markets. The main indices recovered from the end-2018 rout, climbing steadily throughout the year. The economic climate was somewhat bleak, as growth slowed and both trade and geopolitical tensions heightened, but fears of a recession ultimately proved unfounded. What's more, both US and EU monetary policies were loosened, and bond yields remained very low or even negative.

Equities therefore remained the most attractive option for investors, and the main indices all advanced. In the US, the S&P 500 gained 30.2%, while in Switzerland, the Swiss Market Index (SMI), made up of the largest companies listed on the SIX Swiss Exchange, ended the year up 26.0%. The Euro Stoxx 50 eurozone blue-chip index rose 28.5%, and the MSCI Emerging Markets Index (USD) rose 31.1%.

In the fixed-income market, the main development in 2019 was a broad-based fall in bond yields, which reached a low in the summer on the back of recession fears and looser monetary policies in several countries. At the short end of the yield curve, after hiking rates nine times between 2015 and 2018, the US Federal Reserve cut the fed funds target range three times, from 2.25%–2.50% to 1.50%–1.75%. At the long end, 10-year US Treasury yields fell from 2.69% to 1.90%. The Swiss National Bank (SNB) maintained an interest rate of –0.75% on sight deposits in excess of a given exemption threshold, while the 10-year Swiss government bond yield went from –0.24% at the start of the year to –0.51% at the end, after volatile movements that included a dip below –1.10% in the summer. In the eurozone, the ECB cut its deposit facility rate from –0.4% to –0.5%, while in Germany, the 10-year Bund yield moved into negative territory, falling from 0.25% at the start of January to –0.18% at end-December.

Inflation remained low around the world. In Switzerland, inflation fell slightly from 0.9% in 2018 to 0.4% in 2019, due to lower prices for petroleum products and medicines. Prices rose 1.2% in the eurozone and 2.3% in the US.

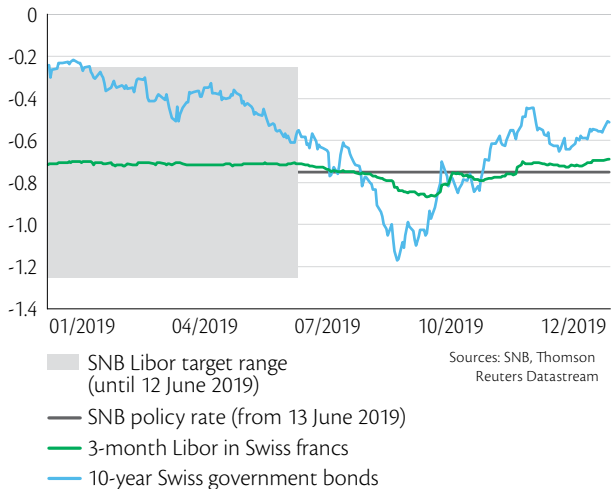
In the precious metals market, the gold price rose in dollar terms, ending the year up 18.4% at USD 1,515 per ounce. In Swiss-franc terms, gold rose 16.4% at CHF 47,223 per kilo.

Weaker Swiss economy

The lackluster global economic climate and the strong Swiss franc inevitably took their toll on the Swiss economy. The economy had gained momentem in 2018 following three difficult years (from 2015 to 2017) after the SNB dropped the euro/franc exchange-rate floor, but it lost ground in

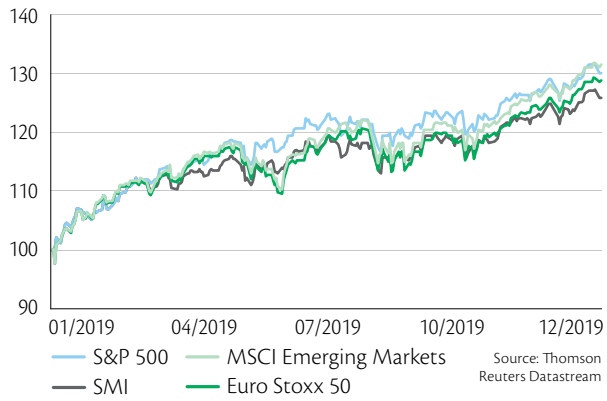
Interest rates

as %



Stock-market indices in local currency terms

base of 100 at 31 December 2018



2019 with GDP growth slowing to 1.3%, from 2.3% in 2018 (adjusted for fluctuations in income generated by major international sporting events).

Despite this weakness, the average Swiss unemployment rate continued to fall, dropping from 2.6% in 2018 to 2.3% in 2019, its lowest level in almost 20 years. The Swiss economy also continued to create jobs: in the fourth quarter of 2019, the number of secondary- and tertiary-sector jobs was up 1.1% year on year, totaling 4.0m (on a full-time-equivalent basis). The number of jobs rose 1.3% in the secondary sector to 1.0m and 1.0% in the tertiary sector to 3.0m.

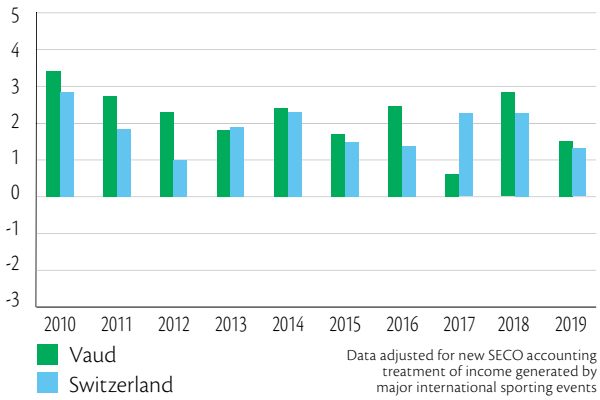
However, there was a contrast between export-oriented sectors and those focusing more on the domestic market. For the former, and particularly the machinery industry, the sluggish global economy and strong Swiss franc had a noticeable impact. However, with support from the pharmaceutical industry, Swiss exports grew 3.9% in nominal terms to CHF 242.3bn, a new record. Domestically, strong consumer spending continued to support Switzerland-focused businesses.

Slower growth in Vaud Canton

Vaud's economy followed the same trajectory as that of Switzerland as a whole, with GDP growth slowing from 2.8% in 2018 to 1.5% in 2019 (adjusted for fluctuations in income generated by major international sporting events), according to January 2020 figures from the CREA Institute of Applied Economics in the Business and Economics Faculty of the University of Lausanne. Like their peers elsewhere in the country, Vaud's manufacturers were affected by the global economic downturn and the stronger Swiss franc. The CVCI's fall economic survey also showed a slight decline in business for manufacturers. Vaud's exports amounted to CHF 13.6bn in nominal terms, down 1.9% but still close to their all-time high. Exports were boosted by greater demand for machinery, precision instruments, watches, and soft commodities. The largest increases in exports were to the US and China. Vaud's economy enjoyed firm domestic demand and, according to the CVCI survey, service-sector companies saw business levels rise.

Vaud and Swiss GDP growth

as %



The Vaud job market was also firm. The number of jobs (on a full-time-equivalent basis) in the Canton was up 2.1% year on year in the fourth quarter of 2019, driven by a 2.7% increase in the secondary sector. Tertiary-sector jobs experienced slightly more limited growth of 1.9%. As in Switzerland as a whole, the unemployment rate in Vaud fell to an almost 20-year low; it went from an average of 3.8% in 2018 to 3.5% in 2019. However, that figure masks regional differences. Unemployment was below the Vaud Canton average in Gros-de-Vaud (2.4%), Lavaux-Oron (2.6%), Morges (2.7%), Nyon (2.9%), and Broye-Vully (3.2%), while it was close to the average in Jura-Nord Vaudois (3.3%) and Aigle (3.6%). Unemployment was above average in Riviera-Pays-d'Enhaut (3.8%), West Lausanne (4.1%), and Lausanne (4.5%).

Real-estate market still relatively firm

The environment remained favorable for the Vaud real-estate market in 2019. In particular, prices of owner-occupied housing continued the upward trend that started in early 2017. On average across the Canton, prices of single-family homes rose 2.8% year on year and apartment prices were 2.3% higher, according to Wüest Partner figures. With prices now at record levels in many regions, they are no longer increasing at the same rate as they were between 2006 and 2012. Price growth also slowed relative to 2018, when single-family homes posted a rise of 4.6% and apartments 2.5%.

High prices, stringent criteria for home buyers, and weaker population growth limited the number of potential buyers. However, low interest rates continued to attract

households with sufficient income and capital to consider buying a home. Nevertheless, there were several signs of a slowdown in the market for owner-occupied housing. The construction of such housing is on a downtrend – there have been around 5,000 new home starts per year in Vaud since 2013, but the proportion intended for owner-occupiers has fallen from around two-thirds on average between 2005 and 2015 to around 30% in 2019. The housing market is also becoming less stretched. Since hitting a low of 0.4% in 2009, the vacancy rate has been rising, reaching 1.1% in 2019, and rents have fallen by almost 20.0% overall in Vaud since 2014.

However, the investment real-estate market remains strong for both institutional investors and individuals seeking alternatives to putting their money in fixed income. Prices rose and spending on rental property construction increased sharply, suggesting that the rental market will continue to ease. Some observers are concerned that there will eventually be a correction in the prices of investment properties, caused by a combination of high prices, large-scale construction activity, and slower population growth.

BCV Immobilier

In 2019, BCV published two more issues of BCV Immobilier – a half-yearly report on the Vaud real-estate market that first appeared in 2017. These latest issues looked at the Yverdon-les-Bains region and at renovations. Although no substitute for advice from a real-estate professional, these 24-page guides provide valuable information to prospective buyers, homeowners, individuals, and businesses wanting to keep up to date with market developments.

The reports (in French only) can be downloaded from the BCV website at bcv.ch.

Vaud Canton and Switzerland in figures

	Vaud	Switzerland
Area	3,212 km²	41,285 km²
Population (end-2019)[1]	808,066 inhabitants	8,600,557 inhabitants
Population density	251 inhabitants/km²	208 inhabitants/km²
Working population[2] (2018)	412,725	4,577,875
Number of companies[3]	60,526	684,167
Primary sector	6.4%	7.9%
Secondary sector	13.4%	14.0%
Tertiary sector	80.2%	78.1%
Jobs	447,141	5,180,170
Primary sector	3.0%	3.1%
Secondary sector	16.3%	20.8%
Tertiary sector	80.7%	76.0%
Unemployment rate (2019 average)	3.5%	2.3%
GDP (2019 est.)[4]	CHF 56.1bn	CHF 697.3bn
GDP/inhabitant	CHF 69,560	CHF 81,074

[1] Vaud: Source = Statistique Vaud; Switzerland: Source = estimate based on quarterly FSO data
[2] Permanent residents aged 15 and over
[3] A company or part of a company (e.g., a workshop or factory) located in a given place
[4] Data adjusted for new SECO accounting treatment of income generated by major international sporting events

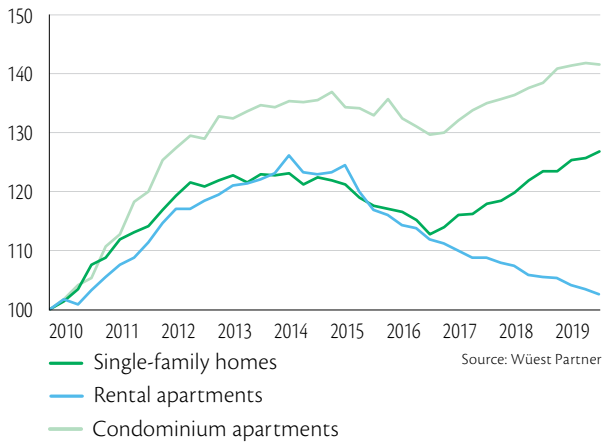
Sources: FSO, Statistique Vaud, SECO, CREA

Outlook

There were already several downside risks for the macro outlook as 2020 began, including the UK's exit from the EU and several areas of geopolitical tension around the world, but things took a turn for the worse with the coronavirus pandemic. The hardest-hit countries introduced social confinement measures in March to try to slow the disease's spread and help businesses affected by the crisis. Central banks also took action, with the ECB moving to help SMEs get funding and stepping up its debt purchases. The Fed brought down its target range twice, from 1.5%–1.75% to 0%–0.25%.

Real-estate prices in Vaud

indices, base of 100 in Q1 2010

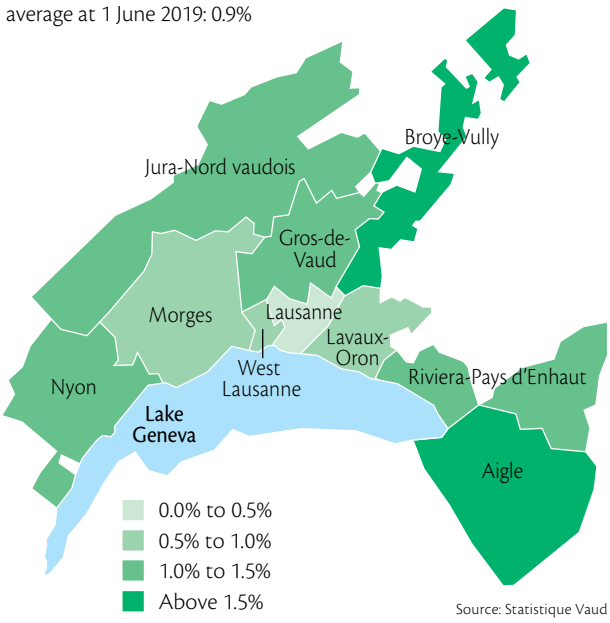


Switzerland was also hit by the new coronavirus. Measures were taken to limit people's movements and business activity. Various aid programs on both a federal and cantonal level were implemented, amounting to over CHF 40bn as at the time of writing. In addition, the SNB intervened in the forex market to stem the appreciation in the Swiss franc. Commercial banks likewise announced targeted measures – among them BCV, which, along with other efforts to support the local community, suspended H1 loan payments for Vaud SMEs.

At the time of writing there was little visibility on how hard economic growth will be hit in Vaud, Switzerland as a whole, and globally by the coronavirus pandemic. In March, SECO downgraded its forecast for full-year GDP growth in Switzerland from a weak (but positive) 1.3% to a contraction of –1.5%. No revised forecasts were available for Vaud at the time of writing, but the outlook has worsened considerably. Beyond the deteriorating global economic climate and upward pressure on the Swiss franc, other downside risks include relations between Switzerland and the EU. One supporting factor long-term will be the new Vaud business tax reform, which took effect in 2019.

Housing vacancy rates in Vaud

average at 1 June 2019: 0.9%



Further moderate population growth

The slowdown in Vaud's population growth over the last few years continued in 2019. The Canton welcomed 5,900 new residents, taking the total number of people living here to around 806,100 at the end of 2019. At 0.7%, population growth was similar to that seen in 2018, but significantly lower than in 2017 (1.0% or 8,249 people) and the average over the last ten years (1.7% or 11,800 people).

The weaker demographic trend in 2019 reflects a decline in net immigration. While the number of Swiss citizens rose by 1.0% (5,525 people), the number of foreign nationals rose by only 0.2% (401 people). This was partly due to high numbers of foreigners taking Swiss citizenship following a change in Swiss nationality law in 2018.

Economic sectors in the Canton

Vaud Canton has a highly diversified economy, which enabled it to endure the difficult years of the global economic crisis and maintain healthy growth rates, cope fairly well with the impact of the SNB's decision to scrap the euro/Swiss franc exchange-rate floor in 2015, and stage a recovery since then. Most of the Canton's main economic sectors held up relatively well in 2019, although to varying degrees.

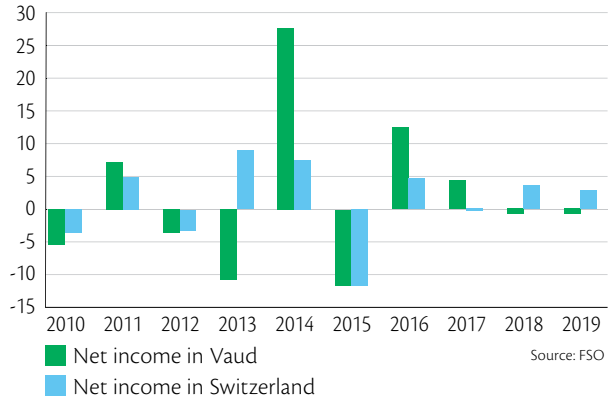
Primary sector

Although 2019 was a very warm year, there was enough rainfall for Vaud's agriculture sector to increase its yields. Data from the Federal Statistics Office (FSO) show that the value of farming output rose 1.6% to CHF 1.2bn, while total farm income was up 2.5% to CHF 357m. Income from major crops (grain, industrial crops, and potatoes) rose 7.0% compared with a drought-hit 2018. 2019 was also a good year for feed crops (+20.8%) and livestock (+0.8%). However, there were declines in income from fruit (−1.2%), vegetable (−4.0%), and wine (−4.2%) crops.

Vaud is a major contributor to Swiss farming output (11% by value), second only to Bern. The Canton accounts for the largest share (18%) of the country's crop production. It is Switzerland's leading producer by value of grain, industrial crops, potatoes, and fresh vegetables, but is less active in the production of livestock and feed crops.

Change in farming income

as %



Favorable weather conditions meant that 2019 was a good year for wine harvests. Unlike in 2018, regular rainfall in wine-growing regions was generally sufficient, except in some areas where watering was required during the summer. Fungal diseases and pests were kept under control. Although new wine production fell 5.3% to 28.0m liters, it remained higher than the average over the previous 10 years. The amount of wine cellared was lower than expected for reds, while for whites made from chasselas grapes it was close to quota levels. According to Vaud's Department of Agriculture and Winegrowing, wines still in tank are well-balanced and expressive, suggesting that 2019 will be an excellent vintage. However, the wine industry experienced tougher market conditions caused in particular by falling consumption and by competition from foreign wines.

Secondary sector

Compared with 2018, the secondary sector saw greater headwinds in 2019, with weaker global growth and a stronger Swiss franc. According to the CVCI fall 2019 survey, manufacturing companies viewed the deterioration

2019 growth by economic segment in Vaud

Growth above 2%
Water and electricity production and distribution
Chemicals, pharmaceuticals, rubber, glass, metallurgy, etc.
Machinery, instruments, watches, etc.
Hotels and restaurants
Food, textiles, leather, wood, paper

Growth of 0.5% to 2%
Finance and insurance
Real estate, business services, etc.
Construction
Wholesale and retail distribution, repairs, etc.
Government administration, healthcare, education, sports, etc.

Growth of −0.5% to −2%
Transport, postal services, telecommunications, publishing
Primary sector

Sources: CREA, FSO, SECO

in business conditions as moderate, although conditions varied between industries. Domestically oriented firms, particularly those operating in the construction industry, benefited from Switzerland's robust domestic economy.

Manufacturing

The performance of Vaud's manufacturing industry is closely correlated with the Swiss franc/euro exchange rate, and 2018's optimism was replaced by much greater caution about the business climate in 2019. In its year-end survey, the CCV found that many manufacturing companies experienced a decline in new orders last year, while the composite business sentiment indicator fell into negative territory in the second half. However, views differed among manufacturers as regards business conditions, with 20% saying they were good, 60% satisfactory, and 20% poor.

Construction

The construction industry benefited from a large number of projects, particularly for rental housing. The CCV's indicator of construction business conditions remained positive overall, with respondents reporting strong order books in structural works, civil engineering, and non-structural and technical fit-out work. Overall, prices remained under substantial pressure, and the number of people working in construction rose 4.0% to a 10-year high of 29,214.

Tertiary sector

The tertiary sector also lost momentum, reporting slower growth than in 2018. However, sentiment remained firm among business leaders: in the CVCI fall 2019 business-climate survey, 87% of respondents reported being at least satisfied with current business trends.

Wholesale and retail distribution

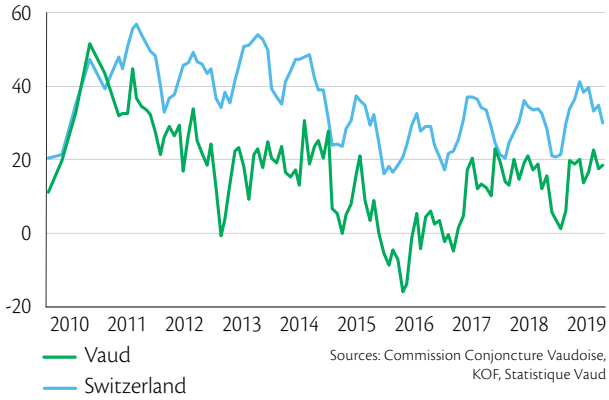
The operating environment for wholesalers and retailers stabilized in 2019. Concerns from past years remained, such as growing competition from e-commerce, Swiss consumers doing their shopping in neighboring countries, and downward pressure on prices in some segments. Yet the retail sector has gradually recovered from the abrupt removal of the euro/Swiss franc exchange-rate floor in 2015, and the CCV's retail indicator remained in positive territory in 2019. Small, medium-sized, and large retailers, along with

A BCV report published last year called "Commerce vaudois – Le point sur le « e- »" looked at developments in Vaud's retail market, and particularly at the changes wrought by e-commerce. From almost zero a quarter of a century ago, online shopping now accounts for a tenth of purchases made by Swiss households. This fundamental trend is coinciding with a tendency for Swiss people to do their shopping in neighboring countries – which has increased as the euro has weakened against the Swiss franc – and efforts by retailers to increase productivity. Overall, prices and sales volumes are under pressure. One consequence has been the loss of 3,800 jobs – down 11.2% – among Vaud's retailers between 2008 and 2018.

The report (in French only) can be downloaded from the BCV website at www.bcv.ch.

Business sentiment in construction

net positive responses



Sources: Commission Conjoncture Vaudoise, KOF, Statistique Vaud

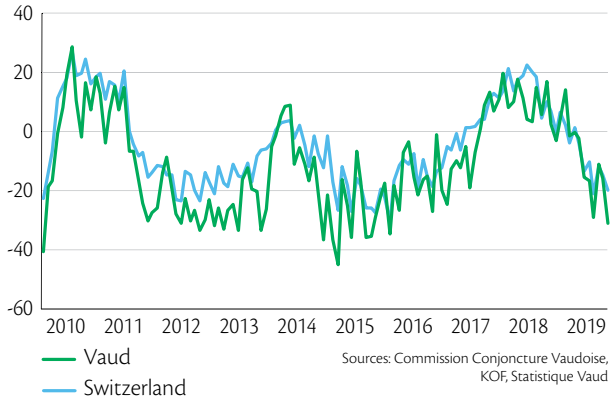
Structure of the Vaud economy

Sectors and segments	Share of Vaud GDP (2019)	Full-year growth (2010-2019)	Jobs (2017)	Share of total jobs (2017)
Primary sector	**1.0%**	**–0.2%**	**13,442**	**3.0%**
Agriculture, forestry, hunting, fishing	1.0%	–0.2%	13,442	3.0%
Secondary sector	**20.0%**	**2.9%**	**72,999**	**16.3%**
Food, textiles, leather, wood, paper	2.5%	–0.2%	11,108	2.5%
Chemicals, pharmaceuticals, rubber, glass, metallurgy, etc.	7.0%	9.0%	11,537	2.6%
Machinery, instruments, watches, etc.	4.3%	–0.5%	17,166	3.8%
Water and electricity production and distribution	1.5%	–2.2%	4,090	0.9%
Construction	4.8%	1.5%	29,098	6.5%
Tertiary sector	**79.0%**	**1.9%**	**360,700**	**80.7%**
Wholesale and retail distribution, repairs, etc.	13.9%	1.6%	54,141	12.1%
Hotels and restaurants	1.7%	0.3%	20,960	4.7%
Transport, postal services, telecommunications, publishing	5.8%	0.4%	23,635	5.3%
Finance and insurance	6.1%	1.5%	17,830	4.0%
Real estate, business services, etc.	24.6%	2.0%	87,294	19.5%
Government administration, healthcare, education, sports, etc.	25.6%	2.6%	150,125	33.6%
Other	1.2%	0.4%	6,715	1.5%
Total Vaud GDP (after adjustments)	**100.0%**	**2.1%**	**447,141**	**100.0%**

Sources: CREA, SECO, FSO

Composite index of business sentiment in manufacturing

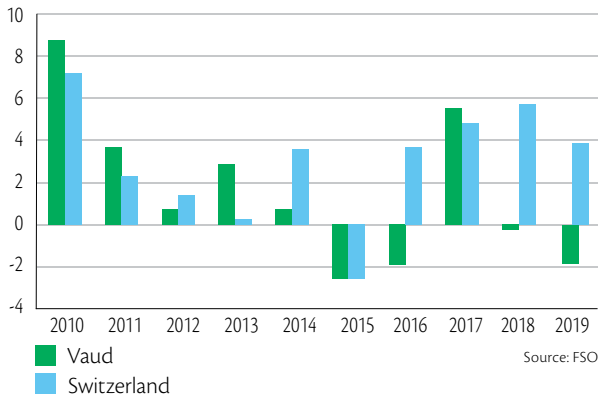
net positive responses



Sources: Commission Conjoncture Vaudoise, KOF, Statistique Vaud

Change in exports by year

as %



Source: FSO

non-specialist stores such as supermarkets, had similar views about the business climate. In Switzerland as a whole, retail sales picked up in real terms after several difficult years. The food and non-food segments continued to move in opposite directions: while food sales rose, sales of decorative items, household appliances, clothing, footwear, and cultural and leisure goods all continued to fall.

Hospitality services

Hotels benefited from excellent weather conditions, including good snowfall in the 2018–2019 and 2019–2020 winter seasons, a hot, dry summer and visitors attending the Fête des Vignerons in Vevey. As a result, the number of overnight stays in the Canton increased by 1.6%. This increase was driven by guests from Switzerland and to a lesser extent from the US, China, the UK, and Belgium; the number of guests from other European countries declined broadly. Conditions in the restaurant trade improved, driving an increase in sales and profits according to the CCV survey. The upturn was felt more by large restaurants – with nine or more employees – than by small establishments.

Services

Business and personal services, which cover a variety of activities and form a large part of the Vaud economy, were supported by firm domestic demand. The business trend indicator remained in positive territory in 2019 and at similar levels to previous years. However, service companies reported that the difficulty of hiring new staff was one of the main factors holding back their businesses.

Regional overview

The broad trends discussed in the previous pages were reflected in the various regions of Vaud Canton. However, each region has specific points worth mentioning.

Broye

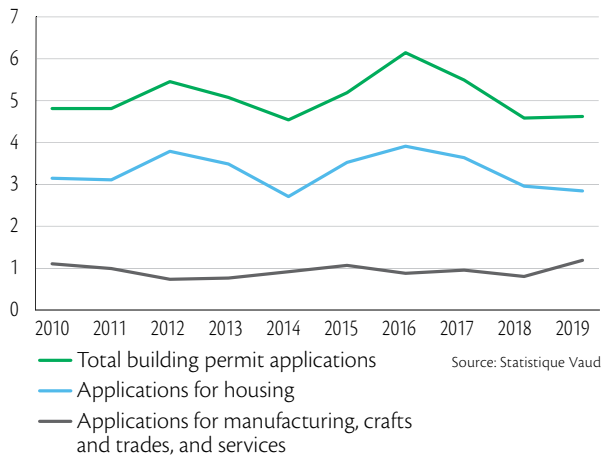
Residential construction slowed in 2019 in terms of both rental properties and single-family homes, although there was an upturn in projects to build owner-occupied apartments. Recently, the vacancy rate in Broye has been significantly higher than the cantonal average; this gap widened in 2019, when it rose to 2.8% from 2.1%. However, prices of owner-occupied housing continued to increase, rising 3.3% for single-family homes and 2.8% for apartments. Farmers had to contend with challenging weather conditions in 2019, including a summer drought.

Chablais

Tourism and mountain resorts had another solid year thanks to snow in the winter, sun in the summer, and the success of the multi-resort "Magic Pass" ski pass. In the real-estate market, the vacancy rate declined from

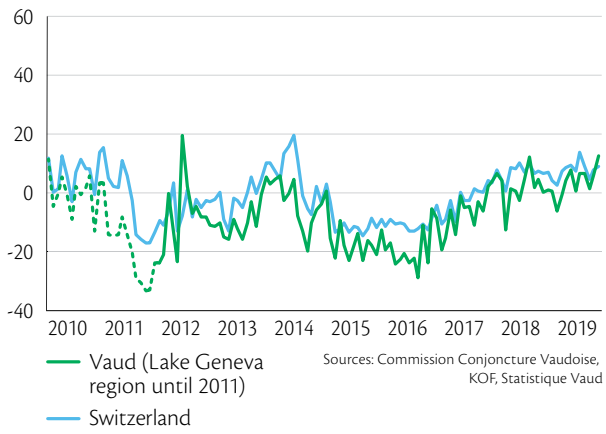
Value of work from building permit applications in Vaud

in CHF billions



Business sentiment in the retail sector

net positive responses



2.4% in 2018 to 2.1% in 2019. Building activity was again firm, as a pickup in the construction of owner-occupied apartments offset a decline in the development of new rental properties. Manufacturers had a good year, albeit slightly softer than in 2018. Wine-makers were hit by an oversupply in the bulk market.

Gros-de-Vaud

Business levels were generally good for companies in this region. The construction of new housing slowed, although – in view of the public notices that have been and continue to be issued – new neighborhoods will soon be developed. These projects will bring in additional residents, which has prompted a number of towns and town groupings to invest heavily in infrastructure. Like elsewhere in the Canton, prices in the construction industry did not advance. Measures are being studied to make up for the lack of the space for artisanal businesses in the region. Local manufacturers were resilient, even though competition remained tough.

Lausanne

The 3.4% rise in overnight hotel stays reflects the appeal of the Canton's capital – which a UK magazine recently named the best small city in the world. Lausanne's appeal increased following the reopening of the fine arts museum and the openings of the Malley sports center, the Agora cancer research building near the Lausanne University Hospital, and the new International Olympic Committee headquarters. In the hotel industry, prices have levelled off, and the city's Flon district now boasts a mid-market urban hotel run by an international hotel chain. Despite downward pressure on margins, construction activity continued apace as new rental properties were built.

Lavaux

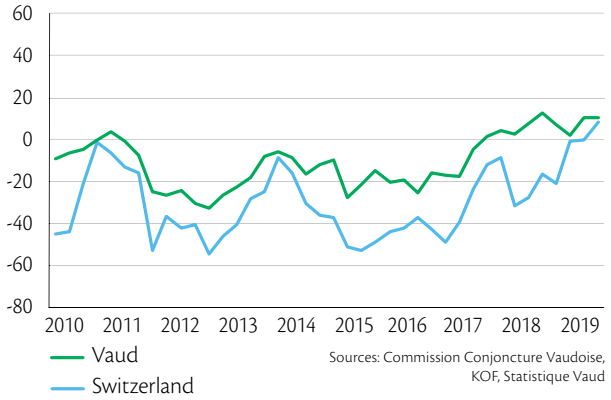
The real-estate market expanded slightly after two years of flat growth. Available land is scarce, and a number of projects near Lausanne – such as in Lutry and Pully – involve replacing old buildings with new residential properties. Prices remained high in the larger towns in the southern part of the region. New construction work is underway in the northern part of the region, including in Oron and Mézières. Added constraints under Switzerland's amended regional planning act are hindering this industry's potential, yet a number of sizeable public infrastructure projects are currently in progress. These include schools in Oron, Carouge, and Mézières, roadwork, and the renovation and expansion of municipal water systems.

Morges

The impending completion of a number of major rental projects should ease pressure on the vacancy rate, which remained low at 1.0% in 2019. Demand for owner-occupied apartments was firm, and prices were stable. As

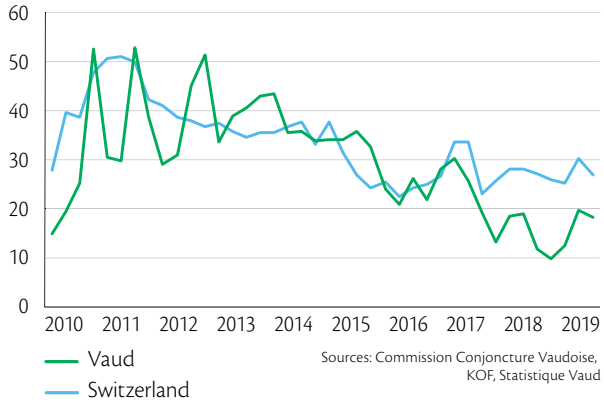
Sales index in the hotel and restaurant industry

net positive responses



Sales index in the services sector

net positive responses



a result, construction firms had a good year even though their margins were held in check. Manufacturers reported solid figures, yet they kept a close eye on the Swiss franc exchange rate. Wine-makers became concerned about the rise in inventories following bountiful, high-quality harvests in the past two years and a retreat in consumption.

Nord Vaudois

The watchmaking industry fared well overall in 2019 despite a softer year-end. Manufacturers in segments like machinery, precision instruments, and plastic injection – which either export their products or supply local firms – also posted favorable results. The Y-Parc technology park continued to grow, and several major businesses are in the process of moving there. The real-estate market remained relatively stable in terms of both prices and demand in Yverdon-les-Bains, Orbe, Chavornay, and Grandson. In the farming sector, grain harvests were plentiful while beet production was low. Several vegetable crops were damaged by hailstorms.

Nyon

This region's appeal was enhanced further in 2019 by the new Léman-Express commuter rail service. Another positive sign was the completion of two major business-hotel projects in Nyon and Founex. At the same time, the dynamic life sciences industry attracted further investment. The real-estate market continued to do well, with property prices edging up on resilient demand. In construction, order books were at high levels, yet prices remained contained. Wine-crop yields were abundant and the quality was good; as in other regions of the Canton, however, inventories are still building up.

Riviera

The region's real-estate market continues to enjoy strong demand, and numerous construction projects firmed up after the Montreux land-use plan was approved. Despite changing consumption patterns related to the rise in e-commerce, the retail sector did not lose ground – new businesses continued to be created and more and more outside chains moved into the region. Hotel volumes were strong thanks to the many events in the region such as the Montreux Jazz Festival, the Fête des Vignerons, and the Montreux Christmas market. The renovation of the Montreux Music & Convention Centre, if ultimately approved, would further buoy the local economy in the coming years.

Economic structure by BCV region

	Broye	Chablais	Gros-de-Vaud	Lausanne	Lavaux	Morges	Nord Vaudois	Nyon	Riviera
Population at end-2019	34,515	50,772	64,706	236,764	62,136	78,073	93,972	101,855	83,345
Population growth in 2019	+1.8%	+0.6%	+0.8%	+0.5%	+1.1%	+1.0%	+0.7%	+1.1%	+0.2%
Proportion of Canton's population	4.3%	6.3%	8.0%	29.4%	7.7%	9.7%	11.7%	12.6%	10.3%
Jobs (2017)	15,046	22,348	24,219	192,205	21,035	40,063	48,173	44,430	39,622
Proportion of Canton's jobs	3.4%	5.0%	5.4%	43.0%	4.7%	9.0%	10.8%	9.9%	8.9%
Jobs in the primary sector	9.1%	7.9%	6.5%	0.1%	6.4%	5.8%	5.3%	3.7%	1.5%
Jobs in the secondary sector	25.2%	21.4%	31.1%	10.3%	16.6%	21.1%	29.7%	15.2%	10.2%
Jobs in the tertiary sector	65.7%	70.7%	62.4%	89.5%	77.0%	73.1%	65.0%	81.1%	88.3%
Average unemployment in 2019	3.0%	3.5%	2.6%	4.4%	2.6%	2.6%	3.2%	2.8%	3.7%
Change in unemployment in 2019	−0.4%	−0.3%	−0.1%	−0.3%	−0.1%	−0.2%	−0.2%	−0.2%	−0.1%

Sources: Statistique Vaud, FSO, SECO

Year in Review

BCV in 2019

We delivered very solid results in 2019 – our best in a decade. Despite the negative-interest-rate environment, total revenues were up 3% to CHF 1.0bn. Thanks to firm cost control – operating expenses edged up just 1% to CHF 504m – operating profit rose 4% to CHF 419m. Net profit rose 4% to CHF 363m, reflecting that higher operating profit as well as a lower tax expense following the implementation of Vaud Canton's corporate tax reform.

In 2019, we also continued to execute on our strategic priorities. One such priority is to enhance our online services as customers increasingly migrate to digital channels. Our goal here is to allow customers to conduct almost all of their day-to-day banking through the channel of their choice. Our online channels are now used by more than 60% of our customers. The BCV Mobile banking app is continuing to gain users: three out of every four connections to our online banking platform now take place through the app, and a third of all users log in only on their smartphone.

A mixed economic environment

The global economy lost steam last year. Growth fell to a 10-year low, mainly because of trade tensions between the US and China and deceleration in the eurozone and China.

Both the Vaud economy and that of Switzerland as a whole were affected by the global downdrafts. Switzerland's GDP growth eased from 2.3% in 2018 to 1.3% in 2019, and that of Vaud from 2.9% to 1.5%. Both the Swiss and Vaud economies were nevertheless underpinned by firm domestic demand.

The real-estate market in Vaud remained firm, as prices for owner-occupied homes continued on the uptrend that began in 2017. On average, prices for single-family homes rose 2.8% year on year, while those for apartments were up 2.3%, according to data from Wüest Partner. However real-estate is expanding more slowly than during the 2006–2012 period, and the 2019 growth figures came in below the 2018 figures of 4.6% and 2.5%, respectively.

Continued growth in customer-driven business volumes

Mortgage lending rose 4%, or CHF 937m, to CHF 27.0bn. Other loans were up by 1% (+CHF 75m), to CHF 5.8bn. On the liabilities side, customer deposits grew further, rising 5%, or CHF 1.7bn, to CHF 33.0bn. Total assets grew 1% to CHF 48.4bn.

The Group's assets under management expanded 12% to CHF 97.8bn. Net new money totaled CHF 3.8bn. This figure comprised CHF 1.5bn in fund inflows from personal banking customers and Vaud SMEs as well as CHF 2.3bn from large-corporate and institutional clients.

Financial results

BCV Group's revenues rose 3% to CHF 1.0bn. In an environment marked by continued negative interest rates, net interest income before loan impairment charges/reversals was steady at CHF 497m. Net interest income grew 3% to CHF 507m, driven by a net reversal of loan provisions. Net fee and commission income was up 2% to CHF 323m. Net trading income, which derives mainly from client forex trading activities, was stable at CHF 128m. Other ordinary income rose 8% to CHF 44m.

Operating expenses increased 1% to CHF 504m. Personnel costs were up 2% to CHF 339m after a number of IT consultants were added to the headcount. Other operating expenses were down 1% to CHF 165m. Depreciation and amortization rose 4% to CHF 71m, due mainly to investments in digital banking. Operating profit was up 4% to CHF 419m.

Net profit rose 4% to CHF 363m, reflecting higher operating profit and lower tax expense following the implementation of Vaud Canton's corporate tax reform.

The cost/income ratio went from 57.6% to 57.7%. In an environment still marked by negative interest rates, the net interest margin stood at 1.07%, down slightly on the 2018 figure (1.10%). Shareholders' equity rose 2% to CHF 3.6bn. The Group's Common Equity Tier 1 (CET1) ratio at 31 December 2019 was 17.1%, and the leverage ratio was 6.3%. The Bank's return on equity stood at 10.4%.

Business sector overview

Retail Banking

Retail Banking experienced solid business growth in 2019, extending the trend of previous years. Customers continued to enjoy historically low interest rates on their mortgage loans without being charged negative interest on their deposits. The mortgage book expanded by 4% to CHF 8.3bn and customer deposits were up 7% to CHF 9.1bn. Sector revenues grew by 1% to CHF 174m. Operating profit rose 28% to CHF 37m owing to a decline in both direct and indirect operating expenses. The Digital & Multichannel Banking Department, part of the Retail Banking Sector, rolled out over 30 new features and functions across all digital channels.

Corporate Banking

Corporate Banking turned in a satisfactory performance overall in view of the prevailing economic conditions. Vaud SMEs achieved another year of solid business growth. Trade Finance volumes were down slightly but remained fairly solid, and the Large Corporates business achieved growth in the loan book that mostly offset a controlled decline in off-balance-sheet commitments. Lending and commitments climbed 1% to CHF 17.6bn, while deposits grew 6% to CHF 10.1bn. The Sector's revenues declined 1% to CHF 265m, and operating profit also edged down 1%, to CHF 154m. New provisioning needs stayed low as the corporate loan book remained healthy.

Wealth Management

The Wealth Management Sector had a good year across all its businesses in 2019. In onshore private wealth management, the positive trend seen in recent years continued, and institutional asset management grew its business substantially in both French-speaking Switzerland and the German-speaking part of the country. Business in cross-border wealth management remained in line with the trend of the previous year. The Sector's assets under management rose 13% to CHF 72.7bn thanks to net new money from individual and institutional clients and the strength of the financial markets. The mortgage book expanded by 2% to CHF 7.8bn. The Sector's revenues rose 2% to CHF 363m, and operating profit was up 7% to CHF 139m. A new investment advisory service, BCV Conseil, was rolled out for onshore private banking clients.

Trading

The Trading Sector's various businesses put in mixed performances in 2019. While volumes were flat in currency trading, which accounts for two-thirds of the Sector's total revenues, the Sector's other businesses reported healthy growth. Trading revenues climbed 10% to CHF 50m, and operating profit rose 36% to CHF 22m. Risk levels stayed low, as BCV's trading activities are focused primarily on customer-driven transactions.

Highlights of the year

Dividend payment

In 2019, we executed on our dividend policy for the eleventh consecutive year, with an ordinary dividend of CHF 35 per share. In May, we distributed CHF 301m to shareholders, with the Canton of Vaud receiving CHF 202m of that amount. For the 2008 to 2018 financial years, we returned a total of nearly CHF 3.1bn to our shareholders.

Credit ratings

Standard & Poor's maintained our long-term rating of AA, with a stable outlook, a rating we were first assigned in 2011. Moody's reaffirmed our long-term rating of Aa2, also with a stable outlook.

New members of the Board of Directors

Jean-François Schwarz, who was appointed to the Board of Directors by the Vaud Cantonal Government in April 2018, took up his position on 1 January 2019, replacing Paul-André Sanglard, who had been Vice Chairman. Reto Donatsch, a Board member since 2011, became the new Vice Chairman on 1 January 2019.

Key projects and investments

One of the highlights of 2019 was in our Wealth Management business, where we rolled out our new BCV Conseil investment advisory service. It is now available in four formats – Classique, Plus, Premium, and Active Advisory. With this service, our clients can communicate directly with their advisor or connect via our online platform, and they can keep track of their portfolio at home and on the go. BCV Conseil also provides investment recommendations and the latest financial news.

We also continued to make improvements to our digital banking services for all our customers. In 2019, we added around 30 new features and functions, including options for modifying payment orders and managing payment cards, and a new online cockpit for our SME clients. Our customers can now conduct almost all of their day-to-day banking whenever and wherever they choose. To take just a few examples: they can make payments; check account balances; open an account; apply for, renew, or transfer a mortgage; and use BCV TWINT – Switzerland's digital wallet.

In our Corporate Banking sector, we set up a new business succession team, which brings together our experts in financing, asset management, and pensions. These in-house experts are also backed by a network of external specialists.

Investments

In each of the past three years, we invested between CHF 50m and CHF 70m in infrastructure, equipment, and IT maintenance and development.

Outsourcing of services

We once again entrusted the IBM banking IT center in Lausanne to carry out activities that include data storage, operating and maintaining databases, and operating IT systems. Bank employee workstations have been provided and maintained by Swisscom since 2019. For printing and mailing banking documents to customers, our service provider is Swiss Post Solutions SA. This form of IT systems management meets the legal requirements relative to outsourcing. The maintenance and development of our banking platform are handled in-house.

In addition, BCV uses valuation models supplied by Wüest Partner (hedonic valuation functions for private residential properties and a capitalization valuation model for income-producing real estate). Our contract with Wüest Partner complies with legal requirements for the outsourcing of data storage.

Strategy and outlook

In 2019, the Board of Directors and Executive Board conducted a review of the strategy in place since 2014 and defined a new strategic plan for the years to come. This new plan builds on those we have been implementing for more than ten years and positions the Bank to respond to future challenges.

This new strategic plan – called *vista* – aims to maintain the positive trend that the Bank's business lines have been experiencing over the past few years. It is also designed to position the Bank to respond to the main challenges we will face in the coming years, such as heightened competition, persistently low interest rates, advancements in digital technology, and ever-changing customer needs.

For the business lines, we are targeting:

- Above-market growth in asset management, SMEs, and onshore private banking;
- At least market growth in retail banking;
- A focus on the profitability of our commodities trade finance and large corporates businesses;
- Continued development of our other business lines.

We have identified several strategic focus areas. These goals include:

- Continuing to improve our service quality along the entire value chain to create an even better customer experience;
- Enhancing our distribution channels (branches, digital services, and call centers) to give customers an integrated multichannel experience;
- Capturing more of the cross-selling potential inherent in our universal bank business model;
- Implementing operational improvements through targeted measures;
- Increasing our attractiveness as an employer and fostering continuous skills development among our employees;
- Sharpening our focus on corporate social responsibility (CSR) measures, including a wider range of sustainable banking products, socially responsible investment options, and mortgage solutions.

In addition, the focus on service quality and our core values reflects our belief that a common culture shared by all employees is one of the key success factors for our strategy. From this foundation, we intend to generate sustainable growth and stable earnings going forward.

Financial targets

In today's low-interest-rate environment, we are seeking sustainable growth, with revenues and operating profit trending along the same lines as in recent years. We maintained or slightly adjusted our financial targets: we are still targeting a cost/income ratio of 57%–59% and a CET1 ratio of at least 13%; our ROE target based on this minimum target CET1 ratio is now 13.5%–14.5%. These targets should be viewed from a long-term perspective.

Business trends at the main subsidiaries

Piguet Galland & Cie SA

Piguet Galland & Cie SA is a private bank with its head office in Yverdon-les-Bains, main branch in Geneva, and three other branch offices across French-speaking Switzerland. It provides a comprehensive approach underpinned by personalized investment solutions to private and institutional clients.

In 2019, Piguet Galland & Cie SA recorded net profit for the year of CHF 2.8m, with revenues from banking operations remaining stable and operating expenses dropping 1%. At end-2019, AuM amounted to CHF 5.8bn.

Gérifonds SA

Gérifonds SA is the fund administrator for BCV and nine other fund distributors. At year-end, assets of funds under management were up CHF 2.2bn (+17%) to CHF 15.5bn. At 31 December 2019, Gérifonds managed 119 funds, 76 of which were registered in Switzerland and 43 in Luxembourg.

Gérifonds' 2019 revenues increased 7% to CHF 15.7m, while net profit rose 21% to CHF 4.2m.

GEP SA

GEP SA manages the Fonds Immobilier Romand (FIR), a listed, Swiss-registered real-estate fund launched in 1953 and open to private investors. At end-2019, FIR had a portfolio of some 4,000 residences in 146 buildings, most of which are located in the Lake Geneva region.

At 31 December 2019, total assets were CHF 1.3bn (+5%) and rental income stood at CHF 69m. In light of the increasingly competitive property market, FIR has adopted a highly selective growth strategy based on acquiring buildings in prime locations and developing new projects. In 2019, 169 new rental units in Fribourg and Lausanne were put on the market and two new buildings were purchased in the Greater Lausanne region.

Year in Review

Business Sector Reports

Retail Banking

- **Retail Banking experienced solid business growth in 2019, extending the trend of previous years. Customers continued to enjoy historically low interest rates on their mortgage loans without being charged negative interest on their deposits.**

- **The mortgage book expanded by 4% to CHF 8.3bn and customer deposits were up 7% to CHF 9.1bn.**

- **Sector revenues grew by 1% to CHF 174m. Operating profit rose 28% to CHF 37m owing to a decline in both direct and indirect operating expenses.**

- **The Digital & Multichannel Banking Department, part of the Retail Banking Sector, rolled out over 30 new features and functions across all digital channels.**

Business and strategy

In 2019, Retail Banking employed 362 people. They serve the banking needs of around 370,000 individuals with assets of up to CHF 250,000 or mortgages of up to CHF 1.2m. In addition to current accounts, savings accounts, credit cards, and home loans, BCV offers a full range of banking products such as investments, financial planning services, and trading via our online platform, TradeDirect (tradedirect.ch).

Most of BCV's customers first came to the Bank for retail banking services. We offer a comprehensive range of distribution channels: 63 branch offices providing dense coverage of Vaud, a network of more than 220 ATMs across the Canton, a highly efficient call center, and an internet banking platform, BCV-net, that can be accessed using a computer or a mobile device such as a smartphone or tablet. BCV-net is used by 60% of our customers, and more than eight out of every ten payments are made via this platform. Our retail banking operations are an integral part of our image as the bank of choice for the people of Vaud. We provide advice to customers in all phases of their lives, offering ongoing support through our broad array of products and services.

Retail Banking's experienced management and comprehensive product range also make it a key training ground for BCV's staff. Many employees working in BCV's other business areas started their careers as trainees, interns, or employees in Retail Banking. Retail continues to fulfill this role and frequently transfers staff to BCV's other divisions.

2019: business report

Conditions in the Vaud real-estate market remained positive in 2019. Selling prices on owner-occupied housing continued trending upwards after easing between 2013 and 2016. The market was supported by low interest rates coupled with a lower supply of new homes intended for owner-occupiers and a concomitant increase in investments in rental properties. However, the market continued to soften, as illustrated by the housing vacancy rate, which edged up from 1.08% at end-2018 to 1.11% a year later.

Against this backdrop, Retail Banking grew its business volumes. The mortgage book expanded by 4% (to CHF 8.3bn), in line with the growth recorded in the Vaud property market. Customer deposits continued to climb, reaching CHF 9.1bn (+7%) at end-2019.

Sector revenues also rose, by 1% to CHF 174m, while operating profit jumped 28% to CHF 37m owing to a decline in both direct and indirect operating expenses.

Continually improving the quality of customer service is the Bank's number one strategic goal. In 2019, Retail Banking took steps to enhance the customer experience in BCV's

branch offices, with the Avenches and Bussigny branches moving into new premises. The new range of all-in-one banking packs for families was extremely popular, since their low fees make this offering one of the most attractive available. Retail Banking also made improvements to its digital banking services, with rollouts of several new features and functions. These improvements focused in particular on the BCV Mobile banking app, and included options for modifying payment orders and managing payment cards more flexibly; we also made it possible for BCV TWINT users to link more than one account to the app.

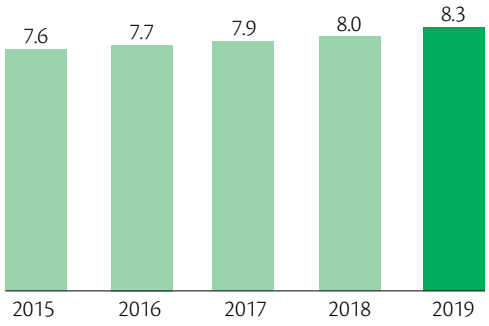
Objectives and outlook

Over the next few years, Retail Banking will continue implementing various initiatives to deliver an improved customer experience embracing all of its distribution channels. Through our close ties with customers and highly professional approach, we aim to maintain our position as the bank of choice for the people of Vaud, while continuously adapting to customers' changing behaviors and market trends. Our aim is to offer a customer experience that seamlessly and efficiently combines all distribution channels.

2015–2019 financial data

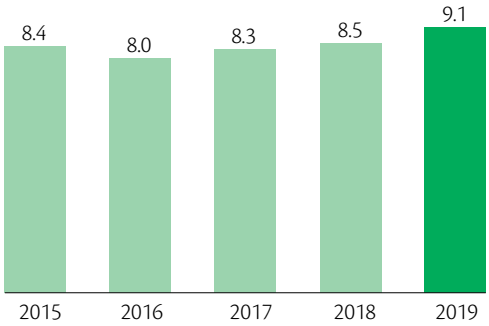
Mortgage loans

in CHF billions



Customer deposits

in CHF billions



Key figures

	2019	2018
Total revenues (CHF millions)	173.7	171.8
Operating profit (CHF millions)	37.1	29.0
Cost/income ratio (excluding goodwill amortization and write-downs)	77%	81%
ROE	11.6%	8.7%
Headcount	362	359

2018 figures were adjusted to facilitate like-for-like comparisons.

Corporate Banking

- **Corporate Banking turned in a satisfactory performance overall in view of the prevailing economic conditions. Vaud SMEs achieved another year of solid business growth, Trade Finance volumes were down slightly but remained fairly solid, and the Large Corporates business achieved growth in the loan book that mostly offset a controlled decline in off-balance-sheet commitments.**

- **Lending and commitments climbed 1% to CHF 17.6bn, while deposits grew 6% to CHF 10.1bn.**

- **Sector revenues declined 1% to CHF 265m, and operating profit also edged down 1%, to CHF 154m.**

- **New provisioning needs stayed low as the corporate loan book remained healthy.**

Business and strategy

The Corporate Banking Sector comprises three front-line departments: SMEs, Large Corporates, and Trade Finance. The product range covers all financing needs (e.g., construction loans, financing of production equipment, working capital, and international trade finance) and provides cash-management services along with instruments for hedging exchange-rate and interest-rate risk.

Corporate Banking is continuing to expand its SME customer base in order to consolidate its already-strong presence in the Vaud economy. More than half of the Canton's SMEs bank with BCV, and BCV has relationships with most of Vaud's major corporations. The Sector's Large Corporates Department offers a broad range of services to companies elsewhere in French-speaking Switzerland and, on a more selective basis, in German-speaking areas of the country. The Lake Geneva region is a global center for commodities trading and is home to a large number of trading firms. BCV has recognized strengths in serving these companies, particularly in the key markets in which we specialize, such as metals, soft commodities, and energy. The Sector focuses on certain key markets and systematically monitors all of its trade finance transactions.

2019: business report

In 2019, both the Swiss and Vaud economies lost momentum. GDP growth in the Canton slowed to 1.5% in 2019 from 2.8% in 2018 (adjusted for fluctuations in income generated by major international sporting events), according to January 2020 estimates from the CREA Institute of Applied Economics. Like the rest of the Swiss economy, Vaud manufacturers felt the effects of the global economic slowdown and the strong Swiss franc.

The Swiss National Bank maintained an interest rate of –0.75% on sight deposits in excess of a given exemption threshold, and raised that threshold in September 2019.

It was a volatile year for commodity prices. Oil prices were affected by geopolitical tensions in the Middle East, a deceleration in global growth, and sustained production levels in the US. The economic slowdown, particularly in China, also pushed base metal prices down slightly in 2019.

Business volumes rose in 2019, with lending and commitments up 1% to CHF 17.6bn. Deposits grew 6% to CHF 10.1bn despite ongoing low interest rates.

Lending and commitments to Vaud SMEs continued to expand (+5%). In the Large Corporates segment, a decline in off-balance-sheet commitments was partly offset by growth in lending, resulting in a net decrease of 2% year on year. Trade Finance volumes also contracted, with average lending and commitments down 2% versus 2018.

The Sector's revenues declined by 1% to CHF 265m, and operating profit edged down 1% to CHF 154m. The loan book remained healthy and new provisioning needs were well below expectations.

Objectives and outlook

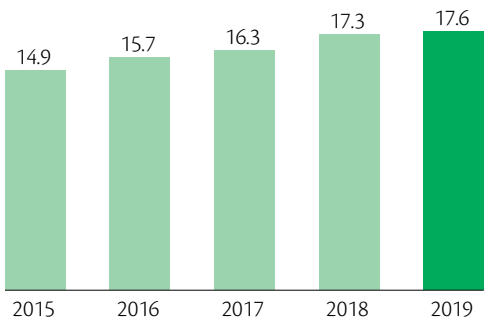
Corporate Banking will seek to increase its presence among local SMEs and ensure maximum responsiveness to their needs, standing with them during these still-uncertain economic times and throughout their life cycle – from creation to succession.

The Trade Finance and Large Corporates businesses will maintain their approach, based on maximizing profitability in line with the Bank's risk profile.

2015–2019 financial data

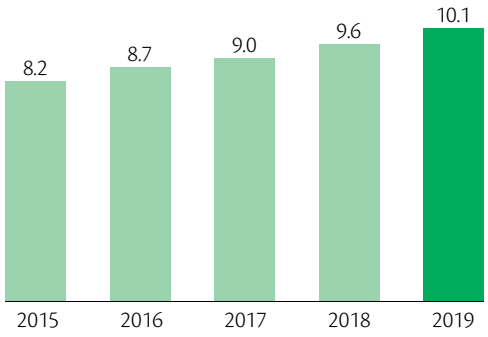
Lending and off-balance-sheet commitment

in CHF billions



Customer deposits

in CHF billions



Key figures

	2019	2018
Total revenues (CHF millions)	264.7	266.9
Operating profit (CHF millions)	154.1	156.4
Cost/income ratio (excluding goodwill amortization and write-downs)	35%	35%
ROE	10.1%	9.2%
Headcount	188	188

2018 figures were adjusted to facilitate like-for-like comparisons.

Wealth Management

- **The Wealth Management Sector had a good year across all its businesses in 2019. In onshore private wealth management, the positive trend seen in recent years continued, and institutional asset management grew its business substantially in both French-speaking Switzerland and the German-speaking part of the country. Business in cross-border wealth management remained in line with the trend of the previous year.**

- **The Sector's assets under management rose 13% to CHF 72.7bn thanks to net new money from individual and institutional clients and the strength of the financial markets. The mortgage book expanded by 2% to CHF 7.8bn.**

- **The Sector's revenues rose 2% to CHF 363m, and operating profit was up 7% to CHF 139m.**

- **A new investment advisory service, BCV Conseil, was rolled out for onshore private banking clients.**

Business and strategy

BCV Group's wealth management business comprises the activities of the parent company and those of its subsidiaries Piguet Galland & Cie SA, Gérifonds SA, and GEP SA. Within the parent company, wealth management is shared by two divisions. The Private Banking Division serves affluent and high-net-worth individuals, whereas the Asset Management & Trading Division works with institutional clients. With nearly 500 employees in wealth management, BCV Group has a major regional presence in private banking. We are also the Canton of Vaud's leading institutional asset manager.

In light of the Vaud region's strong potential in private banking, the Wealth Management Sector is maintaining the growth strategy initiated in 2009. Because BCV operates in all areas of banking, efforts to attract private clients can be coordinated with other business sectors, creating valuable synergies. For example, the Bank's private banking business benefits from a steady stream of high-potential referrals from Retail Banking, whose client base includes most of the people living in the Canton, and from Corporate Banking, which is very active on the local business scene. BCV is already the leading institutional asset manager in Vaud Canton. We are now pressing ahead with our strategy to grow this business elsewhere in Switzerland. To achieve this, we are capitalizing on the occupational pension expertise we have gained through Fondation BCV Deuxième Pilier, which has around 550 member companies. Having traditionally focused our activities in French-speaking Switzerland, we have expanded our business in the German-speaking part of the country by leveraging our investment skills and our ability to create high-value-added financial products.

Piguet Galland & Cie SA is a 99.7%-owned subsidiary of BCV. It was created following the merger between Banque Piguet & Cie SA and Banque Franck Galland & Cie SA, which BCV acquired in 2011. It operates out of Geneva, Lausanne, Yverdon-les-Bains, Nyon, and Neuchâtel. Piguet Galland & Cie SA aims to be one of the leading wealth managers in French-speaking Switzerland, offering an exclusive, high-end service.

Gérifonds SA, which is a wholly owned subsidiary, provides BCV and other partners with valuable expertise in creating, distributing, managing, and administering investment funds. Its expertise and leading position in the fund market in French-speaking Switzerland have enabled it to build a solid and rapidly expanding portfolio of clients outside BCV Group.

GEP SA, founded in 1953, is a wholly owned subsidiary of BCV. It has unique expertise in real-estate fund management. It manages Fonds Immobilier Romand (FIR), a Swiss-registered real-estate fund listed on the SIX Swiss Exchange that invests exclusively in residential properties in French-speaking Switzerland.

2019: business report

In private wealth management, the trend seen in recent years continued. In response to changing customer expectations, evolving regulatory requirements, and moves by our competitors, we rolled out BCV Conseil, a new investment advisory service that allows clients to find the investment approach best suited to their needs and investor profile.

In line with BCV's decision to sign the United Nations Principles for Responsible Investment (UNPRI), our asset

management department incorporated environmental, social, and governance (ESG) criteria across its institutional asset management products.

Our Zurich-based sales team, which promotes BCV's institutional asset management services, further grew its volumes in German-speaking Switzerland, where we are recognized as a niche player.

Cross-border wealth-management business volumes were in line with the trend of the previous year.

The Sector's assets under management grew 13% to CHF 72.7bn thanks to net new money from private and institutional clients and the strength of the financial markets. Outflows of offshore funds were very low in 2019. The mortgage book continued to expand at a moderate pace of 2%, reaching CHF 7.8bn.

The Sector's revenues rose 2% to CHF 363m, and operating profit was up 7% to CHF 139m.

Objectives and outlook

We will press ahead with the growth strategy that we implemented several years ago in private onshore wealth management, with the aim of becoming the market leader in Vaud Canton.

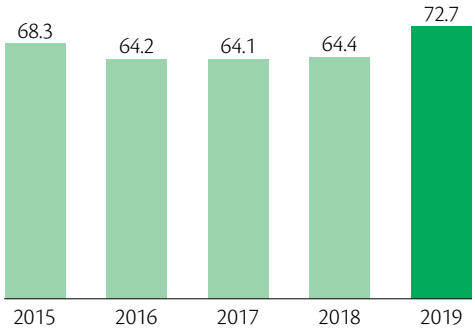
In institutional asset management, we aim to continue growing our business in Vaud and the rest of French-speaking Switzerland, as well as in the German-speaking part of the country through our representative office in Zurich. As a creator and distributor of investment products, Asset Management will continue to design innovative investment strategies. We will keep developing our product range in line with client needs and new investment styles.

Piguet Galland & Cie SA is aiming to grow its business in French-speaking Switzerland's wealth management market and will continue to generate synergies with BCV.

2015–2019 financial data

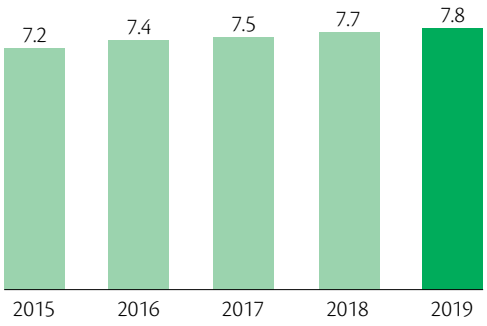
Assets under management

in CHF billions



Mortgage loans

in CHF billions



Key figures

	2019	2018
Total revenues (CHF millions)	362.6	354.3
Operating profit (CHF millions)	138.7	129.9
Cost/income ratio (excluding goodwill amortization and write-downs)	60%	61%
ROE	33.3%	29.2%
Headcount	499	498

2018 figures were adjusted to facilitate like-for-like comparisons.

Trading

- **The Trading Sector's various businesses put in mixed performances in 2019. While volumes were flat in currency trading, which accounts for two-thirds of the Sector's total revenues, the Sector's other businesses reported healthy growth.**

- **Trading revenues climbed 10% to CHF 50m, and operating profit rose 36% to CHF 22m.**

- **Risk levels stayed low, as BCV's trading activities are focused primarily on customer-driven transactions.**

Business and strategy

We aim to meet our customers' trading needs and to offer them a broad array of products and services. To achieve this, we have one of the largest trading floors in French-speaking Switzerland. Our traders operate directly on the SIX Swiss Exchange. Our Trading Sector focuses on investment and hedging products (currencies, equities, bonds, derivatives, and structured products) that are denominated primarily in Swiss francs and aimed at clients based mainly in Switzerland. More than a third of customers who trade currencies directly through BCV's trading floor use our e-FOREX platform.

Our trading floor focuses on client transactions. This means that the Bank's risk levels are low.

The Sector's activities come under the Asset Management & Trading Division, which encompasses asset management, investment policy, and the trading floor. That combination enables us to make the most of synergies between the trading floor and the Asset Management Department, helping us to provide investment products that are responsive to customer needs and consistent with our investment policy.

2019: business report

2019 was an excellent year for stock markets. The main indices recovered from the end-2018 rout, climbing steadily throughout the year. The economic climate was somewhat bleak, as growth slowed and both trade and geopolitical tensions heightened, but fears of a recession ultimately proved unfounded. In addition, US and EU monetary policies were loosened, which kept bond yields very low or even negative. Equities therefore remained the most attractive option for investors, and the main indices all advanced by more than 20%.

In the forex market, the Swiss franc again edged upward. The euro fell 3.2% against the franc, dropping from CHF 1.12 to CHF 1.09, while the dollar lost 1.4% over the year, sliding from CHF 0.98 to CHF 0.97.

Overall activity in the Trading Sector was firm in 2019. While revenues were flat in currency trading, which accounts for two-thirds of the Sector's total revenues, the Sector's other businesses (Structured Products, and Equities, Bonds & Fixed Income) reported solid growth.

Full-year revenues rose 10% to CHF 50m, and operating profit increased by 36% to CHF 22m.

The Sector's risk profile remained very low, with an average Value-at-Risk (1-day, 99%) of around CHF 0.2m over the course of the year.

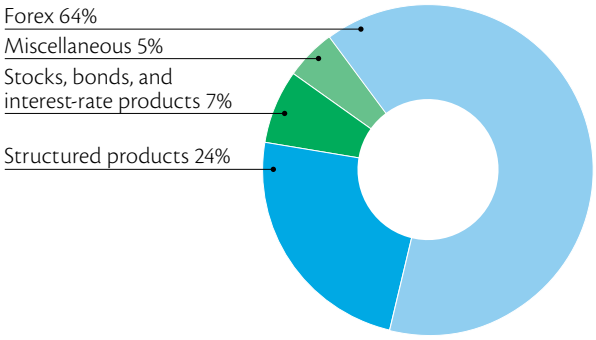
Objectives and outlook

In the coming years, the Trading Sector will further develop its range of services to focus on customers' core trading needs. Our products for both hedging and investment purposes will continue to meet strict transparency criteria.

In forex and structured products, the Sector will seek to win new customers and build on existing relationships by offering excellent service and products.

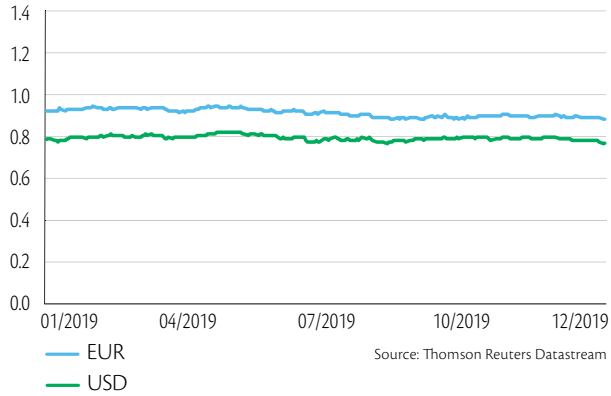
2019 financial data

Breakdown of trading income by segment



Exchange rates

versus CHF



Source: Thomson Reuters Datastream

Key figures

	2019	2018
Total revenues (CHF millions)	50.1	45.3
Operating profit (CHF millions)	21.9	16.1
Cost/income ratio (excluding goodwill amortization and write-downs)	55%	62%
ROE	29.4%	15.0%
Headcount	55	56

2018 figures were adjusted to facilitate like-for-like comparisons.

Risk Management

1. General approach

1.1 Objectives

The business of banking is to take on strategic and business risk, market risk, and credit risk in order to create economic profit. Indirectly, this entails exposure to operational risk. BCV manages these risks in an integrated and coherent manner, using a process that encompasses all of the Bank's activities. The goals of the risk-management process at BCV are to ensure that:

- BCV's risk exposure is evaluated, monitored, and reported in a manner that is appropriate to the economic and regulatory environment;
- BCV's risk-taking capacity is in line with its risk profile;
- BCV earns optimal returns on the risks that it takes and hence on the equity capital committed.

1.2 Principles

Risk management at BCV is based on the following ten principles:

1. BCV takes on strategic and business risk, credit risk, and market risk with the aim of generating economic profit.
2. BCV seeks to minimize its exposure to the operational risk it is exposed to as a result of its activities.
3. Every risk that BCV takes must fall clearly within the purview of the Bank's businesses and be in line with the targeted risk profile.
4. The level of risk taken by BCV is in keeping with its risk tolerance with regard to net profit fluctuations and the targeted level of share capital.
5. BCV takes and maintains positions only when it knows the risks and is able to manage them.
6. BCV assesses and monitors all risks for their potential financial impact (decreases in profit and/or capital), regulatory impact (that could lead to restrictions on the right to conduct business), and impact on the Bank's reputation.
7. The same definitions, methodological approaches, and organizational principles are applied in managing risk bank-wide.
8. BCV continually refines its methods and its risk-assessment and monitoring processes, selecting the most appropriate approach for each set of risks taken.
9. BCV fosters a culture of risk management and aims to be highly skilled in this field. The Bank follows industry best practices and the recommendations of the Basel Committee.
10. BCV strives for full in-house expertise in all the risk-management models and tools that it uses.

1.3 Classification of risks

BCV monitors four categories of risk in all of its activities:

- **Strategic and business risk**, which arises from economic or regulatory changes that could have an adverse effect on the Bank's strategic choices in the case of strategic risk, or from competitive changes that could have an adverse effect on business decisions for a given strategy in the case of business risk.
- **Credit risk**, which arises from the possibility that a counterparty may default. Credit risk exists before and during the unwinding of a transaction.
- **Market risk**, which arises from potential adverse changes in market parameters, particularly prices, implied volatility, and other market base effects (e.g., correlation between asset prices and market liquidity). Liquidity risk, both in terms of possible difficulties with the structural funding of activities and potential problems with short-term liquidity management, is also deemed to be a component of market risk.
- **Operational risk**, which arises from a possible inadequacy or failure relating to processes, people and/or information systems within and outside the Bank. Operational risk includes the risk of non-compliance, i.e., the risk of the Bank breaching legal requirements, standards, and regulations.

BCV analyzes and manages these risks on the basis of their potential impact. Three kinds of impact are considered:

- The financial impact, that is, a decrease in the Bank's net profit, the book value of its capital, and/or the economic value of its capital.
- The regulatory impact, that is, intervention by regulators in the form of inquiries, sanctions, increased monitoring, or a restriction on banking activities.
- The reputational impact on the image that the Bank projects to the outside world.

1.4 Governance

All risks in all areas of the Bank are managed according to the same basic principles of governance and organization. The main responsibilities in the area of risk management may be summarized as follows:

- The Board of Directors establishes BCV's fundamental risk-management principles and decides the strategy it will pursue in taking on risk.
- The Audit and Risk Committee ensures that risk management at BCV is implemented and operational, as decided by the Board of Directors.
- The Executive Board is responsible for ensuring that risk-management procedures are implemented and operational, and for monitoring the Bank's risk profile. It monitors strategic and business risk and supervises the Executive Board Risk Management Committee in monitoring and reporting these risks. The committee is chaired by the Chief Financial Officer (CFO) and includes the CEO, other division heads, and the head of the Risk Management Department.
- Division heads are responsible for conducting and monitoring the activities of their divisions, regardless of whether the division has a front-line, steering, or business-support role. They have initial responsibility for overseeing, identifying, and managing the strategic, business, credit, market, and operational risks arising from the activities of their divisions.
- The CFO also assumes the role of Chief Risk Officer. The CFO, with the support of the Risk Management Department, puts forward risk-management policy and strategy, monitors the Bank's aggregate risk profile, is responsible for capital adequacy, and helps foster a culture of risk management among staff. Together with the Compliance Department, the CFO ensures that due diligence is taken to combat money laundering and the financing of terrorism, monitor market abuse, and comply with economic sanctions.
- The Credit Management Division, under the Chief Credit Officer (CCO), is responsible for analyzing risk for all types of credit risk assumed by the Bank and, up to the limit of its approval authority (see below), for credit decisions, as well as for monitoring risk exposures on a counterparty basis.

• The Risk Management Department is responsible for developing and continually improving the Bank's methods and principles for managing credit, market, and operational risk; enhancing the Bank's internal control system; monitoring the Bank's risk profile; and overseeing and executing risk reporting. The Risk Management Department ensures that the Bank's internal control system is properly implemented and in keeping with the Bank's needs; the Department is also in charge of submitting all risk reports to the Bank's governing bodies. Finally, the Department is responsible for the overnight monitoring of market risk for BCV's trading floor.

• The Compliance Department is responsible for establishing the internal regulations and control system needed to combat money laundering and the financing of terrorism, monitor market abuse, and comply with economic sanctions. The Department is actively involved in raising employees' awareness of the respective obligations and carries out independent checks to ensure that internal regulations are in line with the Bank's activities.

• The Security Department is responsible for setting up, implementing, and monitoring a control system that keeps the Bank's operations, IT systems, and data secure, and the people, infrastructure, and assets within the Bank safe and secure. It also makes sure that measures put in place to manage crisis situations and ensure business continuity remain effective and adequate over time.

2. Credit risk

Managing credit risk is a core competency at BCV. Each phase of the business of extending credit calls for particular expertise in managing risk.

- First, the lending decision involves processes and methods for analyzing credit risk that ensure an objective and factual assessment while still meeting the operational imperatives of the business.
- Second, outstanding loans are continuously monitored, not just on an individual basis but also at the level of the loan portfolio as a whole. This approach allows the credit-risk profile to be monitored to ensure that it remains consistent with strategic objectives, and makes early detection of increases in risk possible.
- Third, impaired loans are managed differently, following clearly defined procedures which are designed to assist the debtor in distress as much as possible and thereby protect the interests of the Bank, as well as those of its depositors, creditors, and shareholders.

The three phases of customer credit activities are described in more detail below.

BCV risk profile

		31/12/16	31/12/17	31/12/18	31/12/19
BCV Group capital adequacy[1]	• Risk-weighted assets (CHF billions)	17.6	18.2	18.4	18.8
	• Total capital ratio	17.6%	17.3%	17.2%	17.3%
	• Tier 1 capital ratio	17.5%	17.1%	17.1%	17.1%
Non-impaired loans (parent company)	• Customer loans, on and off balance sheet[2] (CHF billions)	31.2	31.8	33.3	33.9
	• Expected loss ratio (relative to amount drawn)	14 bps	13 bps	13 bps	13 bps
Impaired loans (parent company)	• Impaired loans[3] (CHF billions)	0.2	0.2	0.2	0.2
	• As a % of total customer loans and due from banks	0.6%	0.6%	0.6%	0.5%
	• Specific provisioning ratio	39%	46%	42%	45%
Market risk in the trading book (parent company)	• Trading Dept.: VaR[4] (CHF millions, 1-day, 99%)	0.3	0.2	0.2	0.2
	• Asset mgt. nostro portfolio: VaR[4] (CHF millions, 180-day, 99%)	0.9	0.7	0.1	0.1
Market risk in the banking book (parent company)	• Sensitivity of capital to a 100-bp rise in interest rates (CHF millions)	−353.9	−347.5	−390.4	−396.3
Operational risk (parent company)	• New provisions and direct losses (CHF millions)[5]	2.7	0.8	1.0	0.6

[1] Determined according to Basel III since 2013
[2] Excluding financial investments (bonds)
[3] Net commitments (commitments to impaired borrowers for which the provision is above 0)
[4] Average VaR for the year
[5] Including gains and changes in provisions

2.1 The lending decision

Risk strategy and credit policy

Loans to customers represent the Bank's largest asset position. BCV takes on credit risk with the aim of building a high-quality loan portfolio. Its customer credit risk stems primarily from mortgage loans to individuals and businesses, as well as other types of business loans. For each of the various customer segments, the Bank sets limits in terms of maximum exposure, types of credit services offered, and targeted average quality expressed in terms of expected loss and required capital. Credit risk exposure to other banks arises mainly from treasury management, from BCV's trading activities in over-the-counter derivatives, from securities and payment transactions (settlement), and from bank guarantees on trade-finance operations. The Bank reviews the limits applicable to each counterparty at least once a year. The risk strategy and credit policy are reviewed regularly.

Separation of powers and lending authority

Sales (i.e., front-office) functions are kept strictly separate from credit analysis and approval functions. Employees in front-office departments are responsible for developing customer relationships, and promoting and pricing loan products, whereas the Finance & Risks Division is responsible for managing relationships with and credit limits for financial institutions.

Credit analysis and approval, along with the monitoring of credit limits, are the domain of the Credit Management Division, headed by the CCO. Analysis of credit risk is based on tools (rating models) developed by the Risk Management Department, and on assessments by credit analysts. Some low-risk forms of lending, such as standard mortgage loans, are approved on the basis of standardized criteria through an automated credit analysis, using scores obtained from rating models defined by the Risk Management Department.

Approval limits for lending are based on the amount of the loan and the level of expected loss. Depending on the magnitudes of these two factors, a loan may require the approval of an analyst, a sector credit committee, the CCO, the Executive Board Credit Committee or the Board of Directors. Approval limits are specified in the Bank's lending policy rule book, which is validated by the Board of Directors.

Analysis of default risk

Assessing a counterparty's default risk is the centerpiece of credit-risk analysis. Each counterparty is assigned an internal default rating that reflects its probability of default. The Bank applies seven main ratings, which are divided into a further 16 clearly defined sub-ratings. Default-risk assessment consists of applying a rating model and supplementing this evaluation with analysts' assessments, which are based on established guidelines and criteria. Different rating models are used for counterparties with different characteristics, but the choice of rating model for a particular counterparty is governed by strictly defined considerations. Barring a few exceptions, the rating models that the Bank uses meet the requirements of the Basel III Accord for Internal Ratings-Based (IRB) approaches. The models are under the responsibility of the Risk Management Department and are subject to independent validation and continuous improvement.

Analysis of collateral

For any loan, the calculated loan-to-value ratio and expected loss given default depend directly on the valuation of the collateral. Collateral is valued according to current market conditions and the assessments of real-estate experts. The valuation is reviewed at predetermined intervals and whenever certain clearly defined events occur. The Bank determines the value of real estate in accordance with the recommendations of the Swiss Bankers Association. Single-family homes are valued using a hedonic method. Multi-unit residential and commercial properties are valued on the basis of their revenue yield. When a loan is granted, the loan-to-value ratio and expected loss given default are established on the basis of the current value of the collateral. The Bank applies loan-to-value criteria that are in line with common practice in the Swiss banking industry.

Expected loss and risk-adjusted pricing

For all loan products, interest rates are determined individually, taking into account the cost of the loan and the Bank's ROE objectives. The cost of the loan includes the funding or replacement cost, the administrative cost, and the expected loss. Expected loss is determined as a function of the counterparty's probability of default (i.e., its internal counterparty default rating) and the loss given default. The loss given default depends in turn on the amount exposed to credit risk and the value of the collateral.

In trade finance, expected loss is calculated for each transaction in accordance with a model based on the Basel III slotting criteria. This approach enables the Bank to price all loans in a way that best reflects the quality of each transaction.

Collateral management

BCV has entered into collateral management agreements with most of its bank counterparties, covering all its trading activities in over-the-counter derivatives. These agreements significantly reduce the Bank's exposure to credit risk.

2.2 Credit monitoring

Monitoring

A system of alerts and internal renewal reviews is used to detect individual situations in which risk has increased. The system of alerts is based on close monitoring of exceeded limits and on other factors (including automatic re-ratings) that may indicate situations of increased risk or even impairment. Whenever instances of exceeded limits are detected, specific actions are taken by BCV's credit advisors and analysts. The system of internal renewal reviews sets a maximum time interval between credit analyses for positions of a given size and for counterparties for which no intervention has been required because no alert has been triggered. This time interval is set according to the nature of the credit and the type of counterparty.

Analyzing the loan portfolio

The risk profile of the loan portfolio is reviewed quarterly. For each customer segment, credit-risk exposures, risk-weighted assets, expected loss (amount and rate), provisioned commitments, value adjustments, and risk concentration indicators are analyzed and compared with prior years. Changes in the exposures on specific portfolios are also analyzed. The results of these analyses are reported to management. Every year, the Bank evaluates the potential impact of adverse economic scenarios in order to assess its capital adequacy. This type of evaluation is also applied to specific loan portfolios so as to better understand their risk profiles.

2.3 Managing impaired loans

Credit recovery management policies

Impaired loans are managed by the Credit Recovery Management Department within the Credit Management Division. Each case is handled according to a strategy that has been developed using criteria which, for business borrowers, take into account the possibility of successful turnaround as well as the borrower's willingness to collaborate actively with the Bank.

Provisioning

The Bank establishes specific provisions for each impaired loan. The need for provisions is determined individually for each impaired loan based on an analysis performed according to a clearly defined procedure. In this analysis, collateral is taken at its liquidation value. This is the net amount that the Bank could expect to obtain by liquidating the collateral at current market conditions, after deducting the expenses of realizing the transaction and any costs of owning the collateral. The liquidation value is obtained by applying a haircut.

2.4 Exposure to credit risk

The parent company's total credit-risk exposure amounted to CHF 36.1bn at 31 December 2019, a year-on-year increase of 0.7%. At CHF 2.0bn, bank-counterparty lending represented 5% of total credit-risk exposure.

For non-bank-counterparty lending, the Bank's business is largely with customers located in Vaud Canton and accounts for 80% of this type of lending. BCV's corporate loan book reflects the economic structure of the Canton, albeit with a somewhat larger exposure to real estate and construction (43%).

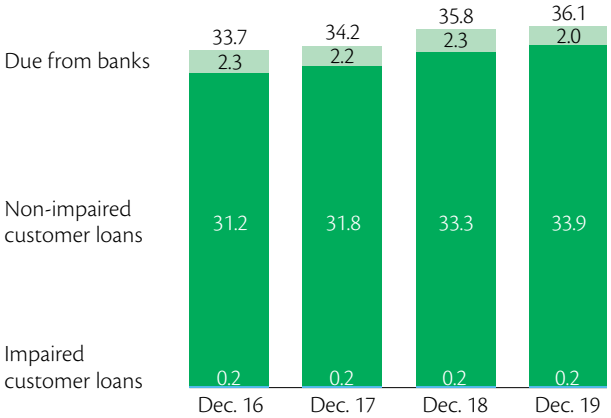
The 2019 breakdown by sector was generally stable compared with 2018. Retail and private banking clients remained the largest sector in total non-impaired loan-book exposures, at 51% at end-2019.

The low expected-loss ratio and impaired-loan level attest to the quality of the Bank's loan book. The expected loss ratio on drawn loans reflects counterparty quality, the degree of credit coverage and the amount of undrawn limits. For non-impaired customer loans as a whole, the expected loss ratio was 13 basis points, or 10 basis points excluding trade-finance exposures. Impaired loans were CHF 183m and represented 0.5% of total exposures.

The Basel III Pillar 3 Report, available on the BCV Investor Relations iPad app and the Bank's website, www.bcv.ch, contains more detailed information on the risk profile of the Bank's loan portfolio.

Customer loans and amounts due from banks

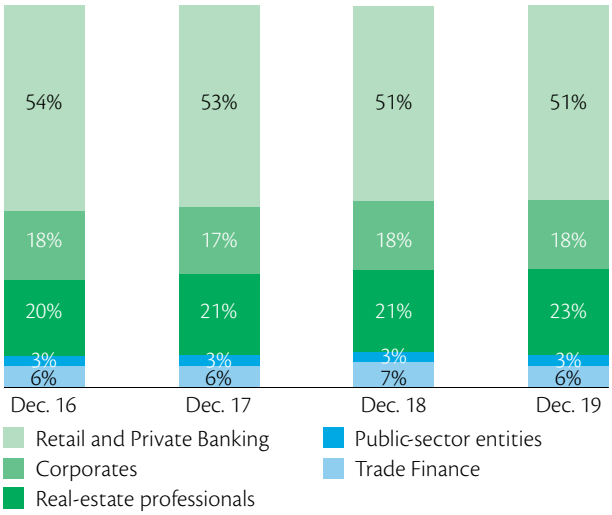
CHF billions, on and off balance sheet, for the parent company[1]



[1] Excluding financial investments

Customer loans by segment

as a % of total non-impaired customer loan exposure, for the parent company[1]



[1] Excluding financial investments

Customer loans by geographical zone

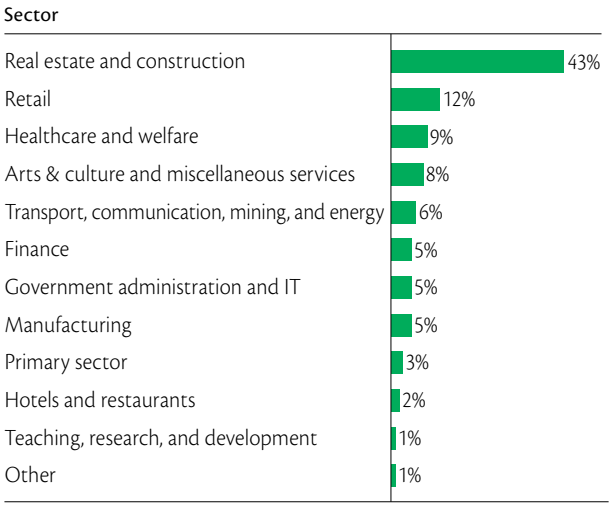
as a % of on-balance-sheet customer loan exposure, for the parent company[1]

Client domicile	31/12/2018	31/12/2019
Vaud Canton	80%	80%
Rest of Switzerland	13%	15%
European Union + North America	2%	1%
Other	5%	4%

[1] Excluding financial investments

Corporate loans by economic sector

as a % of on-balance-sheet corporate loan exposure, for the parent company,[1] at 31 December 2019



[1] Excluding financial investments

3. Market risk

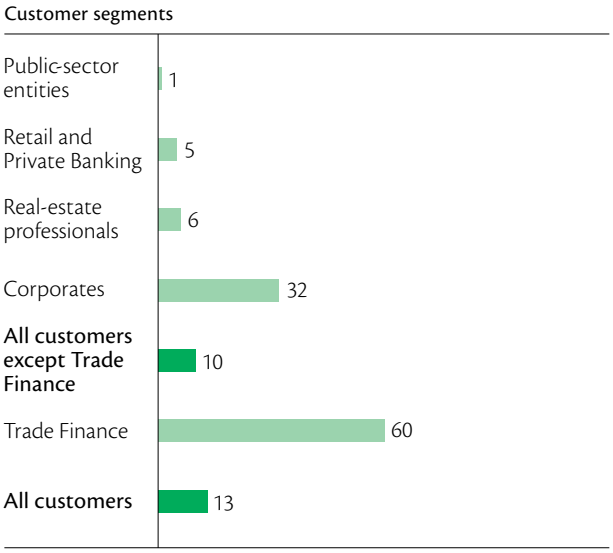
BCV takes on market risk in conducting its trading activities and also in managing its interest-rate risk on the banking book. With appropriate risk management, the Bank can expect to earn a return commensurate with the risk that it takes.

3.1 Market risk on the trading book

All trading activities are managed by the Trading Department within the Asset Management & Trading Division. The Trading Department carries out market transactions primarily in equities, fixed-income instruments, forex, and precious metals on behalf of clients. It has also acquired expertise in structured products. The Trading Department is active along the entire structured product value chain, from issuing to market-making.

Expected loss rate

expressed in basis points of drawn customer loans, including OTC derivatives, at 31 December 2019



All new products and instruments issued by the Asset Management & Trading Division are validated by the Division's Product and Instrument Committee (PIC), which is chaired by the Executive Board member in charge of the Asset Management & Trading Division and includes the Division's department heads, the head of the Risk Management Department and the head of the Back Office Department. This process ensures that before a product is launched, all requirements in the areas of risk management, ALM, treasury management, back offices, legal, compliance, and IT have been met.

For all trading positions, overnight monitoring of market risk is under the responsibility of the Market Risk Unit within the Finance & Risks Division's Risk Management Department. This ensures that control of market risk is performed independently of the Asset Management & Trading Division. The Market Risk Unit uses the following risk control metrics in particular:

- Historical overnight value-at-risk (VaR) with a one-day time horizon and a confidence level of 99%
- Analysis of potential losses using static stress tests
- Sensitivity metrics such as delta, gamma, vega, theta, and rho.

Limits have been established for each of the metrics currently in use. Limit utilization is monitored and reported daily by the Market Risk Unit.

Throughout 2019, VaR for the trading book remained low, at an average of around CHF 0.2m.

3.2 Market risk on the banking book

The main components of market risk on the banking book are interest-rate risk and liquidity risk.

3.2.1 Interest-rate risk on the banking book

Exposure to interest-rate risk on the banking book arises from differences between the size and term maturities of assets and liabilities. Movements in the yield curve and changes in customer behavior give rise to interest-rate risk, which has a direct effect on the Bank's interest income and the economic value of its equity capital.

The strategy and limits for interest-rate risk are defined by the Executive Board's Asset and Liability Management Committee (ALCO) and then approved by the Board of Directors. The ALM and Financial Management (ALM-FM) Department of the Finance & Risks Division is responsible for operational management of interest-rate risk on the banking book.

Here, the goal is to control the interest margin and the duration of equity.

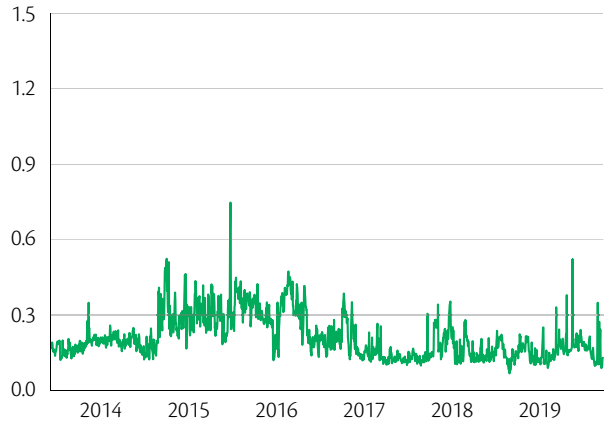
Exposure to interest-rate risk is measured in terms of equity duration, yield-curve sensitivity of the economic value of equity capital, and loss of interest margin under interest-rate and client-behavior stress scenarios.

3.2.2 Liquidity risk on the banking book

Exposure to liquidity risk arises from the Bank's obligation to honor its commitments to its clients and counterparties, meet regulatory requirements, and ensure that it can continue funding its activities. Liquidity risk is addressed through short-term liquidity management and long-term funding management. BCV's strategy is to minimize liquidity risk using these two dimensions. The Bank limits its exposure to liquidity risk by ensuring that it has a sound balance sheet, including a liquidity reserve to cover the

VaR in the trading portfolio (1-day, 99%)

in CHF millions



impact of a major liquidity outflow, as well as a sustainable and diversified long-term funding structure so that it can expand its activities. This involves maintaining the safety margins set by the Board of Directors relative to regulatory requirements and balance sheet ratios.

The framework for liquidity management is drawn up by the Executive Board's ALCO and approved by the Board of Directors. The ALM-FM Department, which includes the Bank's treasury management team, is responsible for operational management of long-term funding and short-term liquidity.

Exposure to liquidity risk is calculated using a broad spectrum of indicators, including components of the liquidity reserve, market indicators, regulatory ratios, and simulations of funding needs based on several scenarios.

4. Operational risk

The Bank takes a comprehensive approach to managing operational risk in general, and compliance risk and physical and IT security risk in particular.

4.1 Operational risk

The Bank's operational-risk management concept is based on the Basel Committee's principles of best practice and is in keeping with FINMA Circular 2008/21 on operational risks. It is designed to mitigate operational risk factors by identifying areas for improvement and strengthening the Bank's operational and management control systems.

Operational risk factors are grouped into categories; each factor represents a potential threat to the Bank's operations. The factors are the following:

- Erroneous or malicious actions taken by employees, suppliers, bank counterparties, customers, or other parties external to the Bank
- Inadequacies of information systems, infrastructure, and/or the Bank's organization
- External factors such as the risks of natural disasters, pandemics, and social unrest.

Operational risk factors can give rise to risk events. The Bank categorizes potential risk events as follows:

- Internal and external fraud, including cybercrime
- Events related to human resources
- Events linked to customer relations and business practices, including money laundering and the financing of terrorism, market abuse, and non-compliance with economic sanctions
- Loss of operating resources
- Failure of information systems
- Events related to transaction and process management.

Reviews are carried out periodically to identify the main operational risks. These are supplemented by ad-hoc reviews, for instance if a potential new threat emerges, if FINMA submits a specific request, or if a major risk materializes at another bank. These reviews and analyses are conducted by Management and by functional skills centers (e.g., the Compliance and Security departments) with support from the Operational Risk function within the Risk Management Department. The aim of the reviews is to reveal possible improvements to the Bank's risk-management system, and particularly to operational and managerial controls.

In addition to identifying risks, the Bank exhaustively and systematically gathers information on and analyzes the main operational events arising from the Bank's activities. These events are recorded in a dedicated operational-risk-management application and analyzed on a monthly basis. In order to monitor the Bank's operational-risk profile, tolerance limits are set for operational events in general and for each category of event.

If an important operational-risk event occurs, the Bank bases its response on clearly defined incident management measures, such as the Business Continuity Plan (BCP).

4.2 Compliance risk

The management of compliance risk consists of having suitable processes and systems in place for combating money laundering, the financing of terrorism, monitoring market abuse, and ensuring compliance with economic sanctions.

To combat money laundering and the financing of terrorism, the Bank carefully monitors its client relationships and its transactions with clients. Each client relationship is categorized based on its size and importance and in accordance with money-laundering and terrorist-financing risk factors, as evaluated by an expert-based model. These categories are then used to determine the level of monitoring and the decision-making authority applied to each client relationship. Client transactions are also monitored based on their size and in accordance with money-laundering and terrorist-financing risk factors, pursuant to the Swiss Federal Anti-Money-Laundering Act (AMLA): The Bank's front-line businesses take initial responsibility for identifying money-laundering and terrorist-financing risks relating to both client relationships and transactions. The Compliance Department provides support and constant oversight.

Monitoring market abuse involves identifying instances of insider trading and market manipulation. Trades by clients and employees are monitored to detect any atypical returns and possible access to insider information, in keeping with FINMA Circular 2013/8. The Bank also monitors trades in order to detect behavior that could constitute market manipulation.

Ensuring compliance with economic sanctions is an important obligation for the Bank. To the best of its knowledge, the Bank complies with the various sanction regimes that it is subject to, the most important of which are the Swiss sanctions imposed by the State Secretariat for Economic Affairs (SECO), the US sanctions imposed by the Office of Foreign Assets Control (OFAC), and the European Union's sanctions. This mainly involves sanctions against countries or specific economic sectors, or sanctions intended to freeze individuals' or companies' assets.

4.3 Physical and IT security risk

To manage security risk, the Bank protects its IT systems, data, transactions, people (especially clients and employees), infrastructure (buildings and equipment), and physical assets (e.g., banknotes, precious metals, paper contracts, and mortgage deeds) from potential damage, and takes steps to mitigate the impact of a crisis or serious incident.

The Bank has introduced a range of security measures to protect its IT systems, data, and operations based on an analysis of threats, particularly regarding cybercrime. Because the methods used by cybercriminals are changing constantly, the Bank regularly upgrades these measures and regularly tests its capacity to withstand cyberattacks. The Bank works closely with specialized partner firms and Swiss government agencies in charge of combating cybercrime, such as the Reporting and Analysis Centre for Information Assurance (MELANI). The Bank's business continuity plans are also tested at regular intervals.

The Bank has also implemented a series of measures to keep its people, infrastructure, and assets safe and secure. These measures are based on an analysis of potential risk events, such as a loss of operating resources, theft, and accidents resulting in physical injury. These measures include restricting access to certain areas of the Bank's premises and keeping buildings under constant surveillance. To limit the risk of accidents, the Bank applies the Swiss government's directives on workplace health, safety, and prevention. It takes steps to raise employees' awareness and trains first aiders at its main sites. Finally, the Bank has business continuity plans to cover, for example, a pandemic or other disaster.

More specifically, to combat fraud, the Bank has measures in place to prevent fraudulent behavior, detect fraud, and even identify fraudsters. Since fraudsters often target clients' IT equipment and communication channels, the Bank regularly conducts campaigns to raise clients' awareness of issues such as data piracy.

Internal control system (ICS)

The Bank's internal control system (ICS) was developed in accordance with the recommendations of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the Basel Committee, and pursuant to FINMA Circulars 2017/1 on corporate governance and 2008/21 on operational risk. The purpose of the ICS is to ensure that the Bank's activities are in line with its overall objectives. More specifically, the ICS enables the Bank to:

- Achieve its performance objectives both in terms of profit and controlling profit fluctuations
- Provide reliable information both internally and externally
- Comply with legal, regulatory and self-regulatory requirements.

The Bank has an overall ICS along with an operational ICS.

The overall ICS is designed to ensure that the Bank's risk appetite is in keeping with its risk-taking capacity and that the overall risk-management framework appropriately addresses the risks identified. It comprises a set of measures and procedures that structure the Bank's operations and the orientation of its business. They include: robust governance mechanisms; a clearly defined organizational structure; coherent business goals that will ensure the Bank's longevity; established operating procedures for the Executive Board, the Board of Directors, and their committees; regular reviews of the Bank's overall and business-specific strategies, financial strategy, and risk policy (including key risk limits); and reports that are in line with the Bank's business activities and risk-management framework.

The Bank's governing bodies also assess the overall ICS using in particular two analyses that are conducted each year by the Risk Management Department. The first analysis is an overall stress test to check the Bank's capital adequacy, while the second evaluates the risk-management system to ensure that it is capable of addressing the Bank's main risks, taking into consideration the financial, reputational, and regulatory impacts.

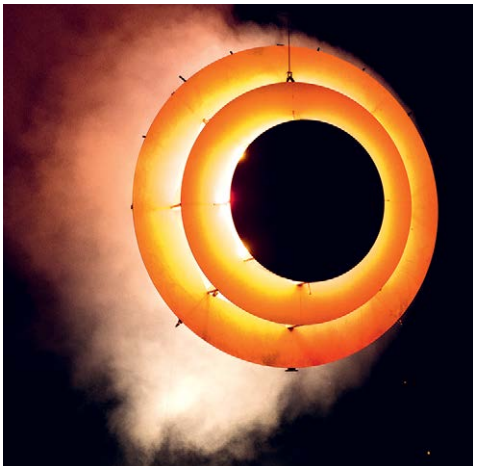
Implementing an overall risk-management framework involves assigning tasks, responsibilities, and decision-making authority to employees, and setting out the limits, deadlines, procedures, and rules to be followed and the forms and other documents to be used. The overall risk-management framework therefore touches upon all aspects of the Bank's operations.

The operational ICS ensures that managers and other employees comply with the operational-risk aspects of the overall risk-management framework. The operational ICS comprises three levels. The Executive Board is responsible for the first two levels, while the Board of Directors oversees the third level:

- Level one: operational oversight by employees and managerial oversight by their supervisors
- Level two: controlling the appropriateness and effectiveness of level-one oversight by entities independent of the chain of command
- Level three: a periodic review of levels one and two by the Internal Audit Department.

The operational ICS is assessed annually by the Bank's governing bodies based on a review overseen by the Risk Management Department, with help from other departments such as Compliance. The aim of the review is to verify that the operational ICS fulfills its purpose and is properly implemented. It comprises:

- Checks to ensure that operational and managerial controls are in line with the Bank's operations. These checks are conducted through workshops run by department heads (level-one oversight) with support from the Operational Risk Unit within the Risk Management Department (level-two oversight).
- Monitoring of operational controls through an application that all managers use to check the managerial controls conducted by their subordinates and to carry out their own controls. These controls are conducted by managers at all levels and recorded in full in the application.
- Independent reviews of controls (level-two oversight) by functional skills centers, including the Risk Management, Compliance, Security, Financial Accounting, and Human Resources departments. These reviews, which complement the managerial controls, ensure that requirements have been properly understood and implemented.



Corporate Governance

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General principles

BCV is aware of its responsibilities and meets corporate governance requirements. It strives to:

- Communicate transparently. The information provided in this chapter complies with the information-disclosure requirements contained in the Corporate Governance Directive issued by the SIX Swiss Exchange.[1]
- Apply the principal standards of corporate governance. BCV follows the recommendations contained in the Swiss Code of Best Practice for Corporate Governance[2] whenever they are compatible with its status as a corporation organized under public law.
- Carry out regular reviews of its organization with regard to the Bank's present needs and future growth, and ensure that all members of management are involved in its operational procedures.
- Materially and continuously improve the information it publishes, in particular by means of its annual report and Basel III Pillar 3 report, as well as a sustainability report that will be published annually as of this year.

This chapter explains how the Bank puts these principles into practice. Additional information can be found in the Articles of Incorporation [(i)] and the Cantonal Act of 20 June 1995 Governing the Organization of Banque Cantonale Vaudoise ("LBCV") [(ii)], both of which are available on the BCV website.[3]

1) See the English translation of this text on the SIX website: https://www.six-exchange-regulation.com/dam/downloads/regulation/admission-manual/directives/06_16-DCG_en.pdf
2) An English translation of this text, by Prof. Peter Böckli, may be found at www.economiesuisse.ch
3) See page 101 for the links to these documents

As a public-sector entity within the meaning of Article 763, paragraph 2, of the Swiss Code of Obligations, BCV is not subject to the Ordinance against Excessive Compensation in Publicly Listed Companies (ORAb), which went into effect on 1 January 2014. Nevertheless, in the interest of good governance and given that BCV is publicly listed on the SIX Swiss Exchange, the Board of Directors decided to incorporate the principles of the ORAb into the Articles of Incorporation[(i)] insofar as they were compatible with BCV's specific status and without amending the LBCV[(ii)]. These changes were approved at the Shareholders' Meeting held on 1 May 2014. Although the ORAb provisions on the election and term of office of members of the Board of Directors were not incorporated into the Articles of Incorporation [(i)], many others were adopted. These include the principles regarding the Independent Proxy (Article 18a of the Articles of Incorporation [(i)]); electronic voting (Article 18a, paragraph 5, of the Articles of Incorporation [(i)]); the maximum number of board positions outside BCV that may be held by members of the Board of Directors (Article 23 of the Articles of Incorporation [(i)]) and the Executive Board (Article 29 of the Articles of Incorporation[(i)]); the duties of the Compensation, Promotions and Appointments Committee (Article 30a of the Articles of Incorporation[(i)]); the length of the employment contracts of the members of the Executive Board (Article 28, paragraph 2, of the Articles of Incorporation[(i)]); the compensation structure (Article 30b of the Articles of Incorporation[(i)]); the approval of compensation (Article 30c of the Articles of Incorporation[(i)]); and unauthorized compensation (Article 30d of the Articles of Incorporation[(i)]). In addition, as BCV is not subject to the ORAb, it is required to continue providing compensation reports in the form of a section of its annual report (Article 30e of the Articles of Incorporation[(i)]).

1. Group structure and shareholders

1.1 Group structure

1.1.1 Group operational structure (at 31 December 2019)

Details of all BCV Group companies are shown in note 10.7 (consolidated and non-consolidated holdings) to the consolidated financial statements, on page 133. BCV is the only listed company in the Group's scope of consolidation.

1.1.2 Listed companies included in the scope of consolidation

Company name	Banque Cantonale Vaudoise
Legal status	Corporation organized under public law, established on 19 December 1845 by Council Decree of the Vaud Cantonal Parliament (Grand Conseil vaudois) and governed by the Act[(ii)] of 20 June 1995, as amended on 25 June 2002, 30 January 2007, and 2 March 2010
Registered office	Place Saint-François 14, 1003 Lausanne, Switzerland
Stock exchange listing	BCV shares are listed on the SIX Swiss Exchange
Market capitalization	At 31 December 2019, the value of BCV's listed shares with a par value of CHF 10 was CHF 6.8bn
Security number	1.525.171
ISIN code	CH0015251710

1.1.3 Unlisted companies included in the scope of consolidation (at 31 December 2019)

The parent company's Board of Directors and Executive Board also serve as the Board of Directors and Executive Board of the Group, which is not a holding company. Furthermore, relations between the Bank and its subsidiaries are governed by a Group directive.

At the operational level, each of the subsidiaries reports to a BCV division according to the type of business in which it engages.

In principle, each head of division is also a member and/or chair of the board of directors of each subsidiary attached to his or her division.

The share capital of BCV's subsidiaries and the holdings of the parent company are shown in note 10.7 on page 133 of the consolidated financial statements.

1.2 Major shareholders

At 1 January 2019, the Canton of Vaud held 66.95% of the Bank's share capital. No other shareholder is known to hold an interest of 3% or more in either the voting rights or capital. BCV Group is currently unaware of any shareholders' pacts. Registered shareholders other than the Canton of Vaud represented 22.88% of the Group's capital at 31 December 2019.

1.3 Cross-shareholdings

There are no cross-shareholdings between the Bank and any other company which exceed the limit of 5% of either the voting rights or capital.

2. Capital structure

Share capital (registered shares)	CHF 86,061,900
Authorized capital	None
Conditional capital	None
Employee stock options	None

2.1 Share capital

Information on the Bank's share capital and changes in 2017, 2018, and 2019 may be found in notes 3 and 5.12 to the parent company financial statements (pages 167 and 175). Additional information on the Group's capital is shown on page 115 of the consolidated financial statements.

At 31 December 2019, the Bank's share capital stood at CHF 86,061,900 and consisted of 8,606,190 registered shares with a par value of CHF 10.

2.2 Authorized and conditional capital

There was no authorized or conditional capital at 31 December 2019.

2.3 Capital structure at the end of the 2017, 2018, and 2019 financial years

There were no changes in the capital structure over the past three financial years.

Number of shares

Share capital	31/12/2017	31/12/2018	31/12/2019
Share capital (fully paid-in registered shares)	8,606,190	8,606,190	8,606,190

Equity – Group

CHF millions

Equity	31/12/2017	31/12/2018	31/12/2019
Share capital (fully paid-in)	86	86	86
Capital reserves and retained earnings	2,670	2,735	2,799
Reserves for general banking risks	701	701	701
Minority interests in shareholders' equity	0	0	0
Total	**3,457**	**3,522**	**3,586**

2.4 Shares and participation certificates

Registered shares at 31 December 2019

Number of shares	8,606,190
Proposed ordinary dividend	CHF 36
Par value	CHF 10
Stock exchange listing	SIX Swiss Exchange
Voting rights	One voting right per share

2.5 Dividend-right certificates

BCV has not issued any dividend-right certificates.

2.6 Restrictions on transfers and registration of nominees

The terms governing transfers of registered shares are set out in Article 13 of BCV's Articles of Incorporation.

2.6.1 Restrictions on transfers

Excerpt from the Articles of Incorporation:

Article 13 – Transfers of registered shares
The transfer of any registered share and its entry in the share register shall be subject to approval by the Board of Directors. (…) If the Board of Directors does not reject the request within twenty days, the acquirer shall be recognized as a shareholder with voting rights.

The Board of Directors may refuse to register an acquirer as a shareholder with voting rights:

a) in respect of a shareholding exceeding 5% of the Bank's share capital held by a single shareholder or group of shareholders as defined by the Federal Act on Stock Exchanges and Securities Trading. (…) That limit shall not apply to the Canton of Vaud or any third party to which the Canton of Vaud sells part of its shareholding, or to the takeover of a company or part of a company;

b) if a shareholder does not expressly state, when requested to do so, that he/she has acquired the shares in his/her own name and for his/her own account;

c) if and so long as his/her recognition could prevent the Bank from furnishing proof of the shareholder base required under Swiss law.

End of excerpt from the Articles of Incorporation.

2.6.2 Exemptions granted during the financial year

No exemptions were granted during the financial year.

2.6.3 Registration of nominees

The Board of Directors may refuse the registration of an acquirer as a shareholder with voting rights unless he/she expressly states, when requested to do so, that he/she has purchased the shares in his/her name and for his/her own account.

2.6.4 Privileges under the articles and transfer restrictions

At any Shareholders' Meeting convened to vote on the removal of a clause relating to restrictions on the transfer of registered shares, such removal shall be decided by an absolute majority of votes attached to the shares represented, where each share shall entitle the holder to one vote (Article 11, paragraphs 3 and 4, of the LBCV[(ii)]), in compliance with the rules applicable to any resolution of the Shareholders' Meeting.

2.7 Convertible bonds and options

At 31 December 2019, there were no outstanding convertible bonds, warrants, structured products, or OTC options involving the BCV share and issued by BCV.

3. Board of Directors

3.1 Members of the Board of Directors

At 31 December 2019, the Board of Directors comprised only non-executive members. The Chairman and members of the Board perform no other functions within BCV Group, and have not done so during the past three years, with the exception of Jean-François Schwarz, who joined the Board of Directors on 1 January 2019.

The members of the Board of Directors maintain normal business relations with BCV and Group companies.

In accordance with Article 12, paragraph 2bis, of the LBCV[ii] and Article 21, paragraph 3, of the Bank's Articles of Incorporation[i], the Vaud Cantonal Government (VCG) gives an appointment letter to the members that it appoints to the Board of Directors. The VCG appoints four of the seven members of the Board; its appointees in 2019 were Jacques de Watteville, Fabienne Freymond Cantone, Peter Ochsner, and Jean-François Schwarz (who joined the Board on 1 January 2019). The purpose of the appointment letter is to describe the general framework of the mission entrusted to these members as VCG appointees to the Board and to define the full extent of their relationship with the Canton of Vaud in this regard. It addresses, in particular, the issues of loyally safeguarding the interests of both BCV and the Canton, complying with BCV's legal mandate, and exercising the VCG's power to appoint certain members of the Bank's governing bodies. The letter sets out the various factors that must be considered with respect to the governing bodies' organization, operation, and composition, as well as BCV's mission and strategy. Board members are called upon to ensure the implementation of a strategy that will allow the Bank to carry out its mandate under the best possible conditions, while generating a sufficient return to guarantee its financial soundness over the long term, and to contribute to defining objectives that take into account both its mission and its profitability (see also Article 24, paragraph 2, of the Bank's Articles of Incorporation[i]). It also states what the VCG expects in terms of communication with Vaud Canton, BCV's shareholders, the financial community, and the public, bearing in mind the information-exchange agreement pursuant to the above Act[ii] and the Bank's Articles of Incorporation[i] (see in particular Article 24, paragraph 2). The Audit and Risk Committee includes two Board members appointed by the VCG (Mr. Ochsner, Committee Chairman, and Mr. Schwarz) – who therefore hold such appointment letters – and one elected by shareholders (Jack Clemons). The Board members are assigned to the various committees on the basis of their personal and professional abilities and their preferred fields, the aim being to protect the interests of the Bank, its shareholders, and all of its partners.

The seven members of the Board of Directors are independent members within the meaning of FINMA Circular 2017/1 "Corporate governance – banks." Three members are elected by shareholders and four are appointed by the VCG. Although the four members appointed by the VCG are given appointment letters, they are independent members in that they receive compensation for any BCV board-related activities from the Bank alone and do not receive any specific instructions from the VCG.

Name, year of birth and nationality	Education	Career experience
Jacques de Watteville, 1951, Swiss citizen	Business degree and doctorate in law from Lausanne University, and member of the Bar of Vaud Canton	Chairman of the Board of Directors since 1 January 2018. After serving as a Delegate of the International Committee of the Red Cross in Lebanon, he began his career in diplomacy when he entered the diplomatic service of the Swiss Federal Department of Foreign Affairs (FDFA) in 1982. Mr. de Watteville served as Switzerland's official representative to several countries as well as the European Union, and in the late 1990s was named head of the FDFA's Economic and Financial Affairs Division where he worked on a number of international issues relating to Switzerland's financial services sector and played an important role in resolving various tax disputes. Mr. de Watteville became State Secretary for International Financial Matters in 2013, and from 2015 until June 2017 led Switzerland's negotiations with the EU, most notably on matters related to the free movement of persons, tax issues, and bilateral agreements.
Reto Donatsch, 1950, Swiss citizen	Degree in economics from the University of Geneva	Reto Donatsch was elected to the BCV Board of Directors at the Annual Shareholders' Meeting on 5 May 2011 and appointed Vice Chairman by the Vaud Cantonal Government on 1 January 2019. He is also Chairman of the Compensation, Promotions and Appointments Committee. After completing his studies and two banking internships, Mr. Donatsch started his career in the wealth management business at Credit Suisse in 1978. He first worked at the head office in Zurich, where he stayed for ten years and reached the rank of Deputy Director. In 1989, he was promoted to Director and head of the Finance Department of Credit Suisse Geneva. He joined Bank Leu AG, Zurich, in 1993 and became CEO in 1996. He also served on the Executive Board of Credit Suisse Private Banking from 1997 to 2001, representing the Group's independent banks. From 2004 to 2007, he was Vice Chairman of the Board of Directors of Bank Leu AG. Since then, he has served on the boards of several companies and foundations. Mr. Donatsch will be stepping down from the Board of Directors at the Annual Shareholders' Meeting on 30 April 2020, as he will have reached the age limit of 70 years old set by the Act[ii].
Jack G. N. Clemons, 1966, Dual Swiss and British citizen	Master's degree from Cambridge University and MBA from INSEAD, France Fellow of the Institute of Chartered Accountants in England & Wales	Mr. Clemons was elected by shareholders at the Annual Shareholders' Meeting held on 21 April 2016 and joined the Board of Directors on that date. He started his career in auditing and subsequently became a partner at Deloitte. He then served as Chief Operating and Financial Officer for a pan-European internet group. In 2006, Mr. Clemons joined Lausanne-based Bata, a leading global manufacturer and retailer of footwear, as Chief Financial Officer; he was later appointed Chief Executive Officer, a position he held until 2015. Since then, he has served on the boards of several companies and foundations.
Ingrid Deltenre, 1960, Dual Swiss and Dutch citizen	Degree in humanities from the University of Zurich	Ingrid Deltenre was elected at the Annual Shareholders' Meeting on 1 May 2014 and joined the Board on that date. After graduating from the University of Zurich with a humanities degree, Ms. Deltenre held various executive positions in publishing before becoming CEO of Publisuisse in 2000. She was appointed to head up Schweizer Fernsehen (SF), the leading public TV broadcaster in German-speaking Switzerland, in 2004, and held this position for six years. From 2010 until 2017, Ms. Deltenre was Director General of the Geneva-based European Broadcasting Union (EBU), an organization with close to 400 employees.

Fabienne Freymond Cantone, 1963, Dual Swiss and Italian citizen	Master's degree in economics with a specialization in political economy from the University of Geneva	Fabienne Freymond Cantone was appointed to the Board by the Vaud Cantonal Government, taking up her position on 26 April 2018. Ms. Freymond Cantone began her professional career at Arthur Andersen and then worked at Banca della Svizzera Italiana. She served on and subsequently presided the finance committee of the Nyon municipal legislature from 1998 to 2006 and then served as head of finance in the Nyon municipal government from 2006 to 2011. Ms. Freymond Cantone was a member of the Vaud Cantonal Parliament from 2002 to 2018. She served on its finance committee until 2012 and became chair of the parliament's control committee in 2017.
Peter Ochsner, 1956, Swiss citizen	Degree in business economics from ESCEA Management School, Zurich Swiss-Certified Accountant	Mr. Ochsner was appointed by the Vaud Cantonal Government and joined the Board on 1 July 2016. He also became Chairman of the Audit and Risk Committee on that date. Mr. Ochsner joined PricewaterhouseCoopers S.A. in 1982 after gaining experience in the Internal Audit & Organization Department of the Swiss National Bank. He served on PwC's management board, and headed the firm's auditing practice in Switzerland from 2006 to 2014. Mr. Ochsner is a Swiss-Certified Accountant and, while at PwC, was a lead bank auditor. He has extensive experience with clients in the banking and insurance industries, both in Switzerland and internationally. Mr. Ochsner retired from PwC in 2014.
Jean-François Schwarz, 1955, Swiss citizen	Master's degree in economics with a specialization in business administration from Lausanne University	Mr. Schwarz, who has over 40 years of experience in the banking sector, was appointed by the Vaud Cantonal Government, taking up his position on 1 January 2019. He began his career at BCV in 1976 in corporate lending. From 1986 to 2003, he worked for Credit Suisse in Lausanne, New York, Zurich, and Geneva, where he took on important roles in the bank's lending and SME businesses. In 2003, he returned to BCV as a member of the Executive Board with responsibility for the Corporate Banking Division, which comprises the SME, Large Corporates, and Trade Finance departments. He retired from the Executive Board in June 2017.

3.2 Other activities and business relations (at 31 December 2019)

Jacques de Watteville	• Member of the Board of the BCV Foundation, Lausanne • Member of the Board of Fondation Leenaards, Lausanne • Member of the Executive Council and Vice President of the Jean Monnet Foundation for Europe, Lausanne • Member of the Board of Directors of S.I. Le Schuss Villars SA, Villars-sur-Ollon
Reto Donatsch	• Member of the Board of Directors of Constellation Capital AG, Freienbach • Member of the Investment Committee of the Bern Canton Pension Fund, Bern • Board member of the Swiss Red Cross Humanitarian Foundation, Bern • Member of the Adjunct Faculty of the Swiss Finance Institute
Jack G. N. Clemons	• Fellow of the Institute of Chartered Accountants in England and Wales • Member of the International Board and Chair of the Audit Committee of the World Wide Fund for Nature (WWF), Gland • Member of the Board of Directors of DKSH Holding AG, Zurich
Ingrid Deltenre	• Member of the Board of Directors of Givaudan SA, Vernier • Member of the Board of Directors of Sunrise SA, Glattpark (Opfikon) • Member of the Board of Directors of Agence France-Presse, Paris • Member of the University of Zurich's Executive MBA advisory board • Member of Aufsichtsrat Deutsche Post/DHL, Bonn
Fabienne Freymond Cantone	• Member of the Nyon municipal government • Chair of the following boards of directors: Téléréseau de la Région nyonnaise (TRN SA), Nyon; and Canal Saturne SA, Nyon • Committee member of the following associations: Association Pro-jet, Association of the Friends of the Museums of Nyon (AMN), Association de la Fête de la Musique de Nyon, Nyon Région Tourisme, and Association pour la Fête de la Vigne, all of which are based in Nyon; and Association intercommunale pour l'exploitation d'un couvert régional à plaquettes et bois énergie, Trélex • Member of the following foundation boards: Fondation pour les Arts et la Culture, Conservatoire de l'Ouest vaudois, Fondation pour le Musée du Léman, Fondation pour le développement du Musée romain, Fondation Abraham Hermanjat, Fondation du Midi, and Fondation Guido Comba, all of which are based in Nyon
Peter Ochsner	• Member of the Board of Directors of Kieger SA, Zurich • Head of Finance and Accounting for the Festival of Zurich Foundation, Zurich • Member of the Board of the Professor Dr. Max Cloëtta Foundation, Zurich
Jean-François Schwarz	• Member of the Board of the Fondation pour le Maintien du Patrimoine Aéronautique (FMPA), Lausanne

Jacques de Watteville
Chairman of the Board of Directors

Reto Donatsch
Vice Chairman of the Board of Directors

Fabienne Freymond Cantone
Member of the Board of Directors

Jack G. N. Clemons
Member of the Board of Directors

Peter Ochsner

Member of the Board of Directors

Ingrid Deltenre

Member of the Board of Directors

Jean-François Schwarz

Member of the Board of Directors

3.3 Election and term of office

3.3.1 Principles

Pursuant to the Articles of Incorporation, the Board of Directors is composed of seven, nine, or eleven members. The Chairman and half of the other members are appointed by the Vaud Cantonal Government (Article 12, paragraph 1, of the LBCV[ii] departs from the ORAb on this point). The remaining members are elected individually by shareholders at the Annual Shareholders' Meeting, with the Cantonal Government abstaining from voting.

Pursuant to Article 12, paragraph 5, of the LBCV[ii] and in derogation of the ORAb, the Chairman and other members of the Board of Directors are appointed for a period of four years. Their terms of office may be renewed, but the total term of each member may not exceed 16 years. They are required to step down at the end of the calendar year in which they reach the age of 70.

3.3.2 First election and term of office

The table below shows the terms of office of the current members of the Board.

3.4 Internal organization

3.4.1 Allocation of tasks

Jacques de Watteville, who was appointed by the Vaud Cantonal Government, joined the Board of Directors as Chairman on 1 January 2018. The current Vice Chairman is Reto Donatsch, who was already a Board member when he was appointed Vice Chairman. Mr. Donatsch replaced Paul-André Sanglard, who stepped down from the Board of Directors on 31 December 2018 after serving the maximum term under the LBCV[ii]. The other members are Ingrid Deltenre, Fabienne Freymond Cantone, Jack Clemons, Peter Ochsner, and Jean-François Schwarz (who succeeded Paul-André Sanglard on 1 January 2019).

Pursuant to the Articles of Incorporation[i] and the by-laws, the Board of Directors may delegate some of its responsibilities to committees drawn from among its members, except as otherwise provided by law.

The Board of Directors has set up an Audit and Risk Committee and a Compensation, Promotions and Appointments Committee. In principle, neither committee has decision-making powers. Their responsibility is to prepare Board resolutions and submit opinions. The Board of Directors may create other special committees to deal with matters that are submitted to the Board.

3.4.2 Committees: composition and terms of reference

Audit and Risk Committee
In 2019, the Audit and Risk Committee was made up of Peter Ochsner (Chairman), Jack Clemons, and Jean-François Schwarz.

The Audit and Risk Committee is tasked with ensuring the application and operation of risk control and management

Members of the Board of Directors	Year of birth	Date of first election	Latest possible expiration of term of office	Appointed by
Jacques de Watteville (Chairman)	1951	1 January 2018	2021	Vaud Government
Reto Donatsch (Vice Chairman)	1950	5 May 2011	2020	Shareholders' Meeting[1]
Jack G. N. Clemons	1966	21 April 2016	2032	Shareholders' Meeting
Ingrid Deltenre	1960	1 May 2014	2030	Shareholders' Meeting[2]
Fabienne Freymond Cantone	1963	26 April 2018	2033	Vaud Government
Peter Ochsner	1956	1 July 2016	2026	Vaud Government
Jean-François Schwarz	1955	1 January 2019	2025	Vaud Government

[1] Term of office renewed for one year at the 2019 Annual Shareholders' Meeting
[2] Term of office renewed for four years at the 2018 Annual Shareholders' Meeting

at BCV. It assists the Board of Directors in assessing the various types of risk faced by BCV, and in structuring and organizing the Bank's risk-management and control processes. It draws up opinions and recommendations for the Board after conducting a critical examination on a regular or case-by-case basis of the Group's main risks, the risk-management policy and strategy, reports on risks, and compliance with regulatory capital requirements.

The Committee reviews the Chief Risk Officer's report every quarter, and the Bank's financial data and the reports from the head of Internal Audit, the Chief Compliance Officer and the head of the Legal Department every six months. It has no decision-making authority and submits its conclusions to the Board of Directors.

The Committee supervises the work of both the internal and external auditors. Together with the external auditors' representative, it examines the external auditors' recommendations concerning BCV's organization and risk-assessment policy, and gives its opinion on the qualifications of the internal auditors and the cooperation of Bank units in audit procedures. The head of Internal Audit also briefs the Committee on matters pertaining to BCV's organization and operations, and provides a risk analysis. Furthermore, the Committee gives its own appraisal of the Internal Audit Department and reviews the status of litigation involving BCV.

The Committee meets for at least one full day every quarter to accomplish its duties, which are set out in detail in an Audit and Risk Committee Charter[iii], and to review other matters related to its activities. An additional meeting is dedicated essentially to the closing of the annual accounts.

The head of Internal Audit, representatives of the external auditor, and the CFO attend all Committee meetings, with exceptions for certain specific subjects. Depending on the agenda, the meetings are also attended by other members of the Executive Board, the head of the Risk Management Department, the Chief Compliance Officer, the head of Accounting, and the head of the Legal Department.

In addition to its risk-related role described above, the main task of the Audit and Risk Committee is to assist the Board of Directors in carrying out its supervisory duties and ensuring the integrity of the consolidated financial statements and financial reports. Furthermore, the Committee is responsible for ensuring the quality and independence of the work performed by both the internal and external auditors. It discusses the contents of the parent company's audit reports, together with those of the subsidiaries, as part of a consolidated review. It also oversees implementation of the auditors' recommendations. The Committee agrees on the annual and six-year audit plans for the internal auditor and is informed of the external auditor's prudential and financial audit strategy.

Apart from its regular duties, the Audit and Risk Committee attended a one-day training seminar in 2019 that focused on a number of topics related to risks and the evolving regulatory landscape.

Once a year, the Audit and Risk Committee conducts a detailed evaluation of the internal (see section 3.6 below) and external auditors as well as a self-assessment.

Compensation, Promotions and Appointments Committee

In 2019, the Compensation, Promotions and Appointments Committee, which is expressly provided for in the Articles of Incorporation[i] (Article 30a), consisted of Reto Donatsch (Chairman), Ingrid Deltenre, and Fabienne Freymond Cantone. The Chairman of the Board and the CEO take part in an advisory capacity.

The Committee provides significant support to the Board of Directors, particularly relating to human resources strategy and employee transition management. It helps in defining profiles and selecting and proposing candidates for senior management and board positions.

The Committee, which has no decision-making authority, thus defines the profile required for the Chairman and the other members of the Board of Directors, as well as for the CEO and the other members of the Executive Board. It draws up and prioritizes proposals for the selection and hiring of the Bank's senior executives and examines the Board of Directors' compensation system. It also prepares and prioritizes recommendations for the Board of Directors and the Shareholders' Meeting on decisions concerning the compensation of the Chair of the Board of Directors (in his or her absence), the CEO, and the Executive Board members. It also makes recommendations to the Board of Directors on the compensation of the head of Internal Audit, and on the Bank's overall compensation policy and level.

In addition, it assesses the performance of the CEO and reviews the CEO's assessment report on members of the Executive Board.

It makes recommendations on executive appointments and promotions.

Finally, the Committee has the additional tasks of handling matters related to corporate social responsibility and of preparing and prioritizing recommendations for the Board of Directors on decisions concerning rules of good governance, including assignments entrusted to external consultants by the governing bodies.

3.4.3 Operational procedures of the Board of Directors and its committees

In 2019, the Board of Directors held 11 ordinary plenary meetings. Each meeting generally lasted three-quarters of a day, with the exception of three full-day meetings. The Board of Directors also went on two 2-day retreats, in part with the Executive Board. The retreats provide the Board of Directors with the opportunity to address strategic topics in greater depth, including the Bank's overall strategy and its strategies in the areas of human resources, finance, IT, and risk management.

In 2019, the attendance rate for Board meetings was 98%.

The Board committees meet whenever required by the business at hand. In 2019, the Audit and Risk Committee met six times (four full-day meetings and two meetings that lasted a few hours) and took part in a full-day training seminar; the Compensation, Promotions and Appointments Committee met six times (for an average of three hours each time).

Board members receive the minutes and all documents provided to the committees. The chair of each committee informs members at Board meetings of important issues addressed by the committees and answers any questions raised by them. See section 3.4.2 above for information on the committees' operational procedures.

The CEO attends all regularly scheduled Board meetings and retreats. Executive Board members attend whenever issues relating to their divisions are on the agenda.

Where necessary, outside specialists are invited to attend Board or committee meetings to present a specific topic.

The Board of Directors has adopted an operational procedure for working with the Executive Board, with a subject-by-subject description and schedule of the tasks to be performed. This modus operandi, which is periodically reviewed, establishes the frequency with which matters are handled by the two Boards, including their committees, and in which form. The objective is good governance by ensuring that all pertinent issues are addressed at the right level, that the time available to the boards and committees is allocated optimally, and that their involvement is fully consistent with their responsibilities (see also section 3.6). Since 2009, the Board of Directors has delegated more matters to the committees. Decision-making authority nevertheless rests with the Board.

3.4.4 Performance appraisal of the Board of Directors

The Board of Directors sets itself annual objectives, taking into account the goals set forth in the Articles[(i)], as well as the Bank's strategy and risk policy. The Board carries out an analysis every six months to determine whether these objectives have been achieved, and also reviews and improves its procedures on a regular basis.

Furthermore, the Board meets once a year without the Chairman to evaluate his or her performance.

3.5 Powers

The Board of Directors establishes the Bank's general policy. It directs the Bank's affairs at the highest level and issues the necessary instructions. It also supervises the Bank's management and those entrusted with it. In addition, it verifies the accomplishment of BCV's corporate mandate, as defined in Article 4 of the LBCV[(ii)].

The Board of Directors exercises the inalienable powers described in Article 24, paragraph 4, of the Articles of Incorporation[(i)] and carries out all duties that have not been assigned to BCV's other governing bodies pursuant to the LBCV[(ii)], the Articles of Incorporation[(i)], or the by-laws.

It also has the following responsibilities:

The Board of Directors determines which companies belong to BCV Group, in accordance with the legal provisions applicable

to the scope of consolidated supervision. Subject to the non-transferable and inalienable powers of the subsidiaries, it exercises the same powers relative to the Group, through the directives that BCV issues and the instructions that BCV gives its representatives within the Group.

It decides on the creation, acquisition, sale, and liquidation of subsidiaries, branches, and retail banking offices, and of representative offices abroad. It validates the Bank's investment and growth policy, and reviews it periodically. It ensures that systems for the preparation of financial statements and for financial planning are implemented and maintained, and that these systems meet regulatory requirements and those related to internal and external audits.

The Board of Directors regulates, establishes, maintains, supervises, and regularly validates the internal control system (ICS). The relevant internal framework directive has been implemented. The Board regularly discusses its assessment of the appropriateness and effectiveness of the ICS with the Executive Board.

In terms of appointments, the Board of Directors has a number of responsibilities that fall outside the powers defined in Article 24, paragraph 4, of the Articles of Incorporation[(i)]. In agreement with the Vaud Cantonal Government, it determines the conditions governing the appointment of its Chair. It appoints and removes the head of Internal Audit along with all executives in that department with the rank of lead auditor or equivalent, and appoints and removes Bank executives with signing authority. It proposes its own compensation, together with that of its Chairman and the Executive Board, to the Shareholders' Meeting (new Article 30c of the Articles of Incorporation[(i)]). It sets the Bank's overall compensation level and the compensation of the head of Internal Audit. The Board also validates the conditions applicable to the Executive Board. It determines the method of signing used by the Bank, i.e., the joint signature of two persons.

The Board of Directors determines the organization and defines terms of reference by means of by-laws, the organization chart for divisions and departments, other regulations, and tables of terms of reference. In particular, it draws up the quantified terms of reference assigned to the Executive Board. It approves the Bank's lending policy upon the recommendation of the Executive Board, and the technical standards and regulations governing lending authority upon the recommendation of the Executive Board's Credit Committee. It also decides on the granting of loans to members of the Board of Directors and Executive Board.

It reviews the external auditor's annual reports and the activity reports submitted by the Internal Audit Department. It prepares the reports, accounts, and other documents and proposals to be presented to the Shareholders' Meeting, and approves the strategic development and investment plans. It approves the budget and the objectives defined by the Executive Board.

The Board of Directors determines the Bank's financial strategy and risk-management policy and strategy, and reviews their appropriateness periodically. In this way, it sets out the overall framework for balance-sheet and risk management for the Executive Board. It monitors implementation of balance-sheet and risk-management policy, in particular by reviewing periodic risk-assessment reports prepared in accordance with its instructions, as well as those required by the regulatory authorities.

For all other matters, refer to the operational procedure set up by the Board of Directors and described in section 3.4.3.

The Executive Board is responsible for managing and directly monitoring the Bank's business. Its powers include drawing up the terms and procedures of operations listed in Article 4 of the Articles of Incorporation[(i)], as defined in Article 4 of the LBCV[(ii)]. It has the power to institute legal proceedings and represent the Bank in a court of law; it keeps the Board of Directors informed of any such situation.

Furthermore, the Executive Board implements the decisions made by the Board of Directors. It ensures that the organization and internal audit procedure in place at BCV meet FINMA requirements on the supervision and internal control of banks and the relevant framework directive issued in this regard by the Board of Directors; to this effect, the Executive Board issues the necessary directives and exercises appropriate oversight. It has adopted the ICS implementing directive.

The Executive Board draws up the Bank's financial strategy through the CFO, the risk-management policy and strategy through its Risk Management Committee, and the lending policy through its Credit Committee. It is responsible for preparing periodic risk-assessment reports in accordance with the instructions of the Board of Directors and prepares

all documents that will be used in the decision-making and monitoring processes relative to operations and business dealings that involve special risks. It is responsible for overall risk management within the framework set by the Board of Directors, regularly verifies compliance with disclosure and reporting requirements defined by the regulatory authorities, and monitors compliance with risk-exposure limits set by the Board of Directors.

The Executive Board publishes the financial statements after they are approved by the Board of Directors. It then prepares the cash-flow and shareholders' equity statements, which it publishes in accordance with current regulations. It draws up the budget of foreseeable revenues and expenses and submits it to the Board of Directors. It sets the rates and conditions applicable to the Bank's various types of operations. It also coordinates the activities and processes of the divisions and the strategic units.

It may issue or decide to participate in public or private bond offerings for the Bank's own account, buy, sell, equip, or renovate buildings within the limits set by the Board of Directors, and carry out other own-account operations within the criteria specified by the Board of Directors. It may approve the outsourcing of activities in compliance with the FINMA directive.

Subject to the powers of the Board of Directors, it hires and dismisses employees, whose rights, obligations, and responsibilities are defined in the employee handbook. It appoints and removes senior executives in accordance with the powers granted to it under the by-laws. It makes recommendations on the Bank's overall compensation level to the Board of Directors, through the Compensation, Promotions and Appointments Committee.

3.6 Monitoring the Executive Board

The Board of Directors supervises the Executive Board with the support of the Internal Audit Department, the external auditors, and the Board of Directors' committees in accordance with the operational procedures described in section 3.4.3, the objective of which is to ensure good governance.

The CEO attends all meetings of the Board of Directors, including retreats. The CFO is always present when there are items on the agenda concerning the financial statements, risks, asset and liability management (ALM), compliance, and legal matters. In principle, Executive Board members attend whenever issues relating to their division are under discussion. Executive Board members in charge of front-office divisions present a business review to the Board of Directors twice a year. In addition to approving the half-year and full-year financial statements provided by the Financial Accounting Department and presented in detail to both the Audit and Risk Committee and the Board of Directors, the Executive Board sends (and in some cases, presents) quarterly reports on the following issues to the Board of Directors: risks, ALM, equity, investor relations, human resources, and investment policy. It also provides half-yearly reports on compliance and legal matters. The Board of Directors also reviews the parent company and consolidated financial statements for the first and third quarters.

The "Risk Management" section (pages 58–67) provides a summary of BCV's risk management procedures and an overview of its risk profile. Note 7 of the financial statements (pages 123–126) explains the principles applied by the Bank in assessing and managing risk. The Bank publishes a Basel III Pillar 3 report, which is updated every six months and can be found in the Investor Relations section of the BCV website (https://www.bcv.ch/en/About-us/Investor-Relations).

A Management Information System (MIS) was approved by the Board of Directors to monitor and steer performance across the Bank, broken down by segment. Monthly reports are sent to each manager of a specific segment and presentations are made to the Executive Board each month. The MIS contains information not only on financial performance but also on business activity, margins, risk, operational indicators, and human resources. In addition, it includes market watches. The CEO provides the Board of Directors with budget reports and regular updates on business trends based on the MIS reports, including a summary report every six months.

No member of the Board of Directors belongs to the Executive Board or exercises any management function whatsoever at the Bank or its subsidiaries, in compliance with the principle of independence stipulated in Swiss banking regulations.

Internal Audit Department

The Internal Audit Department is a constituent entity of BCV pursuant to Article 14 of the Articles of Incorporation[i]. It reports directly to the Board of Directors. It performs regular audits of all the Bank's operations and has an unlimited right to access information for this purpose. Its organization, sphere of operations, procedures, and cooperation with the external auditors are defined in its regulations. The Department is independent of the Executive Board. Its responsibilities extend to all entities directly or indirectly controlled by the Bank in the areas of banking, finance, and IT.

Every year, the head of the Internal Audit Department coordinates with the external auditors to draw up a six-year plan. That annual audit plan, respectively the multi-year plan drawn up, is discussed with the executive boards of the parent company and BCV Group companies, approved by the Audit and Risk Committee, and submitted for information purposes to the Board of Directors. It may be changed during the year by the head of the Internal Audit Department, subject to approval by the Audit and Risk Committee.

The Internal Audit Department has complete freedom in preparing and executing its tasks and presenting its conclusions. After completing its work, the Department submits detailed audit reports to the Executive Board, the Audit and Risk Committee, and the Board of Directors, and provides copies to the external auditor, with which it shares all of its conclusions. It also draws up half-yearly activity reports, which include an overview of all ongoing auditing activities within BCV Group. The report is intended for the Audit and Risk Committee and is also discussed at meetings of the Executive Board and the Board of Directors.

Supervision and regular evaluations of the Internal Audit Department are delegated to the Audit and Risk Committee. Every year, the Committee assesses the Department's cooperation with the external auditor, decides whether the Department is efficient and has the necessary resources and appropriate skills, and ensures that it performs its activities independently and objectively. The Audit and Risk Committee also has an objective external audit carried out at least once every five years, in accordance with international standards. This audit looks at all of the Internal Audit Department's systems and activities; the most recent one was conducted in 2016 and found that the Bank is in compliance with the standards issued by the Institute of Internal Auditors (IIA) and with the requirements of FINMA Circular 2017/01. Lastly, the Internal Audit Department is required to regularly develop and present a five-year internal audit strategy to the Risk and Audit Committee for approval; the most recent one was approved in 2019. The strategy is discussed at the meetings of the Executive Board and the Board of Directors and is communicated to the boards of other BCV Group companies.

The head of the Internal Audit Department attends all meetings of the Audit and Risk Committee, as well as meetings of the Executive Board and Board of Directors when required.

4. Executive Board

4.1 Members of the Executive Board

Information about members of the Executive Board can be found on the following pages (NB: pursuant to Article 27 of the Articles of Incorporation[i], only the CEO is appointed by the Vaud Cantonal Government, while the other members are appointed by the Board of Directors).

Name, year of birth and nationality	Position and start date	Education	Career experience
Pascal Kiener, 1962, Swiss citizen	CEO since 1 May 2008 and CFO from 1 June 2003 until 31 December 2008	MSc in mechanical engineering from the Swiss Federal Institute of Technology in Lausanne (EPFL) in 1985. MBA from INSEAD in Fontainebleau in 1992.	Between 1985 and 1991, Mr. Kiener worked as an engineer for Fides Informatics in Zurich and Hewlett Packard in Geneva. In 1993, he joined the consulting firm McKinsey & Company. In 2000, he was made partner and a member of the Management Committee of McKinsey Switzerland. He acquired experience in financial services, and in banking in particular, during these years as an advisor for leading financial institutions in Switzerland and other European countries. He managed large projects involving strategy, risk management, controlling, and business process re-engineering. Mr. Kiener joined BCV as CFO on 1 June 2003 and was appointed CEO on 1 May 2008.
Stefan Bichsel, 1955, Swiss citizen	Member of the Executive Board with responsibility for the Asset Management & Trading Division since 1 May 2009	Admitted to the Bar of Bern Canton in 1982. Master of Laws (LL.M) from Georgetown University in Washington, DC in 1986. Admitted to the bars of New York and Connecticut in 1987. Advanced Management Program at the Wharton Business School, Philadelphia, in 1994.	Following law studies in Lausanne and Bern, Mr. Bichsel started his career at UBS. He was admitted to the bars of New York and Connecticut, before working for Pictet & Cie in Geneva. In 1994, he was appointed as the first CEO of Swissca Holding AG (now Swisscanto). From 1998 to 2001, he served as Chairman of the Board of the Swiss Funds Association (SFA). In 2002, Mr. Bichsel was named to the Management Board of Robeco Group (Rotterdam), where he was put in charge of the company's operations outside the Netherlands. From 2003 to 2005, he was Chairman of the Board of the European Fund and Asset Management Association (EFAMA) in Brussels. He joined Lombard Odier Darier Hentsch Group (LODH) in 2006 as a partner in the holding group and member of Group Management. He joined BCV as a Member of the Executive Board with responsibility for the Asset Management & Trading Division on 1 May 2009.
Andreas Diemant, 1968, Swiss citizen	Member of the Executive Board with responsibility for the Corporate Banking Division since 1 September 2017	BSc in business administration from the Bern University of Applied Sciences and an Executive MBA from the Universities of Bern and Rochester.	Mr. Diemant began his career in insurance, working for Zürich Versicherungs-Gesellschaft and subsequently for La Suisse Assurances in Lausanne. He moved into banking in 1994 when he took a position at UBS in corporate banking for Switzerland's Mittelland region. Mr. Diemant then rose through the ranks across all corporate segments to reach the position of head of Institutional Clients, Switzerland & Global Asset Servicing. On 1 September 2017, he joined BCV's Executive Board as head of the Corporate Banking Division.
Gérard Haeberli, 1961, Swiss citizen	Member of the Executive Board with responsibility for the Private Banking Division since 1 July 2009	Degree in economics (with a specialization in business administration) from the Business and Economics Faculty of Lausanne University in 1983. Certificates from the International Bankers School in New York, Harvard Business School in Boston, and IMD in Lausanne.	Mr. Haeberli joined Credit Suisse in 1985, where he spent his career until 30 June 2009. From 1987, he held responsibilities in private banking in Yverdon-les-Bains and then worked in Zurich before being transferred to the United States, where he worked in New York and Miami. In 1994 he was transferred to Lausanne, where he took over responsibility for an international desk for Credit Suisse Private Banking. In 1998 he was put in charge of the Vaud region, and became head of Private Banking for all of French-speaking Switzerland in 2000. His responsibilities were extended in 2006 to include all of Credit Suisse's business lines in French-speaking Switzerland. He joined BCV's Executive Board with responsibility for the Private Banking Division on 1 July 2009.

Christian Meixenberger, 1960, Swiss citizen	Member of the Executive Board with responsibility for the Business Support Division since 1 January 2017	Degree in electronic engineering from the University of Neuchâtel in 1987. MBA from the University of Lausanne in 1993.	From 1987 to 1993, Mr. Meixenberger worked as a software engineer at the Swiss Center for Electronics and Microtechnology (CSEM) in Neuchâtel before joining Credit Suisse in Geneva, where he was in charge of business processes and IT. In 1997, he became head of IT at Banque Cantonale de Fribourg. He was then appointed to that bank's Executive Board as head of the Services Division in 2000. He took up his position as head of BCV's Business Support Division on 1 January 2017.
Thomas W. Paulsen, 1965, Swiss citizen	CFO, member of the Executive Board with responsibility for the Finance & Risks Division since 1 January 2009	Degree in economics from the Business and Economics Faculty of Lausanne University in 1988. MSc in economics from the London School of Economics (LSE) in 1989. PhD in economics from Lausanne University in 1992.	Mr. Paulsen started his career in energy trading. In 1995, he joined the consulting firm McKinsey & Company, where he was elected Principal Associate in 2000. During his time at McKinsey, he managed a large number of strategic projects for financial institutions and major energy companies in Switzerland and throughout Europe, focusing particularly on the risk management aspects. Mr. Paulsen joined BCV in July 2002 as Chief Risk Officer (CRO), and in this capacity created and led the Risk Management Department. He was named CFO and head of the Finance & Risks Division on 1 January 2009.
Bertrand Sager, 1966, Swiss citizen	CCO, member of the Executive Board with responsibility for the Credit Management Division since 15 February 2010	Master of Law from Lausanne University in 1990. Advanced Management Certificate from INSEAD in Fontainebleau in 2007.	Mr. Sager began his career at Credit Suisse in 1991, where he was involved in various lending activities. He joined BCV in 1998 and was appointed to lead BCV's Credit Recovery Management Department in 2003. In this position, he played a key role in strengthening the Bank's balance sheet by reducing the volume of impaired loans. In addition, as a member of the Executive Board's Credit Committee since 2008, he has acquired a thorough understanding of BCV's lending activities. Mr. Sager was named Chief Credit Officer and appointed to the Executive Board with responsibility for the Credit Management Division as of 15 February 2010.
José François Sierdo, 1963, Swiss citizen	Member of the Executive Board with responsibility for the Retail Banking Division since 3 March 2014	Degree in economics and business administration from the Business and Economics Faculty of Lausanne University in 1992. MBA from IMD in Lausanne in 2001.	Mr. Sierdo began his banking career in 1993 in retail banking at UBS. He went on to do project finance in New York and lending in Zurich, before working at Lombard Odier & Cie from 1998 to 2002. He then returned to UBS, where he held key managerial positions in retail, private, and corporate banking, including: head of Private Banking for French-speaking Switzerland, CEO of UBS Luxembourg, and head of Corporate Clients for Switzerland. Before becoming a banker, he was a military pilot and a member of the Swiss Air Surveillance Wing. He joined BCV's Executive Board as head of the Retail Banking Division on 3 March 2014.

Pascal Kiener

CEO

Gérard Haeberli

Member of the Executive Board,
Head of Private Banking

Andreas Diemant

Member of the Executive Board,
Head of Corporate Banking

Stefan Bichsel

Member of the Executive Board,
Head of Asset Management & Trading

Thomas W. Paulsen

Member of the Executive Board,
CFO, Head of Finance & Risks

José F. Sierdo

Member of the Executive Board,
Head of Retail Banking

Christian Meixenberger

Member of the Executive Board,
Head of Business Support

Bertrand Sager

Member of the Executive Board,
Head of Credit Management

4.2 Other activities and business relations (at 31 December 2019)

Executive Board members also perform the following functions:

Pascal Kiener	• Member of the Board of Directors of the Swiss Bankers Association • Member of the Board of Directors and the Board Committee of the Union of Swiss Cantonal Banks • Member of the Board of Directors and the Steering Committee of the Vaud Chamber of Commerce and Industry • Chairman of the "Fonds de prévoyance en faveur du personnel de la BCV" • Member of the Board of the BCV Foundation • Member of the Board of the Geneva Financial Center Foundation • Member of the Foundation Board of the Swiss Finance Institute, Zurich • Member of the Strategic Advisory Board of the Swiss Federal Institute of Technology in Lausanne (EPFL) • Member of the Foundation Board of Foot Avenir, Paudex
Stefan Bichsel	• Chairman of the Board of Directors of GEP SA, Lausanne • Chairman of the Board of Directors of Gérifonds SA, Lausanne • Member of the Board of Directors of Banque Cantonale du Jura SA, Porrentruy • Member of the SIX Strategic Advisory Board, Zurich • Member of the International Orientation Committee of EDHEC, Lille and Nice • Chairman of the Pro Aventico Association, Avenches
Andreas Diemant	• Member of the Executive Committee of the Economic Development – Canton of Vaud (DEV)
Gérard Haeberli	• Chairman of the Board of Directors of Piguet Galland & Cie SA • Member of the Board of the Institute for Studies in Finance and Banking (ISFB) • Member of the Business Advisory Board of the University of Lausanne's Faculty of Business and Economics
Christian Meixenberger	• Member of the Board of Directors and Audit and Risk Committee of Aduno Holding SA • Member of the IT Commission of the Canton of Fribourg • Member of the SIX Strategic Advisory Board, Zurich
Thomas W. Paulsen	• Member of the Board of Directors and the Audit and Risk Committee of Piguet Galland & Cie SA • Chairman of the Swiss Cantonal Bank Issuing Committee • Member of the Board of Directors of the Swiss Cantonal Banks' Central Mortgage Bond Institution • Member of the Foundation Board of the "Caisse de pensions de la Banque Cantonale Vaudoise" • Member of the Board of the "Fonds de prévoyance en faveur du personnel de la BCV" • Member of the Foundation Board of ISREC
Bertrand Sager	• Committee member of the Chambre Vaudoise Immobilière • Member of the Board of Directors of GEP SA • Member of the Board of the "Caisse de pensions de la Banque Cantonale Vaudoise" • Member of the Board of the "Fondation de prévoyance en faveur de l'encadrement supérieur de la BCV" • Member of the Board of the "Fonds de prévoyance en faveur du personnel de la BCV" • Judge for property disputes at the Eastern Vaud District Court • Member of the Management Committee of the "Fonds cantonal de lutte contre la précarité"
José F. Sierdo	• Member of the Board of Directors of newhome.ch AG • Member of the Board of Directors of TWINT AG and TWINT Acquiring AG • Member of the Board of Directors and Treasurer of the Vaud Banking Association (AVB) • Member of the Board of Directors and Treasurer of the Vaud Foundation for Banking Education (FVFB)

Internal organization of the Executive Board

The Executive Board may delegate its powers and duties as provided in the by-laws, subject to applicable laws, Swiss Bankers Association agreements, circulars issued by FINMA and other supervisory authorities, and directives of the Board of Directors.

In particular, the Board may appoint committees to prepare and implement its decisions, make decisions, and oversee various matters.

The Executive Board has set up several committees, each of which consists of a chairman and members appointed for an indefinite period by the Board and drawn from its own ranks or among senior executives.

In accordance with BCV's by-laws, the CEO has a right of veto, which must be duly recorded when used. In such cases, the CEO must inform the Chairman of the Board of Directors.

4.3 Management contracts

The Bank has not entered into any management contracts.

Committee name, composition (at 31 December 2019)	Main roles
Risk Management Committee Thomas W. Paulsen (Chairman) Pascal Kiener Stefan Bichsel Andreas Diemant Bertrand Sager Maxime Mermier	• Submits risk management policy and strategy proposals to the Executive Board for approval by the Board of Directors • Ensures risk management and control processes are implemented and updated for the entire Bank and for all risk categories • Monitors the Bank's overall risk profile • Steers all the Bank's risk management projects
Asset and Liability Management Committee (ALCO) Pascal Kiener (Chairman) Thomas W. Paulsen Gérard Haeberli Andreas Diemant José François Sierdo Christopher Cherdel Michel Aubry Fernando Martins da Silva	• Examines the exposure of the banking book to interest-rate risk and exchange-rate risk, as well as the Bank's exposure to liquidity risk • Manages interest-rate-risk exposure on the balance sheet • Manages the Bank's liquidity and funding
Credit Committee Bertrand Sager (Chairman) Pascal Kiener Andreas Diemant José François Sierdo Christian Zünd	• Submits proposals concerning the Bank's lending policy, technical standards and regulations governing lending authority to the Executive Board for approval by the Board of Directors • Makes decisions on the granting of lending authority • Makes decisions regarding the granting and renewing of major lending facilities, within the limits of its powers • Monitors the Bank's loan portfolio, particularly the sector breakdown • Oversees credit-limit and overdraft management
Information Technology Committee Christian Meixenberger (Chairman) Pascal Kiener Thomas W. Paulsen José François Sierdo Serge Messin Denys Papeil	• Submits IT strategy proposals to the Executive Board for approval by the Board of Directors • Submits proposals on the budgetary framework and the medium-term plan for high-priority projects • Monitors the implementation of IT projects • Obtains information on major IT incidents and corrective measures taken

5. Compensation, shareholdings, and loans

5.1 Content and procedure for determining compensation levels and share-ownership programs

The Board of Directors approved a compensation handbook on 5 March 2010, which was amended on 7 November 2014 to take account of changes to BCV's Articles of Incorporation[(i)] that were approved at the Shareholders' Meeting held on 1 May 2014. The handbook was again amended in 2016 following the decision to extend the minimum lock-up period for shares granted as annual performance-based compensation from three years to five years. The compensation handbook governs the compensation-related roles and responsibilities of the Shareholders' Meeting, the Board of Directors, the Compensation, Promotions and Appointments Committee, the Executive Board, and Human Resources. It also provides a detailed description of the various components of the compensation system and their related rules of application.

Every year the Bank participates in two salary surveys carried out by specialized firms Hostettler & Co and Willis Towers Watson. Those two firms use the surveys to produce statistics on salary trends for virtually all banking positions, and they provide these numbers to BCV. In 2019, apart from these statistical sources, the Bank did not call on the services of any other external consultants in order to determine the amounts that would be paid at each level of responsibility within the Bank, or to modify its compensation system. The Bank did not carry out any comparative studies on the compensation of the Executive Board last year.

The current compensation system at BCV aims to promote individual and team performance, skills development, and professionalism to ensure the long-term success of the Bank while fulfilling its legally mandated corporate missions.

	Base salary	Annual performance-based compensation		Long-term performance-based compensation	Share-ownership plan (optional)
Board of Directors	100% cash				
Executive Board[1]	100% cash	Maximum: 100% of base salary		From 0%-100% of total approved by shareholders	Maximum 100 BCV shares
		70% cash	30% in BCV shares with at least a 5-yr lock-up period	100% in BCV shares paid at the end of the 3-yr plan	100% in BCV shares with a 3-yr lock-up period
Department heads[1]	100% cash	70% cash	30% in BCV shares with at least a 5-yr lock-up period	100% in BCV shares paid at the end of the 3-yr plan	100% in BCV shares with a 3-yr lock-up period
All other employees[1]	100% cash	100% cash. 30% of annual performance-based compensation in BCV shares with a 3-yr lock-up period if that performance-based compensation is > CHF 21,000			100% in BCV shares with a 3-yr lock-up period

[1] All fees and other amounts received by employees representing BCV are remitted to the Bank.

The components of the system are base salary, annual performance-based compensation, and the employee share-ownership plan. In addition, the Executive Board and senior management are eligible for long-term performance-based compensation. No stock-option plans are offered as part of compensation.

Detailed compensation figures can be found in the tables on pages 180-181.

Board of Directors

The Board of Directors receives only fixed compensation composed of fees, compensation for sitting on the various committees, and expenses. The Bank does not make any occupational-pension contributions on behalf of the seven members of the Board. Members of the Board do not receive separate annual variable performance-based compensation.

Members of the Board do not participate in the employee share-ownership plan.

The compensation of all members of the Board, except the Chairman, is set by the full Board of Directors upon the recommendation of the Compensation, Promotions and Appointments Committee. The Chairman's compensation is set by the Board of Directors (excluding the Chairman), upon the recommendation of the Vice Chairman (see also section 3.4.4 on page 82).

Overall fixed compensation between one Shareholders' Meeting and the next is subject to approval at the Shareholders' Meeting.

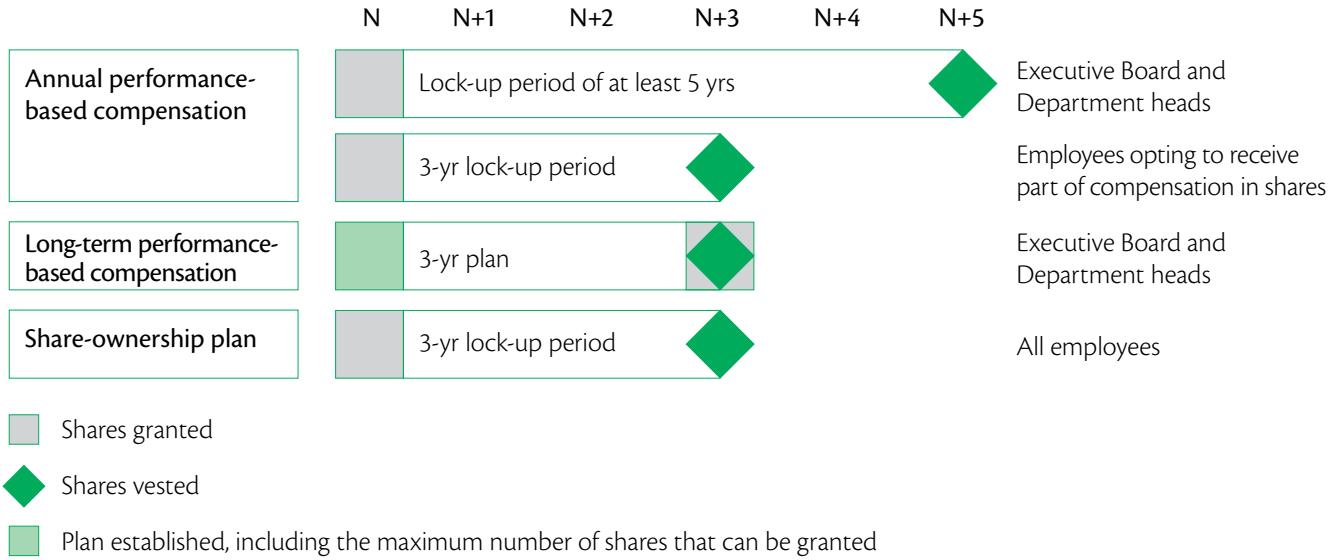
Executive Board

The compensation of the members of the Executive Board is based on the degree to which they meet their unweighted qualitative and quantitative objectives. For members, these objectives are set and evaluated by the CEO; for the CEO, they are set and evaluated by the Board of Directors. The overall compensation for the Executive Board is set by the Board of Directors on the recommendation of the Compensation, Promotions and Appointments Committee. The fixed compensation (base salary, taxable entertainment expenses, seniority bonuses, and employee share-ownership plan) from one Shareholders' Meeting to the next, as well as the annual performance-based compensation for the previous calendar year, are subject to approval at the Shareholders' Meeting. At each Meeting, shareholders also approve the maximum number of shares that may be made available as long-term performance-based compensation under the multi-year plan beginning in the current year. More details are given on page 181.

Base salary

The base salary of each member of the Executive Board is set individually by the Board of Directors taking into account the person's experience, job description and scope

BCV share grants, lock-up periods, and vesting



of responsibilities, as well as market values for equivalent positions. The base salary is paid exclusively in cash, in 12 monthly installments.

Annual performance-based compensation
All members of the Executive Board are eligible for annual performance-based compensation. An overall level of annual performance-based compensation is set for the Bank and allocated to members of the Board individually, based on each member's performance.

The overall level of annual performance-based compensation is calculated on the basis of the Bank's financial performance, which is adjusted to reflect the degree of achievement of the Bank's strategic objectives, implementation of key projects, operational excellence, and customer satisfaction.

Financial performance is measured by the return on equity, calculated taking shareholders equity at the minimum target capital ratio (see page 12). The overall level of annual performance-based compensation is calibrated to a benchmark amount. It varies linearly within a range of +/- 40% of the benchmark amount, based on where the Bank's ROE lies on a range between a minimum of 10% and a maximum of 21%.

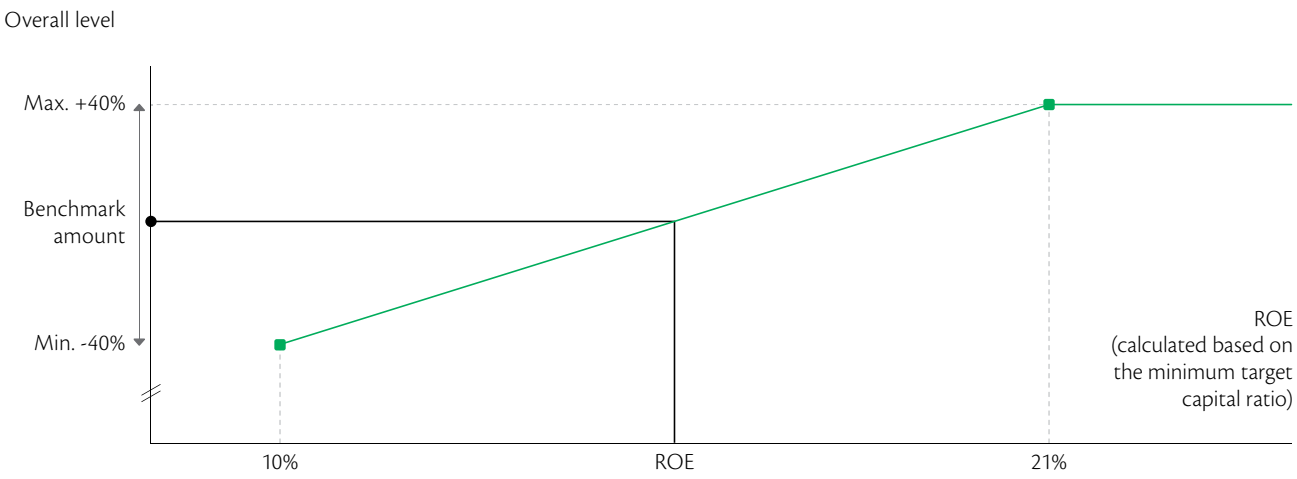
The Board of Directors then conducts a holistic evaluation of the achievement of the Bank's strategic objectives and the completion of key projects, which it uses to adjust the overall level of annual performance-based compensation within a range of +/- 20%.

Once defined, the overall level is broken down by division, by the CEO, based on each division's results.

The individual evaluation of each Executive Board member is based on the degree to which the individual's objectives, which are set at the start of the period, are met. These include objectives stemming directly from the Bank's long-term strategy as well as short-term objectives. The evaluations of the Executive Board members are carried out by the CEO, submitted to the Compensation, Promotions and Appointments Committee for their recommendation, and then sent to the Board of Directors for approval. The evaluation of the CEO is carried out by the Chairman of the Board of Directors, submitted to the Compensation, Promotions and Appointments Committee for their recommendation, and then sent to the Board of Directors for approval. The evaluations, based on a 5-level scale, are used to determine the level of performance-based compensation for that year. For Executive Board members, this level cannot exceed 100% of their base salary.

30% of the performance-based compensation for Executive Board members must be taken in BCV shares with a lock-up period of between five and ten years, according to each Executive Board member's choice.

Annual performance-based compensation - Financial performance



For the 2019 financial year, these shares will be allocated at the closing price on 11 May 2020, subject to shareholder approval of Executive Board compensation at the Annual Shareholders' Meeting. Based on the amount submitted to shareholders at the Annual Shareholders' Meeting, the ratio between the annual performance-based compensation and the base salary will be 77.25% for the 2019 financial year.

Long-term performance-based compensation
The purpose of long-term performance-based compensation is to further the Bank's long-term strategic development by generating lasting shareholder value.

Long-term performance-based compensation is paid exclusively in BCV shares.

Objectives, which have financial, strategic, and qualitative components, are set through three-year plans, with a new plan starting each year.

At the start of each plan, the maximum number of shares that can be allocated to the Executive Board, which cannot exceed a total value of CHF 1.2 million (rounded), is submitted to shareholders at the Annual Shareholders' Meeting for approval.

The financial component is measured in terms of economic profit, which is calculated on the basis of the profit generated after deducting the cost of equity using an approach that factors in the Bank's risk level. The Bank's three-year plan will be considered fully executed if it generates the targeted level of economic profit, in which case 100% of the share allocation approved at the Annual Shareholders' Meeting can be distributed. However, if economic profit is below 60% of the target, the share allocation linked to financial performance will be reduced to zero.

The share allocation linked to financial performance is then adjusted to reflect the extent to which strategic and qualitative objectives have been achieved. These objectives are set with the Board of Directors and relate to implementing the Bank's strategy and driving change within its operations.

Each objective is evaluated on a 5-level scale, the average of which determines the adjustment factor for the share allocation linked to financial performance. The number of shares that will ultimately be distributed is calculated by applying the percentages shown in the following table. The number of shares distributed can never exceed 100% of the share allocation approved at the Annual Shareholders' Meeting.

Average score for strategic and qualitative objectives	Share-allocation adjustment factor linked to financial performance
1	–40%
2	–20%
3	0%
4	+20%
5	+40%

Each evaluation, through the financial, strategic, and qualitative components, is presented to and discussed by the Executive Board. The CEO submits the Executive Board's proposal to the Compensation, Promotions and Appointments Committee for its recommendation and then to the Board of Directors for approval.

The cost of the plan is spread over the entire period. The cost is recalculated in line with the objectives achieved and the number of remaining participants, and adjusted accordingly. The cost of each plan is spread over the relevant financial years.

All proceeds and dividends from shares acquired for the plans, before they are allocated, are paid to the Bank.

The 2017–2019 plan, which ended on 31 December 2019, was based on the Bank's actual cumulative economic profit and the following strategic and qualitative objectives:

- Growing the Bank's customer base slightly faster than population growth in Vaud
- Evolving the Bank's digital banking/multichannel services in line with its position as a "quick, smart follower"
- Measuring and continuously improving customer service quality as a part of the "Smile" project
- Creating new wealth-management products as part of BCV Conseil
- Approving the IT strategy and deciding on sourcing.

Economic profit reached 114% of the objective. In addition, the Board of Directors determined that the strategic and qualitative objectives were achieved.

Overview of long-term performance-based compensation plans for the Executive Board

Starting year	Performance period	Year distributed	Number of shares set aside	Average cost per share	Initial cost of the plan for the Bank	Number of shares distributed	Market value (per share)	Market value of distributed shares
2014	2013 to 2015	2016	3,554	464.00	1,649,056	2,125	654.00	1,389,750
2015	2014 to 2016	2017	3,612	521.00	1,881,852	2,372	690.50	1,637,866
2016	2015 to 2017	2018	2,735	548.50	1,500,148	1,786	796.00	1,421,656
2017	2016 to 2018	2019	1,832	654.00	1,198,128	1,374	797.00	1,095,078
2018	2017 to 2019	2020	1,832	690.50	1,200,089	1,519	810.00	1,230,390

For the plan ending on 31 December 2019, 1,738 shares were set aside for the members of the Executive Board, corresponding to a value of CHF 1,200,089 on the date on which the Board of Directors made its decision. After assessing the degree to which the objectives were achieved, 1,519 shares were distributed, equal to 87.4% of the total number approved at the 2017 Annual Shareholders' Meeting. Not all of the shares set aside were distributed because one Executive Board member retired.

A new three-year plan, for which 1,504 shares have been set aside, began in 2019.

Employee share ownership
Executive Board members have the right to subscribe at most 100 shares at a reduced price. The subscription price is set every year by the Board of Directors. With the aim of promoting a medium-term vision, the shares are subject to a three-year lock-up period.

Other compensation
Compensation also includes taxable incidental expenses.

Twenty extra days of vacation are awarded to Executive Board members when they complete 10, 20, 30, or 40 years' service at BCV.

Other employees
Compensation for non-executive employees follows the same principles as that of Executive Board members and includes the following components:

- Base salary
- Annual performance-based compensation
- Long-term performance-based compensation (only for department heads)
- Employee share-ownership plan.

Base salary
The base salary of each employee is set according to the job description and in line with current market practice. Salary increases depend on the extent to which skills-development objectives have been achieved.

The base salary is paid out in cash, in 13 monthly installments.

Annual performance-based compensation
All employees are eligible for annual performance-based compensation, provided their contracts have not been terminated. The overall level of annual performance-based compensation is broken down by division and then by department. Each employee then receives annual performance-based compensation based on the extent to which his or her performance objectives stemming from the Bank's strategy are met.

The amount of annual performance-based compensation that individual employees receive is determined according to an evaluation process. At the beginning of the year, employees sit down with their supervisors to set annual performance objectives, which stem from the Bank's strategy and action plans. A final evaluation at the end of the year assesses the degree to which these objectives have been met; this is then used to determine the exact amount of performance-based compensation to be paid.

For department heads, 30% of annual performance-based compensation must be taken in BCV shares with a lock-up period of five to ten years. Other employees receiving annual performance-based compensation of CHF 21,000 or more may opt for full payment in cash, or 70% in cash and 30% in BCV shares with a lock-up period of three years. In the latter case, BCV increases the amount paid in shares by 30%. For the 2019 financial year, these shares will be allocated at the closing price on 19 March 2020. All other employees receive full payment of their annual performance-based compensation in cash.

Long-term performance-based compensation
Department heads receive long-term performance-based compensation on the same terms as Executive Board members.

Employee share ownership
Management considers employee share ownership to be an essential element in staff loyalty and identification. An in-house subscription program entitles all BCV employees to subscribe shares at a reduced price. The number of shares that may be purchased under this program is determined by the level of responsibility inherent in an employee's position and can range from 10 to 100 shares. The subscription price is set every year by the Board of Directors. With the aim of promoting a medium-term vision, the shares are subject to a three-year lock-up period.

Other compensation
Department heads receive tax-exempt incidental expenses.

A seniority bonus equivalent to a month's salary is payable to all employees when they complete 10, 20, 30, or 40 years' service at BCV. Employees may opt to take extra vacation, i.e., 20 days for full-time staff, instead of the bonus, or they may opt to take half the bonus and half the extra vacation days.

Contracts
The CEO and other members of the Executive Board work under an employment contract with a 12-month notice period.

Application of the Ordinance against Excessive Compensation in Publicly Listed Companies
As stated above, because BCV is a public-sector entity within the meaning of Article 763, paragraph 2, of the Swiss Code of Obligations, it is not subject to the Ordinance against Excessive Compensation in Publicly Listed Companies (ORAb). Nevertheless, the Bank decided to incorporate the principles of the ORAb into the Articles of Incorporation[(i)] insofar as they were compatible with the LBCV[(ii)] (see Articles 30a et seq. of the BCV Articles of Incorporation[(i)] on compensation). Accordingly, at the 2020 Shareholders' Meeting, a vote will be taken on the fixed compensation of the Board of Directors and the Executive Board for the period between the 2020 and 2021 Meetings. There will also be votes on the 2019 annual performance-based compensation for the entire Executive Board and on the number of shares available as long-term performance-based compensation under the plan beginning in 2020. As BCV is not subject to the ORAb, it is required to continue providing compensation reports in the form of a section in its annual report (Article 30e of the Articles of Incorporation[(ii)] – see note 5.17 on page 179).

5.2 Transparency concerning compensation, shareholdings and loans by issuers with their registered office abroad

This point does not apply to BCV.

6. Shareholders' rights

Article 18 of the Articles of Incorporation – Voting Rights
Each share entitles the holder to one vote. No shareholder shall be entitled to vote at a Shareholders' Meeting either personally or by proxy, or to exercise associated rights, unless entered in the shareholder register. Shareholder status and the right to appoint a proxy shall be determined on the basis of the share register on the twentieth day prior to the Shareholders' Meeting.

6.1 Restrictions on voting rights and shareholder proxies

6.1.1 Restrictions on voting rights

Restrictions on voting rights are set out in Articles 12 and 13 of the Articles of Incorporation, the main provisions of which are described below.

Article 12 – Shareholder register
The Bank shall recognize as shareholders only those persons validly entered in the shareholder register. Only

those whose names appear in the register may exercise the rights attached to BCV shares, subject to the restrictions provided herein.

Shareholders without the right to vote may not exercise such a right or any other associated right. Shareholders with the right to vote may exercise all rights attached to the shares.

Article 13 – Transfers of registered shares
The transfer of any registered share and its entry in the share register shall be subject to approval by the Board of Directors. (...) If the Board of Directors does not reject the request within twenty days, the acquirer shall be recognized as a shareholder with voting rights.

The Board of Directors may refuse to register an acquirer as a shareholder with voting rights:

a) in respect of a shareholding exceeding 5% of the Bank's share capital held by a single shareholder or group of shareholders as defined by the Federal Act on Stock Exchanges and Securities Trading. (…) That limit shall not apply to the Canton of Vaud or any third party to which the Canton of Vaud sells part of its shareholding, or to the takeover of a company or part of a company;

b) if a shareholder does not expressly state, when requested to do so, that he/she has acquired the shares in his/her own name and for his/her own account;

c) if and so long as his/her recognition could prevent the Bank from furnishing proof of the shareholder base required under Swiss law. Under Article 16 of the Articles of Incorporation[(i)] (convening a Shareholders' Meeting – see section 6.4 below for the text of the article), one or more shareholders together representing no less than one-tenth of the share capital may also request the convening of a Shareholders' Meeting. Shareholders representing shares with an aggregate par value of thirty thousand Swiss francs may request that an item of business be entered on the agenda. The calling of a Shareholders' Meeting and the inclusion of an item of business on the agenda must be requested in writing, stating the business to be discussed and motions to be submitted.

Any individual motion requiring a vote shall be submitted to the Chairman of the Board of Directors in writing at least forty-five days prior to the Meeting.

At any Shareholders' Meeting convened to vote on the removal of a clause relating to restrictions on the transfer of registered shares, such removal shall be decided by an absolute majority of votes attached to the shares represented, where each share shall entitle the holder to one vote (Article 11, paragraphs 3 and 4, of the LBCV[(ii)]), in compliance with the rules applicable to any resolution of the Shareholders' Meeting.

6.1.2 Exemptions granted during the financial year

During the 2019 financial year, no departure from the above restrictions was made.

The rules governing attendance at Shareholders' Meetings are set forth in Articles 16 and 18 of the Articles of Incorporation, the main provisions of which are shown in sections 6.3, 6.4, and 6.5 below.

6.2 Quorum provisions

Provisions for quorums are set out in Article 19 of the Articles of Incorporation.

Article 19 – Quorum provisions; resolutions
The Shareholders' Meeting shall have the power to transact business irrespective of the number of shares represented.

Resolutions put to the vote shall be decided by an absolute majority of votes attached to the shares represented, and in the event of a tie, the Chairman shall have the casting vote. Shares held by the Canton do not vote on the election of members of the Board of Directors carried out pursuant to Article 15(b).

6.3 Convening shareholders' meetings

Article 16 – Meetings
Shareholders' Meetings shall be convened by the Board of Directors at least once a year.

The Annual Meeting shall take place within six months of the close of the financial year at the headquarters of the Bank or at any other place in Vaud Canton as may be determined by the Board of Directors.

Special Shareholders' Meetings may be convened as often as required. (...)

A Shareholders' Meeting may, if necessary, be convened by the Auditors.

6.4 Agenda

Article 16 (excerpt) – Meetings
One or more shareholders together representing no less than one-tenth of the share capital may also request the convening of a Shareholders' Meeting. Shareholders representing shares with an aggregate par value of thirty thousand Swiss francs may request that an item of business be entered on the agenda. The calling of a Shareholders' Meeting and the inclusion of an item of business on the agenda must be requested in writing, stating the business to be discussed and motions to be submitted.

Any individual motion requiring a vote shall be submitted to the Chairman of the Board of Directors in writing at least forty-five days prior to the Meeting.

6.5 Shareholder registration

Article 18, paragraph 2, of the Articles of Incorporation[(i)] stipulates that shareholder status and the right to appoint a proxy shall be determined on the basis of the shareholder register on the twentieth day prior to a Shareholders' Meeting.

Pursuant to paragraph 1 of the same Article, the right to vote at the Meeting shall be exercised by the shareholder registered in the share register or by his or her proxy, who may not necessarily be a shareholder. At the Meeting held on 2 May 2019, Christophe Wilhelm, a Lausanne-based attorney, was elected to be the Independent Proxy until the end of the Meeting to be held on 30 April 2020. Pursuant to Article 18a, paragraph 5, of the Articles of Incorporation[(i)], BCV will offer shareholders an electronic means of providing their instructions to the Independent Proxy for the Meeting.

7. Takeovers and defense measures

7.1 Obligation to make a bid

The Articles of Incorporation do not contain an opting-out or opting-up clause based on Article 125 of the Financial Market Infrastructure Act (FMIA).

7.2 Takeover clauses

There are no agreements or programs that would benefit members of the Board of Directors or the Executive Board or other BCV executives in the event of a takeover.

8. Auditors

8.1 Term of audit and length of service of lead auditor

The Board of Directors chose KPMG SA in Geneva as its external auditor, within the meaning of the FINMA law and the Swiss Banking Act, for the 2019 financial year. At the Annual Shareholders' Meeting on 2 May 2019, BCV shareholders approved the Board's recommendation to appoint KPMG SA as the Bank's external auditor for 2019. KPMG SA has served as the external auditor within the meaning of the FINMA law and the Swiss Banking Act, as well as the external auditor for the Bank since 2016. The lead auditor since 2016 is Oliver Gauderon, an audit expert licensed by the Federal Audit Oversight Authority and by FINMA.

Under Article 20 of the LBCV[(ii)], the Bank is required to regularly rotate the individuals and firms serving as the auditor in charge and external auditor. A regular rotation is considered to be every seven years, according to the interpretation of the Article by both the Canton of Vaud's Legal and Legislative Service and the Bank.

8.2 Audit fees

Fees invoiced by KPMG SA for its audits of the parent company and consolidated financial statements, its statutory audit pursuant to the Federal Act on Banks and Savings Institutions and the Federal Act on Stock Exchanges and Securities Trading (including audit-related work required by FINMA), certificates required under local law, and its audit of BCV as a custodian bank for investment funds amounted to CHF 1,832,727 for the 2019 financial year.

Fees invoiced by KPMG SA in Switzerland and abroad for financial and statutory audits of other BCV Group companies were CHF 414,920 for the 2019 financial year.

Total fees invoiced by KPMG SA for audit services supplied to all the companies which make up BCV Group therefore amounted to CHF 2,247,647 in the reporting year.

8.3 Additional fees

Fees invoiced by companies within the KPMG SA group for other auditing and assurance services totaled CHF 214,862 for the parent company and CHF 15,680 for other BCV Group companies.

Total additional fees for the 2019 reporting period invoiced by KPMG SA in Switzerland and abroad for all BCV Group companies therefore amounted to CHF 230,542.

Full compliance with regulations concerning the independence of auditors has been verified by the Audit and Risk Committee.

8.4 Monitoring of external auditors

The Audit and Risk Committee scrutinizes the work of the external auditors. In particular, it monitors their independence and performance on behalf of the Board of Directors so that the Board can make an informed recommendation to the Shareholders' Meeting on whether to extend the appointment of the auditors. The external auditors submit a half-yearly activity report to the Audit and Risk Committee, which reviews the report at a meeting in the presence of representatives of the external auditors. Furthermore, the Audit and Risk Committee conducts a detailed evaluation of the external auditors once a year.

The Audit and Risk Committee advises the Board of Directors on whether to approve the external auditors' fees on the basis of a retainer letter which is reviewed every year. It also discusses how the audit should be planned and approached, as well as risk-evaluation procedures and coordination between the Bank's internal and external auditors. Non-auditing assignments are submitted for prior approval to the Audit and Risk Committee, which, together with the external auditors, verifies compliance with the rules of independence.

The Chairman of the Board of Directors and the Chairman of the Audit and Risk Committee receive copies of all the reports, certifications and opinions issued by the external auditors in the course of their duties. Every year, the Audit and Risk Committee reviews the parent company's financial statements and regulatory reports and a summary of the reports submitted by the subsidiaries. The external auditors are regularly invited to attend Audit and Risk Committee meetings to discuss the results of their work, make recommendations on internal audit procedures, and be informed of reports by other persons invited to the meetings. In 2019, representatives of the external auditors partially attended three meetings of the Board of Directors and all ordinary meetings of the Audit and Risk Committee.

The Chairman of the Board of Directors meets with the auditor in charge of the audit approximately once every quarter to see whether the work is proceeding as planned; the Chairman of the Audit and Risk Committee attends once a year. The Chairman of the Audit and Risk Committee also holds regular meetings with the auditor, at least once per quarter. A summary report is then submitted to all members of the Board of Directors, the Audit and Risk Committee, and the Executive Board.

9. Disclosure policy

9.1 Transparency

Pursuant to paragraphs 8 and 9 of Article 24 of the Bank's Articles of Incorporation[(i)], the Board of Directors shall see that it is kept informed. It shall also see that shareholders are properly and fairly informed about the Bank's situation to the greatest extent possible, consistent with legitimate compliance with business and banking confidentiality and securities laws. In particular, it shall reach an agreement governing disclosure of information to the Canton of Vaud.

9.2 Information-exchange agreement

BCV and the Canton of Vaud entered into an initial information-exchange agreement on 13 September 2004, which was followed by a second agreement on 7 October 2009. In 2015, the two parties negotiated a new information-exchange agreement, which was signed on 16 December 2015 and took effect on 1 January 2016.

This agreement commits the parties to increased transparency. In particular, it:

- Sets out the content and frequency of information exchanges and the procedures for providing information, together with the type and frequency of meetings between representatives of the Canton and BCV

- Defines the confidentiality rules governing these exchanges

- Designates the persons who are to provide and receive information on behalf of the Bank and the Canton
- Prohibits each party from exploiting for its own purposes the information received and provided
- Specifies the legal principles that shall apply, in particular the obligation to make public any information that may affect the price of BCV shares.

9.3 Other information

Regular publications intended for shareholders are the annual report (published in April) and the interim report at 30 June (published in August). Printed versions of both are available upon request from the following address: BCV, Publications, Post Office Box 300, 1001 Lausanne, Switzerland.

Information is provided to the public soon after the consolidated financial statements are approved by the Board of Directors, by means of a press release and press conference. In 2015, the Bank began publishing its financial statements in accordance with the new Swiss accounting standards for banks. As a result of these new accounting rules, the Bank reports its financial results on a half-yearly rather than a quarterly basis, which means that only results at 30 June and 31 December are released.

BCV also issues special press releases on important developments and business trends at the Bank as often as necessary.

The annual report, interim report and press releases are all posted on the BCV website (www.bcv.ch) and are available via the free BCV Investor Relations iPad app. The annual report and interim report are published in French and English, while press releases are normally available in French, English and German.

Basel III Pillar 3 reports, which are published half-yearly, and other data of particular interest to investors may also be consulted in the Investor Relations section of the BCV website (www.bcv.ch) as well as via the free BCV Investor Relations iPad app.

BCV publishes notice of its Annual Shareholders' Meeting approximately sixty days in advance in the FOSC (Feuille officielle suisse du commerce). The invitation and the agenda of the Meeting are also published in the FOSC and several local daily newspapers. In addition, shareholders listed on the shareholder register at least twenty days before the Annual Shareholders' Meeting receive a personal letter of invitation

9.4 Links to main documents referenced

Document	Link
(i) Articles of Incorporation	https://www.bcv.ch/content/download/2769/115744/version/12/file/Art_Association.pdf
(ii) Cantonal Act Governing the Organization of Banque Cantonale Vaudoise (LBCV) of 20 June 1995	https://www.bcv.ch/content/download/2770/31480/version/8/file/LBCV.pdf
(iii) Audit and Risk Committee Charter	https://www.bcv.ch/content/download/8574/85400/version/6/file/Charte_CAR.pdf

10. Contacts

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2020 corporate calendar

30 April	Annual Shareholders' Meeting
5 May	Ex-dividend date[1]
6 May	Dividend record date[1]
7 May	Dividend payment[1]
28 May	Stock split date[2]
20 August	2020 half-year results

[1] Ordinary dividend of CHF 36 per share, subject to approval at the Annual Shareholders' Meeting.
[2] First trading day on a post-split basis, subject to approval at the Annual Shareholders' Meeting barring postponements further to the Covid-19 situation.

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Financial Statements

Report on the Consolidated Financial Statements

Balance sheet growth

1. Assets

Total assets expanded 1% (+CHF 489m) year on year, amounting to CHF 48.4bn at 31 December 2019.

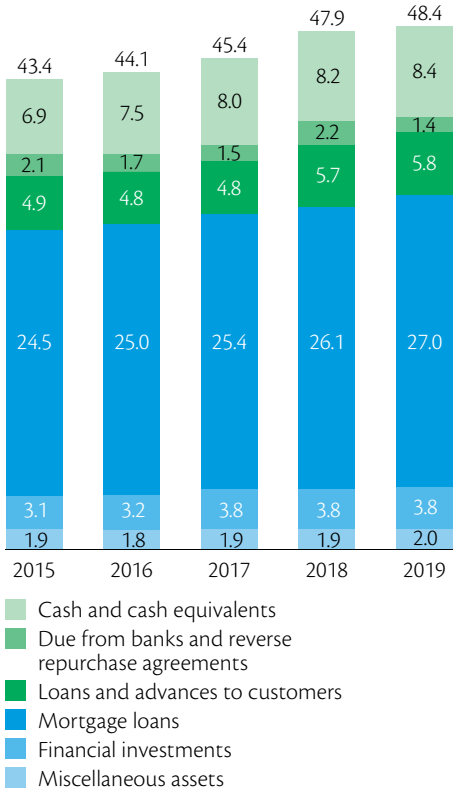
Cash and cash equivalents, which consist primarily of deposits held with the Swiss National Bank, increased 2% (+CHF 149m) to CHF 8.4bn.

Amounts due from banks and reverse repurchase agreements decreased 36% (–CHF 810m) to CHF 1.4bn.

Total loans outstanding were up 3% (+CHF 1bn) to CHF 32.8bn: mortgage lending grew 4% (+CHF 937m) to CHF 27bn, while other loans were up 1% (+CHF 75m) to CHF 5.8bn.

Assets

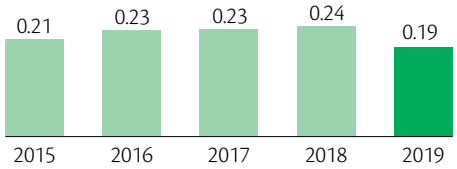
in CHF billions



Total impaired loans fell to CHF 193m. Impaired loans accounted for 0.5% of total lending, testifying to the quality and resilience of the Bank's loan book.

Impaired loans

in CHF billions



Continued rise in liabilities

2. Liabilities

Liabilities amounted to CHF 44.8bn at 31 December 2019, a year-on-year increase of 1% (+CHF 425m).

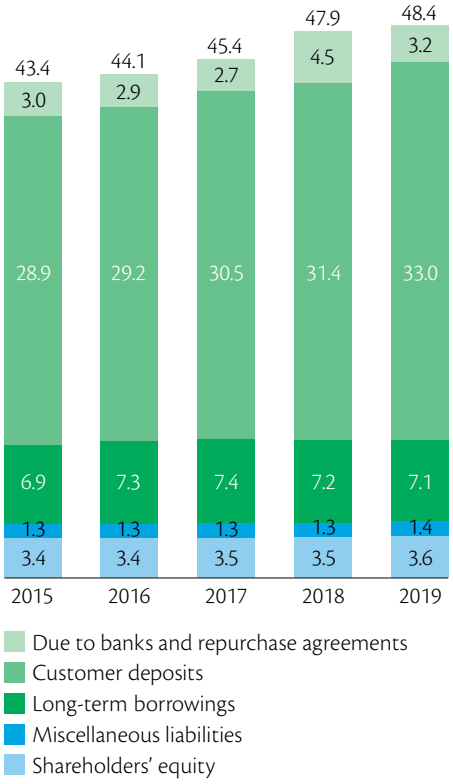
Amounts due to banks and repurchase agreements fell 28% (–CHF 1.3bn) to CHF 3.2bn.

Customer deposits were up 5% (+CHF 1.7bn) to CHF 33.0bn.

Long-term borrowings declined 2% (–CHF 150m) to CHF 7.1bn.

Liabilities and shareholders' equity

in CHF billions



Solid financial position

3. Shareholders' equity

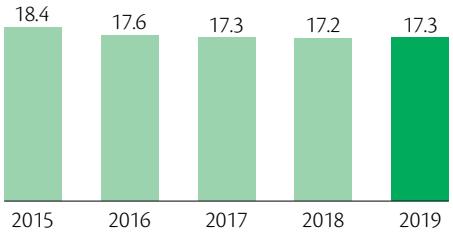
Total shareholders' equity increased CHF 64m to CHF 3.6bn. The allocation of CHF 363m in net profit for the year was offset by the payout of CHF 301m approved at the Annual Shareholders' Meeting in May 2019.

At year-end, the CET1 ratio was at a comfortable level of 17.1% and the total capital ratio was 17.3%. These ratios, calculated according to the Internal Ratings-Based (IRB) approach, attest to the Bank's financial solidity.

The leverage ratio stood at 6.3% at 31 December 2019, markedly above the regulatory requirement of 3%.

Capital ratio[1]

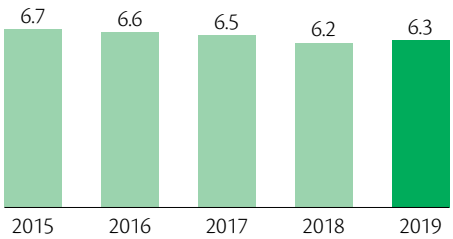
total capital as a %



[1] To facilitate like-for-like comparison, the ratios for 2015 and 2016 have been recalculated without subtracting the countercyclical bu er from regulatory capital, in accordance with FINMA Circular 2016/1 "Disclosure – banks"

Leverage ratio

as %

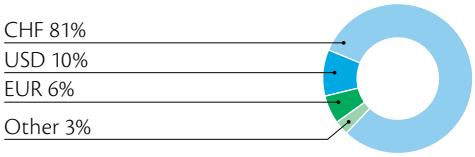


Continued new fund inflows

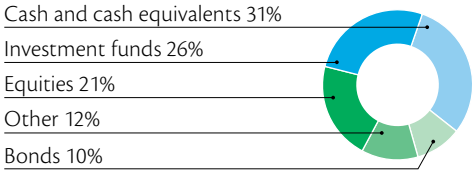
4. Assets under management

The Group's assets under management rose 12% to CHF 97.8bn. Net new money totaled CHF 3.8bn. This figure comprised CHF 1.5bn in fund inflows from personal banking customers and Vaud SMEs as well as CHF 2.3bn from large-corporate and institutional clients.

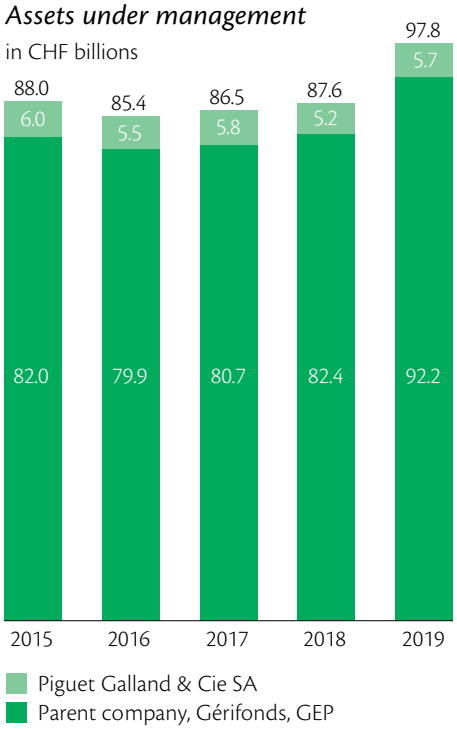
Assets under management by currency



Assets under management by investment type



Assets under management
in CHF billions



Revenues higher despite negative-interest-rate environment

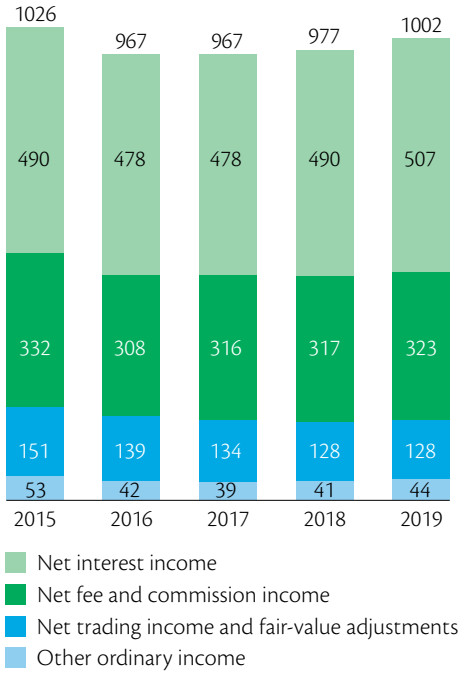
5. Revenues

Total BCV Group revenues rose 3% year on year to CHF 1.0bn.

The various revenue streams contributed as follows:

- In an environment marked by continued negative interest rates, interest income before loan impairment charges/reversals was steady at CHF 497m. Net interest income grew 3% to CHF 507m, driven by a net reversal of loan provisions.

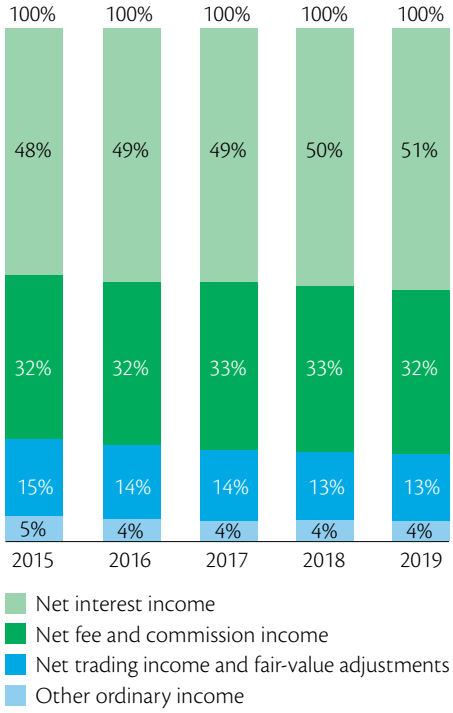
Revenues
in CHF millions



- Fee and commission income was up 2% to CHF 323m.
- Trading income, which comes primarily from customer-driven activities, was flat at CHF 128m.
- Other ordinary income rose 8% (+CHF 3m) to CHF 44m.

Revenues

breakdown as a %



Continued firm cost control

6. Operating expenses, depreciation, and amortization

Total operating expenses rose 1% (+CHF 4m) to CHF 504m.

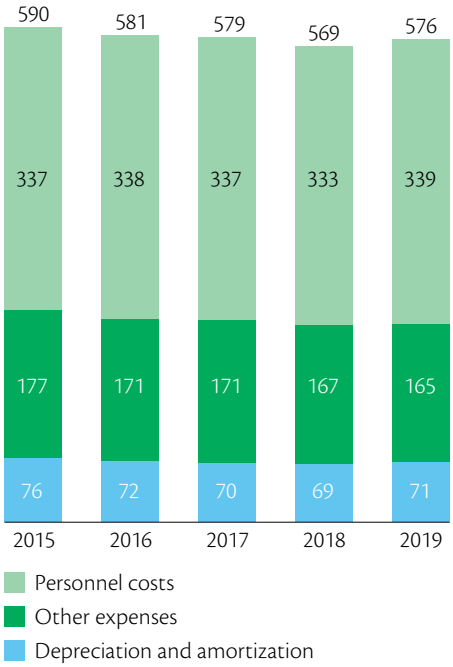
Personnel costs were up 2% (+CHF 7m) to CHF 339m, due largely to the insourcing of IT experts, and other operating expenses were down 1% (–CHF 2m) to CHF 165m.

Depreciation and amortization of fixed assets grew 4% (+CHF 3m) to CHF 71m as a result of investments in digital banking.

The cost/income ratio, which compares the sum of operating expenses, depreciation, and amortization (excluding goodwill amortization) with total income (excluding loan impairment charges/reversals) was steady at 57.7%.

Operating expenses, depreciation, and amortization

in CHF millions



Operating profit and net profit up

7. Operating profit

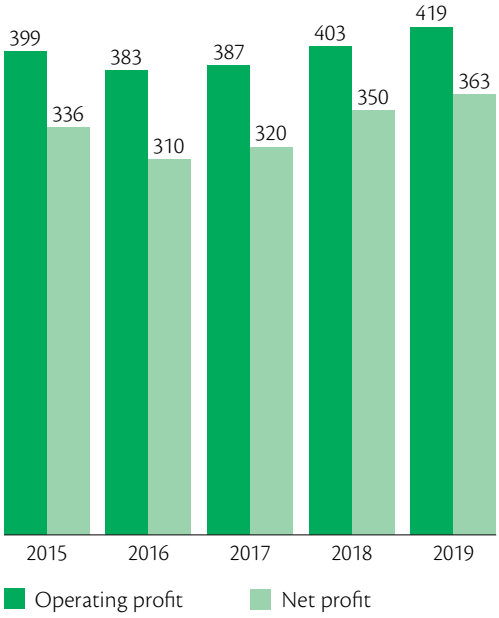
As a result of the rise in revenues and continuing firm cost control, operating profit was up 4% to CHF 419m.

8. Net profit

Net profit rose 4% to CHF 363m, reflecting higher operating profit and lower tax expense following the implementation of Vaud Canton's corporate tax reform.

Operating and net profit

in CHF millions



Financial Statements

Consolidated Financial Statements

1. Balance sheet (in CHF millions)

	Notes	31 / 12 / 19	31 / 12 / 18	Change absolute	Change as %
Cash and cash equivalents		8 384	8 235	149	2
Due from banks		1 186	1 921	– 735	– 38
Reverse repurchase agreements	10.1	239	314	– 75	– 24
Loans and advances to customers	10.2	5 752	5 677	75	1
Mortgage loans	10.2	27 016	26 079	937	4
Trading portfolio assets	10.3	277	334	– 57	– 17
Positive mark-to-market values of derivative financial instruments	10.4	273	268	5	2
Other financial assets at fair value	10.3	784	621	163	26
Financial investments	10.5/10.7	3 811	3 767	44	1
Accrued income and prepaid expenses		85	80	6	7
Non-consolidated holdings	10.6/10.7	69	70	– 1	– 2
Tangible fixed assets	10.8	433	445	– 12	– 3
Intangible assets	10.9	5	9	– 3	– 39
Other assets	10.10	36	42	– 7	– 16
Assets	10.20/10.21/10.22/10.24	**48 352**	**47 863**	**489**	**1**
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		1 703	2 655	– 952	– 36
Repurchase agreements	10.1	1 502	1 809	– 307	– 17
Customer deposits		33 048	31 375	1 673	5
Trading portfolio liabilities	10.3	2	0	1	326
Negative mark-to-market values of derivative financial instruments	10.4	213	236	– 23	– 10
Other financial liabilities at fair value	10.3/10.14	918	766	152	20
Medium-term notes		3	7	– 4	– 54
Bonds and mortgage-backed bonds	10.14/10.15	7 094	7 244	– 150	– 2
Accrued expenses and deferred income		154	156	– 2	– 2
Other liabilities	10.10	114	77	37	47
Provisions	10.16	16	15	1	5
Liabilities	10.20	**44 766**	**44 341**	**425**	**1**
Reserves for general banking risks	10.16	701	701	0	0
Share capital		86	86	0	0
Capital reserve		35	35	0	1
Retained earnings		2 419	2 371	48	2
Currency translation reserve		– 2	– 1	– 0	– 5
Own shares		– 18	– 20	2	9
Minority interests in equity		0	0	– 0	– 11
Net profit		363	350	13	4
of which minority interests		*0*	*0*	*0*	*27*
Shareholders' equity		**3 586**	**3 522**	**64**	**2**
Total liabilities and shareholders' equity	10.21/10.24	**48 352**	**47 863**	**489**	**1**
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)	Notes	31 / 12 / 19	31 / 12 / 18	Change absolute	Change as %
Contingent liabilities	10.2/11.1	1 789	1 863	– 74	– 4
Irrevocable commitments	10.2	1 301	1 623	– 321	– 20
Commitments relating to calls on shares and other equity securities	10.2	177	177	0	0
Confirmed credits	10.2/11.2	46	49	– 2	– 5

2. Income statement (in CHF millions)

	Notes	2019	2018	Change absolute	Change as %
Interest and discount income		570.3	573.1	– 2.7	– 0
Interest and dividend income from financial investments		27.9	31.0	– 3.1	– 10
Interest expense		– 101.4	– 108.0	– 6.7	– 6
Net interest income before loan impairment charges/reversals	12.1	**496.9**	**496.1**	**0.8**	**0**
Loan impairment charges/reversals		9.8	– 5.9	– 15.8	– 265
Net interest income after loan impairment charges/reversals (NII)		**506.7**	**490.1**	**16.6**	**3**
Fees and commissions on securities and investment transactions	12.2	259.4	250.2	9.2	4
Fees and commissions on lending operations		44.5	46.1	– 1.6	– 4
Fees and commissions on other services	12.3	73.6	72.6	1.0	1
Fee and commission expense		– 54.6	– 51.7	2.9	6
Net fee and commission income		**322.9**	**317.2**	**5.7**	**2**
Net trading income and fair-value adjustments	12.4	**128.1**	**128.1**	**0.1**	**0**
Gains/losses on disposals of financial investments		0.5	2.1	– 1.6	– 76
Income from equity investments		13.7	11.9	1.8	15
of which other non-consolidated holdings		*13.7*	*11.9*	*1.8*	*15*
Real-estate income		7.5	7.5	0.0	0
Miscellaneous ordinary income		22.9	20.0	2.9	15
Miscellaneous ordinary expenses		– 0.3	– 0.3	0.0	8
Other ordinary income		**44.3**	**41.1**	**3.2**	**8**
Total income from ordinary banking operations		**1 002.0**	**976.5**	**25.5**	**3**
Personnel costs	12.5	– 339.3	– 332.7	6.6	2
Other operating expenses	12.6	– 165.2	– 167.5	– 2.2	– 1
Operating expenses		**– 504.5**	**– 500.2**	**4.3**	**1**
Depreciation and amortization of fixed assets and impairment on equity investments	12.7	– 71.3	– 68.8	2.6	4
Other provisions and losses	12.8	– 7.2	– 4.7	2.5	54
Operating profit	12.12	**418.9**	**402.9**	**16.0**	**4**
Extraordinary income	12.9	0.7	34.9	– 34.2	– 98
Extraordinary expenses	12.10	– 0.2	– 0.0	0.2	637
Taxes	12.11	– 56.6	– 88.1	– 31.6	– 36
Net profit		**362.9**	**349.7**	**13.2**	**4**
Minority interests		– 0.0	– 0.0	0.0	27
Net profit attributable to BCV shareholders		**362.9**	**349.7**	**13.2**	**4**

3. Cash flow statement (in CHF millions)

	Notes	2019 Source of funds	2019 Use of funds	2019 Net cash inflow / outflow	2018 Source of funds	2018 Use of funds	2018 Net cash inflow / outflow
Net profit for the year		363			350		
Reserves for general banking risks							
Depreciation and amortization of fixed assets and impairment on equity investments	12.7	71			69		
Provisions and other impairment charges/reversals	10.16	6	0		3	1	
Loan impairment charges/reversals	10.16	12	22		22	16	
Accrued income and prepaid expenses			6		12		
Accrued expenses and deferred income			2			16	
Extraordinary income: impairment reversals on fixed assets and disposals of tangible fixed assets and equity holdings						34	
Dividend for the previous year			301			198	
Cash flow from operations		**452**	**331**	**121**	**455**	**265**	**190**
Distribution drawn from paid-in reserves						86	
Own shares		24	22		26	27	
Change in scope of consolidation, minority interests, and currency translation differences							
Cash flow from equity transactions		**24**	**22**	**2**	**26**	**113**	**– 86**
Non-consolidated holdings	10.6	1			0	1	
Real estate	10.8		2		106	4	
Computer programs	10.8		47			52	
Other tangible fixed assets	10.8		7			7	
Intangible assets	10.9						
Cash flow from investments		**1**	**56**	**– 55**	**106**	**64**	**42**
Cash flow from banking operations							
Due to banks							
Customer deposits							
Medium-term notes			4			8	
Long-term borrowings	10.15	1 176	1 325		857	1 005	
Other liabilities		35				26	
Due from banks							
Loans and advances to customers			80			234	
Mortgage loans			937			673	
Financial investments		339			85		
Other receivables		7			15		
Medium- and long-term operations (over 1 year)		**1 556**	**2 347**	**– 791**	**957**	**1 946**	**– 989**
Due to banks			952		1 257		
Repurchase agreements			307		460		
Customer deposits		1 673			863		
Trading portfolio liabilities		1			0		
Negative mark-to-market values of derivative financial instruments			23		31		
Other financial liabilities at fair value		152				46	
Due from banks		735				908	
Reverse repurchase agreements		75			185		
Loans and advances to customers		12				608	
Trading portfolio assets		57				148	
Positive mark-to-market values of derivative financial instruments			5		14		
Other financial assets at fair value			163		32		
Financial investments			383			98	
Short-term operations		**2 704**	**1 833**	**871**	**2 843**	**1 809**	**1 033**
Cash and cash equivalents			**149**	**– 149**		**191**	**– 191**
Total		**4 738**	**4 738**	**0**	**4 387**	**4 387**	**0**

A net positive amount represents a cash inflow, while a net negative amount represents a cash outflow.

4. Statement of changes in equity (in CHF millions)

	Share capital	Capital reserve	Retained earnings	Reserves for general banking risks	Currency translation reserve	Own shares	Equity - minority interests	Net profit for the year	Total equity
Status at 1 January 2017	**86**	**207**	**2 137**	**701**	**– 2**	**– 19**	**0**	**310**	**3 420**
2016 dividend								– 198	– 198
Special dividend		– 86							– 86
Retained earnings			112					– 112	0
Purchases of own shares (at cost)						– 29			– 29
Disposals of own shares (at cost)						29			29
Gain on disposals of own shares and dividends		0							0
Effect of exchange-rate differences					0				0
Changes in scope and/or minority interests			– 0				– 0		– 0
Net profit for the year							0	320	320
Status at 31 December 2017	**86**	**121**	**2 249**	**701**	**– 1**	**– 19**	**0**	**320**	**3 457**
2017 dividend								– 198	– 198
Special dividend		– 86							– 86
Retained earnings			122					– 122	0
Purchases of own shares (at cost)						– 27			– 27
Disposals of own shares (at cost)						26			26
Gain on disposals of own shares and dividends		0							0
Effect of exchange-rate differences					– 0				– 0
Changes in scope and/or minority interests			– 0						– 0
Net profit for the year							0	350	350
Status at 31 December 2018	**86**	**35**	**2 371**	**701**	**– 1**	**– 20**	**0**	**350**	**3 522**
2018 dividend								– 301	– 301
Retained earnings			48					– 48	0
Purchases of own shares (at cost)						– 22			– 22
Disposals of own shares (at cost)						24			24
Gain on disposals of own shares and dividends		0							0
Effect of exchange-rate differences					– 0				– 0
Changes in scope and/or minority interests			– 0						– 0
Net profit for the year							0	363	363
Status at 31 December 2019	86	35	2 419	701	– 2	– 18	0	363	3 586

5. Company name, operations, and headcount

5.1 Company name, legal status, and head office

Banque Cantonale Vaudoise (BCV) was founded on 19 December 1845 by the Vaud Cantonal Parliament as a ***société anonyme de droit public*** (i.e., a corporation organized under public law). Its legal status is defined in the Cantonal Act Governing the Organization of Banque Cantonale Vaudoise (LBCV) of 20 June 1995, and its head office is in Lausanne.

5.2 Overview of operations

BCV operates as a full-service bank with a community focus. Its corporate mandate is to contribute to the economic development of its home region, the Canton of Vaud.

It offers a full range of services in retail banking, wealth management, corporate banking, and trading. Along with its traditional areas of business (savings & loans and wealth management), BCV engages in large-corporate financing and selected trade-financing operations in commodities (primarily softs and metals). It offers a broad portfolio of financial-market services, including equity and derivatives trading and fixed-income instruments. The Bank is also active in foreign-exchange trading and in developing and issuing structured products.

BCV is the parent company of a banking and financial group, which encompasses a private bank and three fund management companies. The Bank also has a branch in Guernsey (Banque Cantonale Vaudoise Guernsey Branch), which is active in structured products.

5.3 Headcount

Full-time equivalents	31 / 12 / 19	31 / 12 / 18
Group	1921	1896
of which parent company	1729	1700

6. Accounting principles for the consolidated financial statements

6.1 Basis of preparation of consolidated financial statements

The consolidated financial statements of BCV Group have been prepared in accordance with the Swiss Federal Act of 8 November 1934 on Banks and Savings Institutions, the corresponding Ordinance of 30 April 2014 and the Swiss Accounting Rules for Banks, Securities Dealers, Financial Groups and Conglomerates of 27 March 2014 (FINMA Circular 2015/1). The financial statements give a true and fair view of the assets, financial position, and results of BCV Group.

The consolidated financial statements are based on Group companies' full-year accounts, which are prepared in accordance with generally accepted accounting principles. The accounts are closed at 31 December of every year.

6.2 Scope of consolidation

Companies over which BCV has control and companies in which it has significant influence over their operations are fully consolidated. Significant influence is generally recognized by BCV when it makes a profit on and bears the risks of a company's operations.

Companies over which BCV has significant influence but no outright control (holdings of 20%-50%) are accounted for using the equity method.

The following companies are not included in the scope of consolidation:

- Holdings of no material significance in terms of financial reporting and risk
- Significant holdings not acquired for strategic purposes and intended to be sold or liquidated within 12 months.

6.3 Basis of consolidation

Equity is consolidated using the acquisition method. The acquisition cost of a holding is offset against the equity existing on the date on which control is transferred. Goodwill is carried on the balance sheet under "Intangible assets."

6.4 Accounting and valuation principles

6.4.1 Cash and cash equivalents

Cash and cash equivalents comprise ordinary coins and banknotes and assets held with the Swiss National Bank; they are carried at nominal value.

6.4.2 Due from banks

Amounts due from banks are carried at nominal value less any impairment, as set out in note 7.2 under "Risk-assessment and risk-management principles."

6.4.3 Reverse repurchase agreements

Receivables from cash collateral related to reverse repurchase agreements are carried at nominal value.

Reverse repurchase agreements are not recognized on the balance sheet unless the ownership rights pass to the Group.

6.4.4 Loans and advances to customers and Mortgage loans

Loans and advances to customers and Mortgage loans are carried at nominal value less any impairment, as set out in note 7.2 under "Risk-assessment and risk-management principles."

6.4.5 Trading portfolio assets

Trading portfolio assets include positions in equity securities, debt securities, and precious metals and are held in order to take advantage of market-price fluctuations.

These positions are carried at fair value with reference to the prices quoted on the most representative market.

6.4.6 Positive mark-to-market values of derivative financial instruments

Derivative financial instruments recorded at the balance-sheet date are carried at fair value with reference to the prices quoted on the most representative market. For positions that are not traded on sufficiently liquid markets, fair value is determined using a valuation model. Any resulting positive mark-to-market values are recognized under this item.

Mark-to-market values relating to transactions with the same counterparty and hedged by a netting agreement are carried on the balance sheet at net value.

6.4.7 Other financial assets at fair value

Securities needed to hedge structured products issued by BCV and recorded as a liability are carried under this line item. These positions are carried at fair value with reference to the prices quoted on the most representative market. For positions that are not traded on sufficiently liquid markets, fair value is determined using a valuation model.

6.4.8 Financial investments

Financial investments include securities and precious metals acquired for medium- and long-term investment purposes, as well as equity securities held neither for trading nor as a long-term investment. Available-for-sale real estate acquired in connection with lending operations is also carried under this item.

Held-to-maturity interest-bearing securities are carried at cost, with premiums or discounts amortized over the remaining term of the instrument using the accrual method. Gains and losses arising from their sale or early redemption are recorded proportionally up to the initial maturity date of the securities. Any related loan impairment charges or reversals are recorded on the income statement under the corresponding line item.

Interest-bearing securities not intended to be held until maturity, as well as equity securities and available-for-sale real estate, are carried at the lower of cost or market value. As a general rule, impairment charges and reversals on these assets are recorded under "Miscellaneous ordinary expenses" or "Miscellaneous ordinary income." Where impairment can be broken down into loan impairment and market-related impairment, loan impairment charges and reversals are recorded on the income statement under the corresponding line item.

6.4.9 Accrued income and prepaid expenses

This item mainly consists of accrued interest and other transitory assets.

6.4.10 Non-consolidated holdings

Non-consolidated holdings comprise equity securities that are held as a long-term investment, irrespective of voting rights. They also include the Group's infrastructure-related holdings, particularly joint ventures. They are carried at cost less any impairment.

These holdings are reviewed for impairment at each balance-sheet date, based on whether there is an indication of a loss in value. If there is such an indication, the Group determines the realizable value of each asset.

The realizable value is the higher of the net fair value and the value in use. The asset is written down if its carrying value exceeds its realizable value. In this case, the carrying value is reduced to the realizable value and the difference is charged to the income statement under "Depreciation and amortization of fixed assets and impairment on equity investments."

6.4.11 Tangible fixed assets

Tangible fixed assets are carried at cost. Software developed by the Bank for in-house use is carried at direct production cost, and the corresponding income is recorded under "Miscellaneous ordinary income."

Tangible fixed assets are depreciated on a straight-line basis over their estimated useful lives within the following limits:

- Fifty years for real estate
- Ten years for technical facilities
- Five years for machinery, furniture, and fittings
- Five years for computer software and hardware.

Any depreciation recorded over an asset's remaining estimated useful life or additional write-downs made subsequent to impairment reviews are charged to the income statement for the period, under "Depreciation and amortization of fixed assets and impairment on equity investments."

These assets are reviewed annually for impairment. If there is a decline in value or a change in the useful life, the carrying value of the asset is written down and the written-down value is depreciated over the remaining estimated useful life of the asset.

6.4.12 Intangible assets

Goodwill is carried on the balance sheet and amortized on a straight-line basis over its estimated useful life, up to a maximum of ten years.

Goodwill is reviewed for impairment at each balance-sheet date, based on whether there is an indication of a loss in value. In this case, the carrying value is reduced to the realizable value and the difference is charged to the income statement under "Depreciation and amortization of fixed assets and impairment on equity investments."

6.4.13 Other assets

This item mainly comprises coupons, indirect taxes to be recovered, and any positive offset account balances.

6.4.14 Due to banks

Amounts due to banks are carried at nominal value.

6.4.15 Repurchase agreements

Commitments from cash collateral related to repurchase agreements are carried at nominal value.

Repurchase agreements are carried on the balance sheet and valued in the same way as financial investments, provided that the Group continues to be the beneficial owner.

6.4.16 Customer deposits

This item comprises all amounts due to non-bank customers, carried at nominal value.

6.4.17 Trading portfolio liabilities

Trading portfolio liabilities result from short positions in debt and equity securities that are established in order to take advantage of market price fluctuations. They are carried at fair value with reference to the prices quoted on the most representative market.

Securities borrowed to establish short positions are not recorded on the balance sheet insofar as BCV Group does not take ownership of the attached rights.

6.4.18 Negative mark-to-market values of derivative financial instruments

Derivative financial instruments recorded at the balance-sheet date are carried at fair value with reference to the prices quoted on the most representative market. For positions that are not traded on sufficiently liquid markets, fair value is determined using a valuation model. Any resulting negative mark-to-market values are recognized under this line item.

Mark-to-market values relating to transactions with the same counterparty and hedged by a netting agreement are carried on the balance sheet at net value.

6.4.19 Other financial liabilities at fair value

This item includes structured products without an interest rate component that are issued by the Bank, including participation products (fractions of equity baskets) and yield-enhancement products. They are carried at fair value with reference to a quoted market price or a valuation model. Subsequent revaluations are recognized under "Net trading income and fair-value adjustments."

6.4.20 Medium-term notes

Medium-term notes issued by the Bank for a term of between two and eight years are carried at nominal value.

6.4.21 Bonds and mortgage-backed bonds

This item consists of borrowings from the Central Mortgage-Bond Institution of Swiss Cantonal Banks, as well as bonds issued by the Bank. They are carried at nominal value; any discount or premium is recorded under accrued or deferred items and amortized over the term of the instrument under "Interest expense."

This line item also includes yield-enhancement, participation and capital-protection structured products issued by the Bank and containing an interest-rate component.

For these structured products, the host instrument and the embedded derivatives are treated separately. The host instrument is recorded under this line item at nominal value as a debt issued by the Bank. Embedded derivatives are carried as either positive or negative mark-to-market values. Subsequent variations are recognized under "Net trading income and fair-value adjustments."

Interest accrued in the interest-rate component is recorded under "Interest expense" using the accrual method.

Positions in bonds and structured products issued by BCV are deducted from this item.

6.4.22 Accrued expenses and deferred income

This item mainly consists of accrued interest, taxes due on Group companies' earnings and capital, and other transitory liabilities.

Direct tax is calculated in accordance with the matching principle and is recognized in the income statement under "Taxes."

6.4.23 Other liabilities

This item mainly comprises coupons, indirect taxes to be paid, and any negative offset account balances.

6.4.24 Provisions

This line item includes provisions necessary for business operations, provisions for hedging tangible and latent risks of loss, credit-risk provisions for off-balance-sheet transactions, and provisions for deferred taxes.

Deferred taxes are calculated based on differences between tax values and book values. They are recognized in the income statement under "Taxes."

6.4.25 Reserves for general banking risks

To cover risks inherent in the banking business which are not already covered by specific provisions, the Group sets aside "Reserves for general banking risks." These reserves are part of shareholders' equity and are taxed or subject to a deferred tax (see note 10.16 below).

6.4.26 Share capital

This line item consists of the Bank's share capital.

6.4.27 Capital reserve

The capital reserve comprises additional paid-in capital obtained through the issue of equity securities and the exercise of conversion rights and options, along with gains and losses realized and dividends received on own shares.

6.4.28 Retained earnings

This line item represents capital accrued by the Group; it consists primarily of appropriated retained earnings and the effect of changes in the scope of consolidation.

6.4.29 Currency translation reserve

Exchange-rate differences resulting from the translation of Group company accounts denominated in foreign currencies are recorded under this line item and not through profit or loss.

6.4.30 Own shares

Own shares (i.e., registered shares of Banque Cantonale Vaudoise) are deducted from shareholders' equity at cost. Dividend payments and gains and losses on disposals are allocated directly to the capital reserve.

6.4.31 Contingent liabilities

Contingent liabilities mainly comprise commitments to secure credits, issued in the form of bills of exchange, surety bonds and guarantees, including irrevocable letters of credit, endorsements of re-discounted bills, advance payment guarantees, and similar facilities such as pledges in favor of third parties.

This type of liability is contingent if, when the transaction is entered into, the main debtor has no debt towards a third party but may incur such debt at a later date.

6.4.32 Irrevocable commitments

This line item includes commitments to grant loans and other services that are unused but firm and irrevocable at the balance-sheet date, together with payment commitments relative to depositor-protection schemes.

6.4.33 Commitments relating to calls on shares and other equity securities

This line item includes commitments relating to calls on shares and other equity securities.

6.4.34 Confirmed credits

Commitments arising from deferred payments, as well as from acceptances and other confirmed credits, are included under this line item.

6.4.35 Pension-fund liabilities

Pension-fund liabilities are understood to mean obligations arising under pension plans and pension funds which provide retirement, death, and disability benefits.

When preparing its year-end accounts, the Group determines, for each pension fund, whether there are any assets (benefits) or liabilities (obligations) other than the contribution benefits and related adjustments. This assessment is based on the financial situation of the pension funds as shown in their interim accounts at 30 September.

Any liabilities are carried on the balance sheet under "Provisions," while any economic benefit is carried under "Other assets." Any changes from the corresponding value in the previous financial year are recognized for each pension fund under "Personnel costs."

Adjusted contributions for the period are also carried under "Personnel costs."

An economic liability arises if the Group decides or is obliged to participate in the financing of an underfunded pension fund, while an economic benefit arises if there is a potential positive effect on future cash flows as a result of pension-fund overfunding. Moreover, in the case of overfunding, an economic benefit exists if there is a lawful intention to use the overfunding to reduce the employer's contributions, to refund the contributions to the employer by virtue of local legislation, or to use them for any economic purpose of the employer other than regulatory benefits.

6.5 Changes to accounting principles

No changes were made to the accounting principles in 2019.

6.6 Registration of business transactions

All transactions concluded up until the balance-sheet date are recorded on the date they are concluded and are valued according to the above accounting principles.

6.7 Foreign-currency translation

Transactions in foreign currencies during the year are translated at the exchange rates prevailing on the transaction date.

Assets and liabilities held in foreign currencies at the close of the financial year are translated into Swiss francs at the exchange rates prevailing on that date, provided that they are not valued at their historical rates.

Foreign-exchange gains and losses, including unrealized gains and losses on forward foreign-exchange contracts open at the balance-sheet date, are carried in the income statement. Balance-sheet items and off-balance-sheet transactions of foreign holdings are translated at year-end exchange rates set for the Group, with the exception of shareholders' equity invested in these holdings, which is translated at historical rates.

Income-statement items are translated at the average annual exchange rates set for the Group. Differences arising from the translation of shareholders' equity and the income statement are recorded directly in shareholders' equity.

Major currencies		2019		2018
in CHF	Close	Average	Close	Average
Euro	1.0870	1.1123	1.1269	1.1521
U.S. dollar	0.9684		0.9858	

6.8 Refinancing of trading positions

The cost of refinancing securities held in the trading portfolios is netted against interest and dividend income from these portfolios, and recorded under "Net trading income and fair-value adjustments."

6.9 Rounding

The figures contained in the tables have each been properly rounded depending on the number of significant digits used for the table; this may result in discrepancies between listed column and row totals and the sum of individual column or row items.

7. Risk-assessment and risk-management principles

7.1 Introduction

The Board of Directors periodically analyzes the Bank's main risks. The analyses are based on the risk-management processes and methods in place, and contain a forward-looking evaluation of the risks to which BCV is exposed. In these analyses, the Board of Directors takes into account the Bank's existing control system for managing and mitigating risks.

BCV's risk-management objectives and approach are presented in the Risk Management chapter. This section explains in more detail the principles that the Bank applies in assessing risks.

7.2 Credit risk

7.2.1 Exposure to credit risk

Credit risk arises from the possibility that a counterparty might default on its financial obligations to the Bank. It corresponds to the default risk set out in FINMA Circular 2015/1 and includes settlement risk. All forms of credit commitments to bank and non-bank counterparties, whether on or off the balance sheet, represent a credit risk for the Bank.

The Bank distinguishes five types of exposure to credit risk:

- Financial exposures, which are characterized by an outflow of funds
- Off-balance-sheet commercial exposures, stemming from guarantees given by the Bank or obtained in respect of counterparties
- Exposures resulting from bilateral derivatives contracts with positive mark-to-market values
- Exposures resulting from repos/reverse repos and securities lending/borrowing transactions
- Settlement exposures, which result from a time lag between when funds or securities are sent and when funds or securities are received in exchange.

Every position that entails credit risk is clearly assigned to one of these exposure categories. The Bank uses clearly defined methods for determining exposure levels by exposure category. Overall or specific limits are set for financial, off-balance-sheet commercial, and OTC derivatives exposures. Limits are likewise set for settlement exposures to bank counterparties. When positions are unwound through a simultaneous settlement system, such as CLS (Continuous Linked Settlement), settlement risk is not considered.

For trade-finance activities, credit risk is closely linked to country risk in emerging markets. In order to monitor this type of risk, the Bank analyzes and limits both its financial exposure (financial transfer risk) and non-financial exposure (risk that a physical transaction will not be unwound), particularly with respect to emerging markets.

7.2.2 Internal counterparty default ratings

The Bank considers a counterparty to be "in default" if one or more criteria are met (see definition of "in default" in note 7.2.5). Each counterparty is assigned a default rating based on clearly defined models. Each default rating is defined by an interval of default probabilities. Seven main ratings and 16 sub-ratings are used to classify counterparties according to their risk of default.

7.2.3 Loss given default and expected loss

Loss given default is the amount that the Bank stands to lose on a loan at the time that the counterparty defaults. Loss given default is determined for each form of credit granted by taking into account the credit limit and the coverage ratio, which is the value of the risk mitigants expressed as a percentage of the limit. For this purpose, collateral is taken at market value (see note 7.2.4).

For unimpaired loans (see note 7.2.5), the Bank estimates the amount that it expects to lose in an "average" year. This amount is called the expected loss. For credit exposures not relating to trade finance, the expected loss is determined by the probability of default (reflected in the counterparty default rating) and the loss given default. For trade-finance exposures, the expected loss is estimated for each transaction, using an approach based on Basel slotting criteria.

7.2.4 Market value of collateral

The Bank measures collateral on the basis of its market value, provided a suitable market exists. Various valuation methods are used, depending on the characteristics of the collateral and the sources of information about it. Each item of collateral is clearly assigned to a valuation method.

More specifically, the market value for a real-estate asset is the estimated price at which the asset would be likely to change hands on the measurement date, between knowledgeable, willing parties in an arm's length transaction, after an appropriate marketing process.

Provided their value is below a set amount, single-family homes, condominium apartments and income-generating real estate are valued using hedonic pricing models or capitalization pricing models in collaboration with experts. Other types of real estate and real estate with values above the set amount are valued by experts.

7.2.5 Impaired loans

A loan is impaired when the counterparty is unlikely to be able to meet its future credit obligations. The counterparty is then "in default" and all its debts to the Bank are considered "non-performing."

A counterparty is "in default" when it is more than 90 days past due on any material credit obligation to the Bank or when the Bank considers that the counterparty is unlikely to pay its credit obligations to the Bank in full.

7.2.6 Overdue-interest loans

A loan is considered to be an "overdue-interest" loan when at least one of the following three criteria is met:

- Advances and mortgage loans: interest and fees are more than 90 days past due
- Current-account credits: the agreed credit limit has been exceeded owing to insufficient payments in respect of interest and fees for more than 90 days
- The credit has been called in by the Bank.

"Overdue-interest" loans are in principle impaired.

7.2.7 Provisions for credit risk

The purpose of credit-risk provisions is to recognize, at the balance-sheet date, the expected loss on impaired loans and on unimpaired loans with latent risks.

Provisions for impaired loans are determined individually for each counterparty. The provision calculation takes into account total credit exposures to the counterparty on and off the balance sheet, the liquidation value of the collateral, market conditions, the quality of the counterparty's management, and the counterparty's ability and willingness to honor its commitments.

The liquidation value is the estimated net realizable value of the asset. It is calculated on the basis of the current market value of the asset, taking into account sell-by objectives, current market conditions, and selling costs (including any costs of holding the asset until sale and transaction-related costs).

Provisions for latent risks are recognized for counterparties representing a heightened credit risk. Heightened credit risks are identified for counterparties that are "reputed to be in financial difficulty" and for country risk.

A counterparty is classified as "reputed to be in financial difficulty" when the criteria for "in default" are not met, but when the Bank considers there to be a high risk that part of its exposure to credit risk on the counterparty will not be recovered, or when a significant breach of contract on any of the forms of credit extended to the counterparty by the Bank has occurred and has not been remedied without a temporary or permanent exemption being granted. These loans are not impaired because the Bank deems that the counterparty is still likely to be able to meet its future credit obligations.

Provisions for country risk are intended to cover potential losses from financial or non-financial exposures – relating to the unwinding of transactions – in high-risk countries.

7.2.8 Regulatory capital requirements for credit risk

BCV has been applying the Foundation Internal Ratings-Based (FIRB) approach to determine the regulatory capital requirements for a large part of its credit-risk exposure since 2009, having obtained approval from FINMA in December 2008. The scope of this approach is detailed in the Bank's Basel III Pillar 3 Report. The International Standardized Approach (SA-BIS) is used for the remaining credit-risk exposure.

7.3 Market risk on the trading book

Market risk arises from the possibility of losses on the Bank's trading book as a result of changes in market parameters, in particular the price and price volatility of the underlying security. Trading positions are positions in equities, fixed-income instruments, currencies, and precious metals. Positions in underlying instruments are classified as "simple" positions, whereas positions in futures contracts, swaps, or options are classified as "derivative" positions.

Each trading position is valued at the price quoted on a reference market or on the basis of price information calculated using a valuation model that incorporates observable market parameters.

The Bank manages its market risk on the trading book by setting limits in terms of net portfolio value, value-at-risk (VaR), stress loss, and sensitivity measures (Greeks).

VaR is a statistical measure. It is calculated with a 99% confidence interval. For a given time horizon, VaR represents the distribution of results by showing the best result among the worst 1% of possible results. It is measured at the portfolio and sub-portfolio levels. It is calculated on the basis of complete revaluations of positions by subjecting them to past changes in the various market parameters. For trading positions, the liquidation horizon is one day. For the nostro (i.e., proprietary) portfolio managed by the Asset Management Department, the liquidation horizon is six months.

Stress-loss analyses are used to measure potential losses that are not taken into account by VaR analysis. Stress scenarios seek to model the most adverse possible movements in risk factors. Scenarios are determined for all trading positions taken together as well as for the various sub-portfolios.

For all trading positions, the Bank uses static-portfolio stress scenarios to model short-term stress. Six-month scenarios are used for the nostro portfolio managed by the Asset Management Department, analyzing cumulative results over that period.

Sensitivity measures are used to monitor local exposure to risks arising from trading positions (i.e., marginal variations in risk factors). For trading book portfolios, the main sensitivity measures used are delta, gamma, vega, theta, and rho.

The Bank determines its capital requirements for market risk using the Standardized Approach (SA-BIS).

7.4 Market risk on the banking book

The Bank assesses market risk on positions in the banking book by measuring interest-rate risk and liquidity risk.

7.4.1 Interest-rate risk on the banking book

Interest-rate risk on the banking book arises from mismatches between the size and terms (dates on which interest rates are fixed) of asset and liability positions. It is attributable to movements in the yield curve and changes in customer behavior. These variations directly affect the Bank's interest income and the economic value of its share capital. For variable-rate positions (adjustable-rate mortgages, traditional savings deposits with no fixed term, and sight deposits), models are used to reproduce as faithfully as possible the pace and magnitude of changes in customer interest rates according to the market rate.

The Bank monitors two measures of loss arising from interest-rate risk on the balance sheet:

- Loss of interest margin, which is both an economic loss and an accounting loss;
- Loss of economic value of share capital, which by definition is not reflected in the accounts.

Every month, the Bank calculates various measures of interest-rate risk, which enable it to monitor the impacts on the interest margin and the economic value of share capital:

- Static indicators: to monitor the economic value of

share capital, the Bank calculates the duration of share capital and the sensitivity of share capital to an interest-rate shock. To monitor the net interest margin, the Bank calculates interest-rate gaps by residual maturity.

- Dynamic indicators: every month, the Bank prepares scenarios regarding interest rates and business volumes, combined with various hedging strategies. These dynamic simulations take into account customer behavior with respect to interest rates in order to simulate the interest margin and potential losses in circumstances that lie between a probable scenario and a stress scenario. For each scenario, indicators showing the duration and value of share capital are calculated for several future dates to measure the future exposure of share capital to interest-rate risk. These dynamic simulations are carried out for a three-year horizon.

7.4.2 Liquidity risk

Liquidity risk arises from the possibility that the Bank does not have the resources on hand to deal with the potential outflow of funds that could occur at any time in view of the liabilities that it holds and changes in its assets. This risk is determined by the pace of withdrawals, the concentration of liabilities, the Bank's ability to raise funds, and prevailing terms and conditions in the interbank and capital markets.

The Bank monitors its exposure to liquidity risk in the medium/long term, as well as in the short term, by preparing maturity schedules for on-balance-sheet exposures, by calculating balance-sheet ratios, and by modeling the future structure of its balance sheet using dynamic simulations. When conducting these simulations, the Bank also calculates regulatory ratios – i.e., the liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR) – at different time horizons. These simulations enable the Bank to determine its long-term approach to funding, particularly as regards raising funds from the Central Mortgage-Bond Institution and on the bond market, as well as the size and composition of its liquidity reserve. The Bank also stress-tests its regulatory liquidity ratios.

7.5 Operational risk

Operational risk arises from inadequacies or failures relating to processes, people, and information systems within or external to the Bank. It is a risk inherent in banking activities and results from:

- Erroneous or malicious behavior of employees, suppliers, bank counterparties, customers, or other parties external to the Bank
- Inadequate IT systems (applications, interfaces, and hardware) or communication systems (telephone, fax, etc.)
- Inadequate infrastructure
- Inadequate organization in terms of processes (methods, procedures, organizational structure, etc.) or governance (rules, policies, directives, manuals, etc.)
- External incidents.

The Bank monitors its exposure to operational-risk events using a classification with seven categories:

- Internal fraud
- External fraud
- Incidents related to human resources, including workplace safety
- Incidents linked to customer relations and commercial practices
- Losses of operating resources
- Failure of information systems
- Incidents related to transaction and process management.

An operational-risk event that has occurred is booked directly as an outright loss. Provisions are recognized for the additional costs expected but not yet incurred. The Bank determines its regulatory capital requirements for operational risk according to the Standardized Approach.

8. Use of hedge accounting

The Group uses derivatives as part of its asset- and liability-management strategy, primarily to hedge interest-rate risk. These transactions are recognized as macro and micro hedges, and net gains or losses after interest are recorded under "Interest and discount income" or "Interest expense." Changes in the fair value of hedging instruments are recognized in the offset accounts under "Other assets" or "Other liabilities."

Whenever derivatives are used for hedging purposes, records are kept of the transactions, the objectives and strategies of the Bank's unit in charge of managing market risk on the balance sheet, and the system used to monitor the effectiveness of the hedge.

The hedging instruments used are almost exclusively interest-rate swaps (IRS), in which the Bank may be either the payer or the receiver; the large majority of these IRS is denominated in Swiss francs. Micro hedges are used mainly to hedge the Bank's long-term borrowings (i.e., its own bond issues or issues made through the Central Mortgage-Bond Bank) and financial investments. Macro hedges are used mainly to hedge fixed-term mortgages.

Micro hedges are used to reduce the risk on a clearly defined underlying position. The hedges have the same nominal value and the same maturity as the hedged position, although a large underlying position may require several hedges.

Most macro hedges are used to hedge mortgage loans. The hedging instruments mature during the same month that the terms of the underlying mortgage loans end.

In order to prevent any over-hedged positions, the nominal value of the underlying positions must be 10% higher than that of the hedging instrument in order to take account of any depreciation, impairment, early redemption, or repayment. When entering into a hedging relationship, the Bank draws up documents stipulating the designation of the hedging instrument and the underlying transaction or group of transactions, together with their main features. The type of risk hedged and the system for assessing the effectiveness of the hedge are also provided.

As the Bank uses linear hedging, there is a very close economic relationship between the underlying positions and the hedging instruments. For mortgage loans, the main difference between the hedging instrument and the underlying position is the interest rate, as the rate on the mortgage loans includes the Bank's margin.

Hedges are tested for their effectiveness every quarter. The main aim of the test is to ensure that the nominal value of the underlying positions is still at or above the nominal value of the hedging instrument. A forward-looking assessment of the hedging relationship is also conducted by measuring how the economic value of the hedging instrument and the hedged positions would be affected by a 100bp rise or fall in interest rates. To qualify as a hedge, the change in the value of the hedging instrument must offset the change in value of the underlying positions by between 80% and 125%.

Given that linear hedging is used, the hedges are unlikely to be ineffective. In the event of an over-hedged position, the excess portion of the derivative financial instrument is treated as a trading portfolio asset and recorded under "Net trading income and fair-value adjustments."

9. Significant events and events taking place after the closing date

9.1 Significant events

As well as legal proceedings brought by the trustee of the Fairfield Sentry feeder fund against Banque Piguet & Cie SA (now Piguet Galland & Cie SA) and BCV in the USA in August 2010, the trustee for Bernard L. Madoff Investment Securities LLC (BLMIS) filed another claim in the USA on 6 June 2012 against BCV and other financial institutions in Switzerland and abroad for USD 9.7m with regard to investors that redeemed their shares in Madoff funds via BCV. The Madoff trustee is seeking to recover funds transferred by BLMIS to the Fairfield Sentry feeder fund from investors who had received refunds in the two years prior to BLMIS' bankruptcy. As both these legal actions overlap, there is no additional financial or legal risk. Consequently, and as stated in previous annual reports, no provision has been set aside except to cover BCV's defense costs.

9.2 Events taking place after the closing date

To the Group's knowledge, there was no event liable to have a material influence on the Group's financial statements as at 5 March 2020, when the writing of this annual report was completed.

10. Notes to the consolidated balance sheet

10.1 Repurchase and reverse repurchase agreements (in CHF millions)

	31 / 12 / 19	31 / 12 / 18
Book value of claims arising from cash collateral pledged in connection with securities borrowing or reverse repurchase agreements[1]	239	314
Book value of liabilities arising from cash collateral received in connection with securities lending or repurchase agreements[1]	1 502	1 809
Book value of securities held for own account, lent or transferred as collateral in connection with securities borrowing or repurchase agreements	1 644	1 792
of which those that can be sold or repledged without restriction	*1 644*	*1 792*
Fair value of securities received as collateral in connection with securities lending and those received in connection with securities borrowing and under reverse repurchase agreements, which can be sold or repledged without restriction	264	346
of which securities repledged as collateral	*0*	*0*
of which sold securities	*0*	*0*

1) Before netting agreements

10.2 Risk mitigants for loans and off-balance-sheet transactions
Impaired loans (in CHF millions)

		Type of risk mitigant			
		Mortgage	Other	Unsecured	Total
Loans and advances to customers		570	1 925	3 337	5 832
Mortgages		27 024			27 024
Residential real estate		*21 812*			*21 812*
Office and business premises		*1 420*			*1 420*
Commercial and industrial property		*831*			*831*
Other		*2 961*			*2 961*
Loans (before impairment charges/reversals)	31 / 12 / 19	27 594	1 925	3 337	32 856
	31 / 12 / 18	26 646	1 856	3 347	31 850
Loans (after impairment charges/reversals)	31 / 12 / 19	27 586	1 925	3 258	32 768
	31 / 12 / 18	26 639	1 856	3 261	31 756
Contingent liabilities		5	375	1 409	1 789
Irrevocable commitments		376	0	925	1 301
Commitments relating to calls on shares and other equity securities				177	177
Confirmed credits				46	46
Off-balance-sheet transactions	31 / 12 / 19	380	376	2 558	3 313
	31 / 12 / 18	476	329	2 906	3 712

		Gross receivables	Realization value of risk mitigants	Net receivables	Individual impairment charge/reversal
Impaired loans and off-balance-sheet commitments	31 / 12 / 19	193	– 97	96	88
	31 / 12 / 18	236	– 138	99	91
Change (absolute)		– 44	– 41	– 3	– 3
Change (as %)		– 18	– 30	– 3	– 3

10.3 Trading portfolio assets and liabilities
Other financial assets and liabilities at fair value (in CHF millions)

Assets	31 / 12 / 19	31 / 12 / 18
Debt securities	164	144
of which listed	*164*	*144*
Equity securities	2	1
Commodities and precious metals	111	189
Trading portfolio assets	**277**	**334**
Debt securities	58	11
Structured products	1	0
Other	725	610
Other financial assets at fair value	**784**	**621**
Total	**1 061**	**955**
of which determined using a valuation model	*0*	*0*
of which securities eligible for repurchase agreements in accordance with liquidity regulations	*70*	*85*

Liabilities	31 / 12 / 19	31 / 12 / 18
Debt securities	1	0
of which listed	*1*	*0*
Equity securities	1	0
Other trading portfolio liabilities	0	0
Trading portfolio liabilities	**2**	**0**
Debt securities	0	0
Structured products	918	766
Other financial liabilities at fair value	**918**	**766**
Total	**919**	**766**
of which determined using a valuation model	*83*	*62*

10.4 Derivative financial instruments (in CHF millions)

		Trading instruments			Hedging instruments		
		Positive mark-to-market value	Negative mark-to-market value	Value of underlying asset	Positive mark-to-market value	Negative mark-to-market value	Value of underlying asset
Swaps		15	26	910	183	124	6 349
Futures				145			
Options (OTC)		1	0	82			
Interest-rate instruments		**15**	**26**	**1 137**	**183**	**124**	**6 349**
Forward contracts and swaps		233	230	31 045			
Options (OTC)		29	23	3 613			
Foreign currencies and precious metals		**261**	**253**	**34 659**	**0**	**0**	**0**
Futures				16			
Options (OTC)		28	26	210			
Options (exchange traded)		1		9			
Equity securities and indices		**29**	**26**	**236**	**0**	**0**	**0**
Futures				0			
Other		**0**	**0**	**0**	**0**	**0**	**0**
Total	31 / 12 / 19	306	305	36 031	183	124	6 349
of which determined using a valuation model		*57*	*49*	–	–	–	–
	31 / 12 / 18	**321**	**336**	**34 946**	**165**	**119**	**6 012**
of which determined using a valuation model		*114*	*102*	–	–	–	–

		Positive mark-to-market value	Negative mark-to-market value	Value of underlying asset
Breakdown				
Trading instruments		306	305	36 031
Hedging instruments		183	124	6 349
Total before netting agreements	31 / 12 / 19	489	429	42 380
	31 / 12 / 18	**486**	**454**	**40 958**
Total after netting agreements	31 / 12 / 19	273	213	42 380
	31 / 12 / 18	**268**	**236**	**40 958**
Change	absolute	5	– 23	1 422
	as %	2	– 10	3

Breakdown by counterparty

	Central clearing houses	Banks and securities dealers	Other clients
Positive mark-to-market value (after netting agreements)	89	134	50

10.5 Financial investments (in CHF millions)

	31 / 12 / 19		31 / 12 / 18	
	Book value	Fair value	Book value	Fair value
Debt securities	3 728	3 841	3 681	3 784
of which securities intended to be held until maturity	*3 721*	*3 833*	*3 673*	*3 776*
of which securities available for sale	*8*	*8*	*8*	*8*
Equity securities	28	79	30	78
of which significant holdings (minimum of 10% of capital or voting rights)	*4*	*4*	*6*	*6*
Available-for-sale real estate	55	60	56	60
Financial investments	**3 811**	**3 980**	**3 767**	**3 922**
of which securities eligible for repurchase agreements in accordance with liquidity regulations	*3 710*	–	*3 663*	–

Counterparty breakdown by rating

	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Below B-	Not rated	Total
Book value of debt securities	3 510	6	8	1		203	3 728

The rating categories are based on Standard & Poor's ratings; they are used for the specific instruments to which the Bank has subscribed. If an instrument is not rated by Standard & Poor's, then a rating from another agency is used. Where there is no specific rating for a given instrument, the issuer's long-term rating is used, with the same order of rating agencies.

The Bank's unrated positions (that is, where neither the instrument nor the issuer has a rating) are in investment-grade debt securities issued by Swiss public-sector entities or by Switzerland's housing-construction bond issuer (EGW/CCL).

10.6 Non-consolidated holdings (in CHF millions)

	Cost	Accumulated impairment charges/ reversals	Book value at year-end 2018	Changes in allocation or scope	Additions	Disposals	Impairment charges/ reversals	Book value at year-end 2019	Market value 2019
Holdings accounted for using the equity method	–		–					–	–
Other equity holdings, unlisted	76	– 5	70			– 1		69	–
Non-consolidated holdings	**76**	**– 5**	**70**	**0**	**0**	**– 1**	**0**	**69**	**–**

10.7 Companies in which the Group has a significant long-term direct or indirect holding

With the exception of the parent company, none of the Group companies is listed on a stock exchange.

Fully consolidated Group companies

Company name and headquarters	Main business		Capital	31 / 12 / 19 % of share capital held	% of voting rights held	% of stake held directly /indirectly
			in millions	as %	as %	as %
Piguet Galland & Cie SA, Yverdon-les-Bains (Switzerland)	Private bank	CHF	24.4	99.7	99.7	99.7 / 0
Gérifonds SA, Lausanne	Fund management	CHF	2.9	100	100	100 / 0
Gérifonds (Luxembourg) SA, Luxembourg	Fund management	EUR	0.1	100	100	0 / 100
Société pour la gestion de placements collectifs GEP SA, Lausanne	Fund management	CHF	1.5	100	100	100 / 0

The scope of consolidation did not change relative to end-2018.

No companies are accounted for using the equity method.

Main non-consolidated holdings

Company name and headquarters	Main business		Capital	31 / 12 / 19 % of share capital held	% of voting rights held	% of stake held directly /indirectly
			in millions	as %	as %	as %
Aduno Holding Ltd, Zurich	Purchase, sale, and management of equity holdings	CHF	25.0	4.8	4.8	4.8 / 0
Central mortgage-bond Institution of Swiss Cantonal Banks Ltd, Zurich *of which CHF 1.3 billion unpaid*	Central mortgage-bond institution	CHF	1 625.0	13.6	13.6	13.6 / 0
NNH Holding AG, Zurich anc. newhome.ch AG, Zurich	Property listing website	CHF	0.1	8.6	8.6	8.6 / 0
SIX Group Ltd, Zurich	Swiss stock exchange operator and provider of payment and other services	CHF	19.5	2.5	2.5	2.4 / 0.1
Société vaudoise pour le logement (SVL) SA, Crissier (Switzerland)	Property developer for low-income housing	CHF	2.0	45.0	45.0	45 / 0
Swiss Bankers Prepaid Services Ltd, Grosshöchstetten (Switzerland)	Development and sale of prepaid cards	CHF	10.0	3.2	3.2	3.2 / 0
TWINT Ltd, Zurich	Swiss mobile payment system	CHF	12.8	3.2	3.2	3.2 / 0

No changes were made to the main non-consolidated holdings in 2019.

As the Bank's holding in SVL is not material in terms of the consolidated financial statements, it is not included in the scope of consolidation. At end-2018, SVL had total assets of CHF 15m and equity of CHF 5m.

Main equity security positions held under "Financial investments"

Company name and headquarters	Main business		Capital	% of share capital held	% of voting rights held	% of stake held directly /indirectly
				31 / 12 / 19		
			in millions	as %	as %	as %
Banque Cantonale du Jura SA, Porrentruy (Switzerland)	Bank	CHF	42.0	4.8	4.8	4.8 / 0
Romande Energie Holding SA, Morges (Switzerland)	Purchase, sale, and management of equity holdings in the energy sector	CHF	28.5	3.0	3.0	3.0 / 0

10.8 Tangible fixed assets (in CHF millions)

	Cost	Accumulated depreciation and write-offs	Book value at year-end	Changes in allocation or scope	Additions	Disposals	Depreciation and write-offs	Book value at year-end
			2018					2019
Group premises	402	– 171	230	7	2		– 10	230
Other real estate	183	– 81	102	– 7	0		– 4	90
Furniture and fixtures	38	– 21	18	– 0	5		– 5	18
Computer programs	137	– 52	85	0	47		– 45	86
Other tangible fixed assets	197	– 187	10	0	2		– 4	8
Tangible fixed assets	**957**	**– 512**	**445**	**0**	**56**	**0**	**– 68**	**433**

10.9 Intangible assets (in CHF millions)

	Cost	Accumulated amortization and impairment	Book value at year-end	Changes in allocation or scope	Additions	Disposals	Amortization and impairment	Book value at year-end
			2018					2019
Goodwill	**47**	**– 38**	**9**				**– 3**	**5**

10.10 Other assets and liabilities (in CHF millions)

	31 / 12 / 19		31 / 12 / 18	
	Other assets	Other liabilities	Other assets	Other liabilities
Offset accounts	0	54	0	39
Indirect taxes	19	9	23	10
Coupons/coupons and securities due	0	1	3	1
Settlement accounts	4	41	6	11
Miscellaneous assets and liabilities	12	9	10	16
Other assets and liabilities	**36**	**114**	**42**	**77**

10.11 Assets pledged or assigned as collateral for own liabilities, and assets with reservation of title (in CHF millions)

	31 / 12 / 19		31 / 12 / 18	
	Amount or book value of pledge	Real liability	Amount or book value of pledge	Real liability
Assets pledged or assigned to the Swiss National Bank	188		189	
Mortgages pledged or assigned to Central Mortgage-Bond Institution of Swiss Cantonal Banks	8 148	5 335	7 498	5 509
Other	289	281	287	278
Total assets pledged or assigned	**8 625**	**5 616**	**7 974**	**5 787**
Assets with reservation of title	**0**	**0**	**0**	**0**

10.12 Commitments relating to own occupational pension funds
BCV shares held by own occupational pension funds (in CHF millions)

	31 / 12 / 19	31 / 12 / 18
Customer deposits	217	187
Other liabilities	0	0
Total	**217**	**187**

BCV's own occupational pension funds held no BCV shares at 31 December 2019.

10.13 Economic situation of own occupational pension funds (in CHF millions)

There were no employer contribution reserves at end-2019 or end-2018.

Economic benefit/liability and pension expenses	Surplus / deficit	Economic benefit/liability			Contributions adjusted for the period	Pension expenses included in "Personnel costs"	
	31 / 12 / 19	31 / 12 / 19	31 / 12 / 18	Change	2019	2019	2018
Employer-financed pension funds: "Fonds de prévoyance en faveur du personnel de la BCV"[1]	51.5	0	0	0	0.0	0.0	0.0
Pension funds with no surplus or deficit: "Caisse de pensions de la BCV"		0	0	0	36.1	36.1	35.5
Pension funds with surpluses: "Fondation de prévoyance complémentaire en faveur de l'encadrement supérieur de la BCV"	0.8	0	0	0	1.5	1.5	1.4
Total	**52.4**	**0**	**0**	**0**	**37.7**	**37.7**	**37.0**

1) Since the intention is not to apply the surpluses to reduce or refund the employer's contributions, or for the employer to use them for any economic purpose other than regulatory benefits, there is no identifiable economic benefit to be recognized on the balance sheet

The surplus or deficit of a pension fund is based on its unaudited interim accounts at 30 September 2019.

Pension funds

BCV Group employees are members of the "Caisse de pensions de la Banque Cantonale Vaudoise (CP BCV)." Its purpose is to insure its members against the economic consequences of retirement, disability, and death by guaranteeing benefits in accordance with the terms of the pension-fund regulations. It is a provider of the compulsory insurance introduced under the Federal Act on Occupational Retirement, Survivors' and Disability Pension Plans (LPP), and provides coverage in excess of the minimum LPP requirements.

Senior executives insured with the CP BCV are also members of the "Fondation de prévoyance complémentaire de la Banque Cantonale Vaudoise," the purpose of which is to insure its members against the economic consequences of retirement, disability, and death by guaranteeing benefits in accordance with the terms of the pension-fund regulations.

The "Fonds de prévoyance en faveur du personnel de la BCV" is an employer-operated fund that assists BCV employees in dealing with the economic consequences of old age, disability, illness, and early retirement.

10.14 Issued structured products (in CHF millions)

Underlying risk of embedded derivative		Carrying value				Total
		Single treatment		Separate treatment		
		Recognized in trading portfolio liabilities	Recognized in other financial liabilities at fair value	Value of the host instrument	Value of the derivative	
Interest-rate instruments		–	0	6	– 0	6
Equity securities		–	842	740	– 12	1 570
Foreign currencies		–	67	4	0	71
Commodities and precious metals		–	9	0	0	9
Total	31 / 12 / 19	–	918	750	– 12	1 656
	31 / 12 / 18	–	766	753	– 89	1 430

All structured products issued by the Bank have a debenture component.

Single accounting treatment

Structured products without an interest-rate component, i.e., participation structured products (representing a fraction of an equity basket) and yield-enhancement structured products, issued by the Bank are each treated as a single position. They are recognized under "Other financial liabilities at fair value," and their fair value is based on a quoted market price or a valuation model. Subsequent revaluations are recognized under "Net trading income and fair-value adjustments."

Separate accounting treatment

Yield-enhancement, participation, and capital-protection structured products issued by the Bank and containing an interest-rate component are each treated as two separate positions.

For these structured products, the host instrument and the embedded derivative(s) are treated separately. The host instrument is recorded under "Bonds" at nominal value as a debt issued by the Bank. Embedded derivatives are carried as either positive or negative mark-to-market values. Subsequent variations are recognized under "Net trading income and fair-value adjustments."

Interest accrued in the interest-rate component is recorded under "Interest expense" using the accrual method.

10.15 Bonds and mortgage-backed bonds (in CHF millions)

Rate	Year of issue	Nominal value	Maturity	Group-held	31 / 12 / 19 Amount outstanding	31 / 12 / 18
2.500%	2010	200	25.03.2020	15	185	
1.625%	2011	125	30.11.2026	32	93	
1.500%	2014	135	28.03.2024	3	132	
0.500%	2016	150	13.12.2028	0	150	
0.400%	2016	150	07.04.2031	0	150	
0.500%	2017	150	12.07.2029	0	150	
0.250%	2017	150	28.11.2025	0	150	
Bond issues by BCV Lausanne[1]		**1 060**		**51**	**1 009**	**982**
of which subordinated bonds		*0*		*0*	*0*	*0*
Structured products issued by BCV Lausanne or the Guernesey branch (value of the host instrument)					750	753
Central Mortgage-Bond Institution of Swiss Cantonal Banks					5 335	5 509
Bonds and mortgage-backed bonds					**7 094**	**7 244**

[1] None of these issues can be called in for redemption before the maturity date

Long-term borrowings by maturity 31 / 12 / 19

	2020	2021	2022	2023	2024	2025-2031	Total	Average rate
Bond issues	185				132	693	1 009	1.1%
Structured products	280	359	71	19	19	3	750	– 0.3%
Central mortgage-bond Institution of Swiss Cantonal Banks	184	474	189	425	434	3 629	5 335	1.2%
Total	**648**	**833**	**260**	**444**	**585**	**4 324**	**7 094**	

	Status at year-end 2018	New issues	Redemptions	Net change in own securities	Status at year-end 2019
Bond issues	982			27	1 009
Structured products	753	784	– 786	– 1	750
Central mortgage-bond Institution of Swiss Cantonal Banks	5 509	365	– 539		5 335
Total	**7 244**	**1 149**	**– 1 325**	**26**	**7 094**

10.16 Provisions

Reserves for general banking risks (in CHF millions)

	Status at year-end	Used as allocated	Changes in scope of consolidation	Currency translation differences	Recoveries, overdue interest	New provisions charged to income statement	Releases credited to income statement	Status at year-end
	2018							2019
Provisions for deferred taxes	1						– 0	1
Provisions for credit risk	1					4		6
Other provisions	13	– 5		– 0	0	2	– 0	9
Total provisions	**15**	**– 5**	**0**	**– 0**	**0**	**6**	**– 0**	**16**
Reserves for general banking risks[1]	**701**							**701**
Provisions for credit risk and country risk	**94**	**– 7**	**0**	**0**	**11**	**12**	**– 22**	**88**
of which provisions for impaired loans	*91*	*– 7*			*11*	*10*	*– 22*	*83*
of which provisions for latent risks	*3*					*2*		*5*

[1] Reserves for general banking risks are taxable

10.17 Stock options and shares granted to members of the Board of Directors, Executive Board members and other employees
Employee share-ownership plans

	2019		2018	
	Shares (in units)	Value (in CHF)	Shares (in units)	Value (in CHF)
Members of the Board of Directors	0	0	0	0
Executive Board members	3 531	2 362 572	3 476	2 232 436
Other employees	26 024	10 644 799	25 795	10 455 899
Total	**29 555**	**13 007 371**	**29 271**	**12 688 335**

No stock options have been granted to members of the Board of Directors, Executive Board members, or other employees.

Employee share ownership
Annual performance-based compensation
For Executive Board members and department heads, 30% of their annual performance-based compensation must be taken in BCV shares with a lock-up period of five to ten years.

Other employees receiving annual performance-based compensation of CHF 21,000 or more may opt for full payment in cash, or 70% in cash and 30% in BCV shares with a lock-up period of three years. In the latter case, BCV increases the portion of shares by 30%.

Executive Board members are allocated their shares subject to approval at the Shareholders' Meeting. The number of shares allocated will be calculated based on the closing market price on 11 May 2020, rounded up to the nearest whole number.

Other employees will receive their shares at the end of April 2020. The number of shares allocated will be calculated based on the closing market price on 19 March 2020, rounded up to the nearest whole number. These employees have until 1 April 2020 to make their decision. As their decision was not known at the time this report was published, the amount shown in the above table corresponds to the maximum amount payable in the form of shares.

The market prices used to calculate the number of shares will be those on 19 March 2020 and 11 May 2020 (see above), so they were not known at the time this report was published. As a result, the number of shares was calculated based on the closing market price on 5 March 2020, the date of the Board of Directors' final decision on this compensation.

Share-ownership plan
The Executive Board and other Group employees, with the exception of employees of Piguet Galland & Cie SA, were given the opportunity to subscribe to the share-ownership plan in April 2019 on the following terms:

- The number of shares that may be purchased is determined by the level of responsibility inherent in the employee's position.
- The subscription period ran from 14–26 March 2019.
- The subscription price was set at CHF 650 per share, and the market price used was CHF 806 (closing price on 14 March, the first day of the subscription period).

The amount shown in the above table corresponds to the number of shares subscribed multiplied by CHF 156, which is the difference between the market price of CHF 806 and the subscription price of CHF 650.

Long-term performance-based compensation

At the beginning of each three-year share-ownership plan, participants are informed of the number of shares that will be allocated if all objectives are met in full. At the end of each plan, the Bank informs participants of the extent to which objectives have been met based on the Bank's financial results and strategic and qualitative performance. The number of shares initially allocated is multiplied by the level of attainment of the objectives in order to determine the number of shares allocated to each participant.

The amounts shown in the table on the previous page correspond to the expense recorded in 2019 for the various plans in progress.

Free shares

The Bank awards two BCV shares to trainees and university interns who successfully complete their training and are then hired by BCV.

The number allocated and their value, based on the market price on the last business day of the month before the shares are awarded, are also shown in the table.

10.18 Receivables and commitments with respect to related parties (in CHF millions)

	31 / 12 / 19		31 / 12 / 18	
	Receivable	Commitment	Receivable	Commitment
Significant shareholder	8	3 705	7	2 984
Affiliated companies	172	391	132	350
Governing bodies	33	11	19	10

Corporations organized under public law in Vaud Canton and public-private entities in which Vaud Canton has a qualified holding are considered affiliated companies. Transactions with members of the Board of Directors were conducted on market terms. Receivables and commitments with respect to Executive Board members were granted on the standard terms for BCV employees. Transactions with related parties were conducted on market terms.

10.19 Own shares

Number of shares (in units)	Average transaction price	Total	Own shares
Status at 1 January 2019		**8 606 190**	**28 774**
of which shares reserved for long-term performance-based compensation			*13 200*
Purchases	786		28 546
Sales	743		– 32 648
Status at 31 December 2019		8 606 190	24 672
of which shares reserved for long-term performance-based compensation			*12 800*

Own shares were traded at market prices. The proceeds of the sale of own shares were recognized under "Capital reserve."

10.20 Maturity structure of financial instruments (in CHF millions)

				Maturity					
		Sight	Callable	up to 3 months	3 to 12 months	12 months to 5 years	over 5 years	Fixed assets	**Total**
Cash and cash equivalents		8 384							8 384
Due from banks		717		402	67				1 186
Reverse repurchase agreements			239	.					239
Loans and advances to customers		73	1 672	1 737	385	934	952		5 752
Mortgage loans		726	323	2 866	2 354	12 736	8 010		27 016
Trading portfolio assets		277							277
Positive mark-to-market values of derivative financial instruments		273							273
Other financial assets at fair value		784							784
Financial investments		497		37	199	2 055	968	55	3 811
Current assets	31 / 12 / 19	11 732	2 234	5 042	3 005	15 725	9 930	55	47 723
	31 / 12 / 18	**11 601**	**2 501**	**4 691**	**2 915**	**15 522**	**9 932**	**56**	**47 216**
Due to banks		868	79	757					1 703
Repurchase agreements				1 229	273				1 502
Customer deposits		11 951	20 098	659	275	45	20		33 048
Trading portfolio liabilities		2							2
Negative mark-to-market values of derivative financial instruments		213							213
Other financial liabilities at fair value		918							918
Medium-term notes				1	1	2			3
Bonds and mortgage-backed bonds				286	362	2 122	4 324		7 094
Borrowed funds	31 / 12 / 19	13 951	20 176	2 932	910	2 169	4 344		44 483
	31 / 12 / 18	**14 839**	**18 335**	**3 804**	**723**	**1 827**	**4 565**		**44 092**

10.21 Breakdown of assets and liabilities by Swiss and foreign domicile (in CHF millions)

	31 / 12 / 19		31 / 12 / 18	
	Swiss	Foreign	Swiss	Foreign
Cash and cash equivalents	8 383	2	8 231	4
Due from banks	674	512	1 254	668
Reverse repurchase agreements		239		314
Loans and advances to customers	5 050	703	4 936	742
Mortgage loans	27 015	0	26 078	1
Trading portfolio assets	254	23	313	21
Positive mark-to-market values of derivative financial instruments	129	144	154	114
Other financial assets at fair value	286	498	253	369
Financial investments	2 599	1 212	2 643	1 124
Accrued income and prepaid expenses	83	2	78	2
Non-consolidated holdings	69	1	70	1
Tangible fixed assets	433	0	445	0
Intangible assets	5		9	
Other assets	35	0	42	0
Assets	**45 015**	**3 336**	**44 505**	**3 357**
Total as %	**93**	**7**	**93**	**7**
Due to banks	821	882	1 473	1 183
Repurchase agreements	1 229	273	1 659	150
Customer deposits	31 092	1 955	29 238	2 137
Trading portfolio liabilities	2	0	0	
Negative mark-to-market values of derivative financial instruments	112	101	79	157
Other financial liabilities at fair value	795	123	633	133
Medium-term notes	3		7	
Bonds and mortgage-backed bonds	6 948	146	7 101	143
Accrued expenses and deferred income	152	2	155	1
Other liabilities	114		74	3
Provisions	16		15	
Reserves for general banking risks	701		701	
Share capital	86		86	
Capital reserve	35		35	
Retained earnings	2 419		2 371	
Currency translation reserve	– 2		– 1	
Own shares	– 18		– 20	
Minority interests in equity	0		0	
Net profit	363		350	
Total liabilities and shareholders' equity	**44 869**	**3 483**	**43 955**	**3 908**
Total as %	**93**	**7**	**92**	**8**

10.22 Breakdown of assets by country/country group based on domicile (in CHF millions)

	31 / 12 / 19		31 / 12 / 18	
	Absolute value	as % of total	Absolute value	as % of total
Europe	2 528	5	2 541	5
France	*650*	*1*	*614*	*1*
United Kingdom	*461*	*1*	*491*	*1*
Germany	*376*	*1*	*346*	*1*
Luxembourg	*341*	*1*	*333*	*1*
Netherlands	*171*	*0*	*166*	*0*
Austria	*130*	*0*	*174*	*0*
Other	*399*	*1*	*416*	*1*
Asia	410	1	451	1
Latin America, the Caribbean	74	0	106	0
United States, Canada	134	0	97	0
Other	190	0	162	0
Foreign assets	**3 336**	**7**	**3 357**	**7**
Switzerland	45 015	93	44 505	93
Assets	**48 352**	**100**	**47 863**	**100**

10.23 Breakdown of assets by solvency of the country group in which the risk is domiciled (in CHF millions)

		31 / 12 / 19		31 / 12 / 18	
Internal country rating	Standard & Poor's rating	Absolute value	as % of total	Absolute value	as % of total
1&2	AAA to AA-	2 919	83	2 945	83
3	A+ to A-	214	6	224	6
4	BBB+ to BBB-	57	2	116	3
5	BB+ to BB-	12	0	57	2
6	B+ to B-	281	8	155	4
7	CCC+ to C	23	1	32	1
Not rated	Not rated	27	1	12	0
Net foreign exposure		**3 533**	**100**	**3 541**	**100**

10.24 Breakdown of assets and liabilities by currency (in CHF millions)

		CHF	EUR	USD	Other	Total
Cash and cash equivalents		8 346	35	2	1	8 384
Due from banks		216	302	400	268	1 186
Reverse repurchase agreements			152	87		239
Loans and advances to customers		3 819	788	1 108	38	5 752
Mortgage loans		27 012	3			27 016
Trading portfolio assets		166			111	277
Positive mark-to-market values of derivative financial instruments		270	– 8	11	0	273
Other financial assets at fair value		289	165	221	109	784
Financial investments		3 056	754	0	0	3 811
Accrued income and prepaid expenses		75	8	2	0	85
Non-consolidated holdings		69		1		69
Tangible fixed assets		433	0			433
Intangible assets		5				5
Other assets		33	1	1	1	36
Positions carried as assets		**43 789**	**2 201**	**1 833**	**528**	**48 352**
Delivery claims arising from spot and forward transactions and options		10 031	6 703	13 168	3 450	33 352
Assets	31 / 12 / 19	53 821	8 904	15 001	3 978	81 704
	31 / 12 / 18	**55 031**	**8 644**	**13 926**	**3 075**	**80 676**
Due to banks		740	126	623	214	1 703
Repurchase agreements		400	592	358	151	1 502
Customer deposits		29 190	1 656	1 760	441	33 048
Trading portfolio liabilities		2				2
Negative mark-to-market values of derivative financial instruments		177	28	7	1	213
Other financial liabilities at fair value		451	190	265	12	918
Medium-term notes		3				3
Bonds and mortgage-backed bonds		6 959	71	63	1	7 094
Accrued expenses and deferred income		146	3	4	0	154
Other liabilities		65	14	32	3	114
Provisions		8	3	5		16
Reserves for general banking risks		701				701
Share capital		86				86
Capital reserve		35				35
Retained earnings		2 419				2 419
Currency translation reserve		– 2				– 2
Own shares		– 18				– 18
Minority interests in equity		0				0
Net profit		363				363
Positions carried as liabilities		**41 727**	**2 684**	**3 117**	**823**	**48 352**
Delivery commitments arising from spot and forward transactions and options		12 011	6 290	11 994	3 043	33 337
Total liabilities and shareholders' equity	31 / 12 / 19	53 737	8 974	15 111	3 867	81 689
	31 / 12 / 18	**54 978**	**8 707**	**13 979**	**3 024**	**80 688**
Net position by currency	31 / 12 / 19	83	– 70	– 110	112	15
	31 / 12 / 18	**53**	**– 63**	**– 53**	**51**	**– 13**

11. Notes to off-balance-sheet transactions

11.1 Contingent liabilities
Contingent receivables (in CHF millions)

	31 / 12 / 19	31 / 12 / 18	Change absolute	Change as %
Irrevocable and similar guarantees	1 133	1 176	– 43	– 4
Other guarantees	656	688	– 32	– 5
Contingent liabilities	**1 789**	**1 863**	**– 74**	**– 4**
Contingent receivables	**0**	**0**	**0**	**0**

11.2 Confirmed credits (in CHF millions)

	31 / 12 / 19	31 / 12 / 18	Change absolute	Change as %
Commitments arising from deferred payments	**46**	**49**	**– 2**	**– 5**

11.3 Fiduciary transactions (in CHF millions)

	31 / 12 / 19	31 / 12 / 18	Change absolute	Change as %
Fiduciary investments with third parties	540	300	240	80
Fiduciary loans	1	1	– 0	– 0
Fiduciary transactions	**541**	**301**	**240**	**80**

11.4 Assets under management (in CHF millions)

Breakdown	31 / 12 / 19	31 / 12 / 18	Change absolute	Change as %
Assets held by collective investment vehicles under own management	26 022	22 532	3 491	15
Assets under discretionary management agreements	17 305	14 883	2 421	16
Other assets under management	54 513	50 205	4 308	9
Total assets under management (incl. double-counted)	**97 840**	**87 620**	**10 220**	**12**
of which double-counted[1]	*10 047*	*8 275*	*1 772*	*21*

Change	31 / 12 / 19	31 / 12 / 18	Change absolute	Change as %
Initial total assets under management (incl. double-counted)	**87 620**	**86 490**	**1 130**	**1**
Net fund inflows/outflows	3 833	4 001	– 168	– 4
Changes in prices, interest, dividends and exchange rates	6 388	– 2 871	9 259	– 322
Final total assets under management (incl. double-counted)	**97 840**	**87 620**	**10 220**	**12**

1) The 2018 figure for double-counted assets has been adjusted to include investment fund assets that are under management but not held at BCV

Assets under management

All customer assets held or managed for investment purposes are included under "Assets under management." As defined in the new Swiss accounting rules for banks, assets under management mainly comprise customer deposits in the form of savings and investments and term accounts, together with fiduciary investments and all duly valued assets in custody accounts. Assets held for investment purposes by institutional investors, companies, and individual customers, along with investment fund assets, are included unless they are custody-only assets for which the Group provides only safekeeping and corporate-action services. Deposits for which additional services are provided (such as investment management, advice and fund administration) also come under "Assets under management."

Net new money

Net new money, which is determined in accordance with the same scope as assets under management, is the sum of inflows from new customers, outflows from departing customers, and movements in the assets of existing customers during the financial year. Changes in assets under management resulting from price fluctuations, exchange-rate movements, interest and dividend payments, and commissions and fees are not part of the net new money calculation. Nor does it include changes in assets under management resulting from the acquisition, disposal, or closure of companies or complete business lines.

12. Notes to the consolidated income statement

12.1 Net interest income before loan impairment charges/reversals (in CHF millions)

	2019	2018	Change absolute	Change as %
Banks and reverse repurchase agreements	0.4	– 1.8	2.2	119
Customers	558.4	565.4	– 7.0	– 1
Interest and dividends on financial investments	27.9	31.0	– 3.1	– 10
Other interest income	11.5	9.5	2.1	22
Total interest income	**598.2**	**604.1**	**– 5.9**	**– 1**
Banks and repurchase agreements	20.4	16.8	3.6	21
Customers	– 5.6	– 1.5	– 4.1	– 279
Medium-term notes and bonds	73.3	80.3	– 7.0	– 9
Other interest expense	13.3	12.4	0.9	7
Total interest expense	**101.4**	**108.0**	**– 6.7**	**– 6**
Net interest income before loan impairment charges/reversals	**496.9**	**496.1**	**0.8**	**0**

Negative interest paid by the Bank on its assets is deducted from interest and discount income. This negative interest totaled CHF 5.1m in 2019, against CHF 7.0m in 2018, and relates mainly to deposits held with the Swiss National Bank, interbank positions, and to a lesser extent funding transactions for trading positions.

Negative interest received by the Bank on its liabilities is deducted from interest expense. This negative interest totaled CHF 42.6m in 2019, against CHF 38.3m in 2018, and was earned on interbank positions, customer deposits, and transactions related to structured product issuance.

12.2 Fees and commissions on securities and investment transactions (in CHF millions)

	2019	2018	Change absolute	Change as %
Securities administration	42.5	41.0	1.5	4
Brokerage	33.4	32.7	0.7	2
Income from new issues	10.2	10.9	– 0.7	– 6
Management fees	56.3	51.5	4.8	9
Investment-fund operations	113.7	111.7	2.1	2
Other	3.2	2.4	0.8	36
Total	**259.4**	**250.2**	**9.2**	**4**

12.3 Fees and commissions on other services (in CHF millions)

	2019	2018	Change absolute	Change as %
Payment cards, ATMs, transfers and checks	22.6	21.8	0.8	4
Administrative services for institutional clients, and statements	18.3	17.6	0.7	4
Account management fees	20.8	19.9	0.9	4
Document collection fees and bancassurance	7.0	8.2	– 1.2	– 15
Safe rentals, numbered accounts and mail holding services	4.9	5.1	– 0.2	– 3
Total	**73.6**	**72.6**	**1.0**	**1**

12.4 Net trading income and fair-value adjustments (in CHF millions)

Breakdown by business sector	2019	2018	Change absolute	Change as %
Retail Banking	17.1	17.3	– 0.2	– 1
Corporate Banking	9.8	9.7	0.1	1
Wealth Management	20.7	20.8	– 0.1	– 0
Trading	46.0	41.5	4.5	11
Corporate Center	34.6	38.8	– 4.3	– 11
Total	**128.1**	**128.1**	**0.1**	**0**
Trading income and fair-value adjustments				
Fixed-income instruments (including funds)	2.1	0.9	1.2	134
Equity securities (including funds)	20.6	17.2	3.5	20
Currencies and precious metals	111.6	116.0	– 4.3	– 4
Total trading income and fair-value adjustments	**134.4**	**134.1**	**0.4**	**0**
of which fair-value adjustments	*20.3*	*17.1*	*3.2*	*18*
of which fair-value adjustments on assets	*192.7*	*– 126.6*	*319.3*	*252*
of which fair-value adjustments on liabilities	*– 172.4*	*143.7*	*– 316.1*	*– 220*
Trading fee expense	– 6.3	– 6.0	0.3	5
Net trading income and fair-value adjustments	**128.1**	**128.1**	**0.1**	**0**

12.5 Personnel costs (in CHF millions)

	2019	2018	Change absolute	Change as %
Fixed and variable compensation	259.3	254.7	4.6	2
of which charges related to share-based compensation and other variable compensation (including the portion paid in cash)	*39.1*	*37.1*	*2.1*	*6*
Employee benefits	26.6	25.7	0.9	4
Contributions to staff pension funds	37.7	37.0	0.7	2
Other personnel expenses	15.7	15.3	0.3	2
Total	**339.3**	**332.7**	**6.6**	**2**

12.6 Other operating expenses (in CHF millions)

	2019	2018	Change absolute	Change as %
Premises	22.3	22.6	– 0.3	– 1
IT	72.8	74.0	– 1.1	– 2
Machinery, furniture, vehicles, etc.	3.2	3.6	– 0.3	– 9
Office supplies	1.2	1.2	0.0	2
Telecommunications and shipping	6.2	7.5	– 1.2	– 16
Marketing and communications, gifts and subscriptions	18.3	17.3	0.9	5
Financial information	14.1	13.6	0.5	3
Auditor fees	2.5	2.4	0.0	2
of which for financial and prudential audits	*2.2*	*2.2*	*0.0*	*0*
of which for other services	*0.2*	*0.2*	*0.0*	*22*
Other professional fees	4.4	4.8	– 0.4	– 8
Payment transactions	10.4	10.5	– 0.1	– 1
Issuing fees	1.1	1.0	0.1	12
Miscellaneous operating expenses	8.7	8.9	– 0.3	– 3
of which charges for the guarantee by the Canton of Vaud[1]	*0.3*	*0.3*	*– 0.0*	*– 7*
Total	**165.2**	**167.5**	**– 2.2**	**– 1**

[1] Limited guarantee by the Canton of Vaud for deposits with the Caisse d'Epargne Cantonale Vaudoise, and managed by BCV

12.7 Depreciation and amortization of fixed assets and impairment on equity investments (in CHF millions)

	2019	2018	Change absolute	Change as %
Real estate	19.4	19.8	– 0.5	– 2
Computer programs	44.8	40.0	4.8	12
Other investments	3.8	4.3	– 0.6	– 13
Holdings	0.0	1.2	– 1.2	– 100
Goodwill	3.4	3.4	0.0	0
Total	**71.3**	**68.8**	**2.6**	**4**

12.8 Other provisions and losses (in CHF millions)

	2019	2018	Change absolute	Change as %
Provisions for credit risk	4.4	0.3	4.1	n/a
Miscellaneous provisions	1.7	2.6	– 0.9	– 35
Miscellaneous losses	1.1	1.8	– 0.7	– 39
Total	**7.2**	**4.7**	**2.5**	**54**

12.9 Extraordinary income (in CHF millions)

	2019	2018	Change absolute	Change as %
Disposals of equity holdings	0.2	0.3	– 0.1	– 44
Disposals of tangible fixed assets[1]	0.0	33.9	– 33.9	n/a
Other extraordinary income	0.6	0.8	– 0.2	– 23
Total	**0.7**	**34.9**	**– 34.2**	**– 98**

[1] Proceeds from the sale of a piece of non-core real estate, which was finalized in 2018

12.10 Extraordinary expenses (in CHF millions)

	2019	2018	Change absolute	Change as %
Miscellaneous extraordinary expenses	0.2	0.0	0.2	637
Total	**0.2**	**0.0**	**0.2**	**637**

12.11 Taxes (in CHF millions)

	2019	2018	Change absolute	Change as %
Direct federal tax	29.2	27.9	1.3	4
Cantonal and municipal taxes	27.1	60.6	– 33.5	– 55
Foreign taxes	0.3	0.3	– 0.0	– 0
Deferred taxes	– 0.0	– 0.7	– 0.7	– 96
Total	**56.6**	**88.1**	**– 31.6**	**– 36**
Weighted average tax rate, based on operating profit	13%	22%		

Tax breakdown by country	2019		2018	
	Absolute value	As % of total	Absolute value	As % of total
Switzerland	56.2	99.4	87.8	99.6
Luxembourg	0.3	0.6	0.3	0.4
Total	**56.6**	**100.0**	**88.1**	**100.0**

12.12 Breakdown of operating profit by Swiss and foreign origin (in CHF millions)

	2019		2018	
	Swiss	Foreign	Swiss	Foreign
Net interest income	506.7	0.0	489.6	0.5
Net fee and commission income	307.5	15.4	301.1	16.1
Net trading income	127.1	1.1	125.9	2.2
Other ordinary income	44.3	0.0	41.1	– 0.0
Total income from ordinary banking operations	**985.5**	**16.5**	**957.7**	**18.8**
Personnel costs	338.3	1.0	331.8	0.9
Other operating expenses	163.7	1.5	166.1	1.4
Operating expenses	**502.0**	**2.5**	**497.9**	**2.3**
Depreciation and amortization of fixed assets and impairment on equity investments	71.3	0.0	68.8	0.0
Other provisions and losses	7.2		4.7	
Operating profit	**404.9**	**14.0**	**386.4**	**16.5**

12.13 Earnings per share

	2019	2018
Net profit attributable to BCV Group shareholders (CHF millions)	362.9	349.7
Average number of shares in issue during the period (in units)	8 606 190	8 606 190
Average number of own shares held during the period (in units)	– 29 586	– 31 673
Average number of outstanding shares during the period (in units)	8 576 604	8 574 517
Basic earnings per share (CHF)	42.31	40.78

There are no ongoing financial transactions that would dilute earnings per share.

13. Other information

13.1 Regulatory capital requirements (in CHF millions)

	31 / 12 / 19	31 / 12 / 18
Common Equity Tier 1 (CET1) capital	**3 220**	**3 156**
Instruments and reserves	3 294	3 240
Regulatory adjustments	– 73	– 85
Additional Tier 1 (AT1) capital	**0**	**0**
Instruments	0	0
Regulatory adjustments	0	0
Tier 2 (T2) capital	**23**	**22**
Compulsory reserves in equities and general provisions	23	22
Regulatory adjustments	0	0
Total eligible capital	**3 244**	**3 177**
Risk-weighted assets		
Credit risk	16 226	15 911
Non-counterparty-related assets	567	580
Market risk	232	178
Operational risk	1 761	1 755
BIS required capital	**18 786**	**18 423**
BIS ratios		
CET1 ratio	17.1%	17.1%
T1 ratio	17.1%	17.1%
Total capital ratio	17.3%	17.2%
Leverage Ratio	6.3%	6.2%
Liquidity ratios		
Liquidity Coverage Ratio (LCR)	129%	113%
Net Stable Funding Ratio (NSFR)[1]	122%	122%

[1] Ratio provided on a voluntary basis and calculated according to FINMA's most recent directive

In December 2008, the Bank obtained approval from FINMA to use the Basel Foundation Internal Ratings-Based approach to determine regulatory capital requirements for credit risk. It began applying this approach in 2009.

In accordance with Basel III Pillar 3 disclosure requirements, the Bank publishes a report containing information on its capital adequacy, risk-assessment methods, and the level of risk taken. The report also gives information on the Group and parent-company leverage and liquidity ratios.

The report is available in the Investor Relations section of the BCV website.

13.2 Business sector information

13.2.1 Methodology

Results by business sector are presented at BCV Group level and are broken down according to the Bank's activities.

Retail Banking covers operations with retail customers who have up to CHF 250,000 in assets or a mortgage loan worth up to CHF 1.2m. It also includes the Digital and Multichannel Banking Department, which works to expand the Bank's digital offering.

Corporate Banking handles SMEs (including micro-businesses), large corporations, public-sector enterprises, and trade finance.

Wealth Management addresses the needs of private and institutional clients. This sector also includes custody activities and the subsidiaries Piguet Galland & Cie SA, Gérifonds SA, and GEP SA.

Trading encompasses financial market transactions (forex, equities, fixed-income instruments, metals, options, derivatives, and structured products) conducted by the Bank on behalf of customers and for its own account, as well as custody activities.

The Corporate Center comprises the Board of Directors, executive management, the Human Resources Department, the Strategy & Organization Department, the Corporate Communications Department, the Service Quality Unit, the Finance & Risks Division (Risk Management, Financial Accounting, Controlling, ALM & Financial Management, Compliance, Legal, and Tax and Wealth Planning), the Credit Management Division (Credit Analysis, Credit Analysis Support, and Credit Recovery Management), and the Business Support Division (IT Solutions, IT Infrastructure, Facility Management & General Services, Back Office, and Security).

As a general rule, revenue is allocated to the sector to which the client or his/her advisor is attached.

For sectors dealing with clients, "Net interest income before loan impairment charges/reversals" corresponds to the gross commercial margin, i.e., the difference between the customer rate and the money-market rate, taking into account the nature and duration of the transaction (Funds Transfer Pricing, or FTP, method).

In an environment marked by continued negative interest rates, commercial margins on accounts in Swiss francs are calculated with a minimum of zero for our retail, private banking, and corporate clients (except Large Corporates and Trade Finance).

For the Corporate Center, net interest income before loan impairment charges/reversals comprises the net gain/loss on asset and liability management, on interbank activities, and on fixed assets as well as gross interest on impaired loans handled by the Credit Recovery Management Department.

Loan losses correspond to expected losses for sectors dealing with clients. The difference between new provisioning needs and expected loan losses, together with loan impairment charges/reversals, changes in existing provisions, and recoveries on repaid loans, is booked to the Corporate Center.

Income from customer-driven forex and structured-products trading is allocated to Trading, which reallocates part of this income to the business sector to which the client is attached. Income from securities trading is broken down by portfolio and allocated to the sector to which the portfolio manager is attached.

"Other income" is allocated based on the nature of the item.

Operating expenses and depreciation and amortization are allocated in two stages. The first of these involves charging direct expenses to the sector that uses the resources (personnel, premises, IT, etc.). In the second stage, indirect expenses are allocated on the basis of services provided among sectors.

Taxes are calculated per sector according to the tax rates in effect.

Balance-sheet and off-balance-sheet volumes reflect client-related business. In general, following the same rule used for income, business volumes are allocated to the sector to which the client or his/her advisor is attached.

The definition of assets under management can be found in

note 11.4 to the consolidated financial statements.

Shareholders' equity is allocated to the various types of business within each sector at 13.0%. Surplus equity is booked to the Corporate Center.

	Retail Banking		Corporate Banking	
	2019	2018	2019	2018

13.2.2 Customer business volumes by sector (in CHF millions)

Loans and advances to customers	88	85	4 761	4 640
Mortgage loans	8 296	8 003	10 116	9 594
Total customer loans	**8 384**	**8 088**	**14 876**	**14 234**
Customer deposits	**9 086**	**8 523**	**10 142**	**9 595**
Off-balance-sheet commitments	**81**	**67**	**2 686**	**3 085**
Assets under management (including double-counted)	**10 821**	**9 937**	**13 893**	**12 900**

13.2.3 Results by business sector (in CHF millions)

Net interest income before loan impairment charges/reversals	112.0	110.3	231.7	228.4
Loan impairment charges/reversals[1]	– 3.5	– 3.6	– 33.0	– 29.6
Net interest income after loan impairment charges/reversals	108.5	106.8	198.7	198.9
Net fee and commission income	46.9	46.4	51.9	53.8
Net trading income	17.1	17.3	9.8	9.7
Other income	1.2	1.3	4.3	4.5
Revenues	**173.7**	**171.8**	**264.7**	**266.9**
Personnel costs	– 45.1	– 44.3	– 31.8	– 31.3
Operating expenses	– 45.1	– 44.2	– 10.8	– 11.6
Depreciation, amortization and write-offs	– 15.0	– 15.1	– 1.8	– 1.7
Interdivisional billing	– 30.5	– 38.2	– 59.3	– 59.0
Other provisions and loses	– 1.0	– 1.0	– 6.9	– 6.9
Operating profit	**37.1**	**29.0**	**154.1**	**156.4**
Extraordinary income and expenses	0.0	0.0	0.0	0.0
Taxes[2] and minority interests	– 4.9	– 6.1	– 20.5	– 32.8
Net profit	**32.2**	**22.9**	**133.6**	**123.5**

13.2.4 Indicators

Average shareholders' equity (in CHF millions)[3]	277	263	1 325	1 337
ROE (%)	11.6	8.7	10.1	9.2
Cost/income ratio (%)[4]	76.5	80.8	34.8	34.9
Average headcount	362	359	188	188

2018 figures were adjusted to facilitate like-for-like comparison.

1) Expected loan losses are allocated to the business sectors. The difference between new provisioning needs and expected loan losses is booked to the Corporate Center
2) Taxes are calculated per business sector according to the tax rates in effect
3) Equity is allocated to the business sectors at 13.0%; surplus equity is booked to the Corporate Center
4) Costs used for calculating the cost/income ratio per sector comprise: personnel costs; operating expenses; depreciation, amortization and write-offs; and interdivisional billing. Income comprises income before loan impairment charges

Wealth Management		Trading		Corporate Center		BCV Group	
2019	2018	2019	2018	2019	2018	2019	2018
705	672	– 0	0	199	280	5 752	5 677
7 781	7 661	0	0	822	821	27 016	26 079
8 487	**8 333**	**– 0**	**0**	**1 021**	**1 101**	**32 768**	**31 756**
13 432	**12 820**	**5**	**27**	**382**	**410**	**33 048**	**31 375**
71	**69**	**10**	**11**	**466**	**480**	**3 313**	**3 712**
72 741	**64 411**	**0**	**0**	**385**	**372**	**97 840**	**87 620**
121.8	120.4	3.6	3.4	27.7	33.5	496.9	496.1
– 2.7	– 3.4	– 0.0	0.0	49.0	30.5	9.8	– 5.9
119.1	117.0	3.6	3.4	76.7	64.1	506.7	490.1
220.9	214.4	0.5	0.4	2.8	2.1	322.9	317.2
20.7	20.8	46.0	41.5	34.6	38.8	128.1	128.1
1.9	2.0	0.0	0.0	36.8	33.3	44.3	41.1
362.6	**354.3**	**50.1**	**45.3**	**150.8**	**138.3**	**1 002.0**	**976.5**
– 102.8	– 100.9	– 13.1	– 13.6	– 146.5	– 142.6	– 339.3	– 332.7
– 38.4	– 38.2	– 7.9	– 9.6	– 63.1	– 63.9	– 165.2	– 167.5
– 14.6	– 13.8	– 1.7	– 1.3	– 38.3	– 36.9	– 71.3	– 68.8
– 66.4	– 68.6	– 4.9	– 3.7	161.0	169.3	0.0	0.0
– 1.6	– 2.9	– 0.7	– 1.1	3.1	7.3	– 7.2	– 4.7
138.7	**129.9**	**21.9**	**16.1**	**67.0**	**71.5**	**418.9**	**402.9**
0.0	0.0	0.0	0.0	0.5	34.9	0.5	34.9
– 19.7	– 27.6	– 2.9	– 3.4	– 8.4	– 18.3	– 56.6	– 88.2
119.0	**102.4**	**19.0**	**12.7**	**59.0**	**88.1**	**362.9**	**349.7**
357	351	65	85	1 482	1 416	3 506	3 451
33.3	29.2	29.4	15.0	0	0	10.4	10.1
59.9	61.0	54.9	62.1	0	0	57.7	57.6
499	498	55	56	807	801	1 910	1 902

13.3 Consolidated income statement – 5-year overview (in CHF millions)

	2015	2016	2017	2018	2019
Interest and discount income	628.7	599.0	576.4	573.1	570.3
Interest and dividend income from financial investments	47.4	40.3	34.7	31.0	27.9
Interest expense	– 186.9	– 156.7	– 113.3	– 108.0	– 101.4
Net interest income before loan impairment charges/reversals	**489.2**	**482.5**	**497.8**	**496.1**	**496.9**
Loan impairment charges/reversals	0.9	– 4.7	– 20.2	– 5.9	9.8
Net interest income after loan impairment charges/reversals (NII)	**490.1**	**477.8**	**477.6**	**490.1**	**506.7**
Fees and commissions on securities and investment transactions	263.3	241.5	250.3	250.2	259.4
Fees and commissions on lending operations	42.7	42.2	44.6	46.1	44.5
Fees and commissions on other services	80.9	75.2	71.8	72.6	73.6
Fee and commission expense	– 54.6	– 51.0	– 50.3	– 51.7	– 54.6
Net fee and commission income	**332.3**	**307.9**	**316.4**	**317.2**	**322.9**
Net trading income and fair-value adjustments	**150.5**	**139.2**	**133.9**	**128.1**	**128.1**
Gains/losses on disposals of financial investments	11.4	6.4	2.5	2.1	0.5
Income from equity investments	15.3	5.5	6.2	11.9	13.7
of which other non-consolidated holdings	*15.3*	*5.5*	*6.2*	*11.9*	*13.7*
Real-estate income	10.7	11.0	10.9	7.5	7.5
Miscellaneous ordinary income	22.1	21.6	20.0	20.0	22.9
Miscellaneous ordinary expenses	– 6.8	– 2.3	– 0.9	– 0.3	– 0.3
Other ordinary income	**52.7**	**42.1**	**38.7**	**41.1**	**44.3**
Total income from ordinary banking operations	**1 025.6**	**967.1**	**966.6**	**976.5**	**1 002.0**
Personnel costs	– 337.2	– 338.0	– 337.0	– 332.7	– 339.3
Other operating expenses	– 177.0	– 170.7	– 171.4	– 167.5	– 165.2
Operating expenses	**– 514.2**	**– 508.7**	**– 508.4**	**– 500.2**	**– 504.5**
Depreciation and amortization of fixed assets and impairment on equity investments	– 75.6	– 72.4	– 70.4	– 68.8	– 71.3
Other provisions and losses	– 37.1	– 2.7	– 1.2	– 4.7	– 7.2
Operating profit	**398.7**	**383.4**	**386.5**	**402.9**	**418.9**
Extraordinary income	28.6	6.7	16.8	34.9	0.7
Extraordinary expenses	0.0	– 0.0	– 0.0	– 0.0	– 0.2
Change in reserves for general banking risks	0.0	3.0	0.0	0.0	0.0
Taxes	– 91.0	– 83.5	– 83.1	– 88.1	– 56.6
Net profit	**336.3**	**309.6**	**320.3**	**349.7**	**362.9**
Minority interests	0.0	– 0.0	– 0.0	– 0.0	– 0.0
Net profit attributable to BCV Group shareholders	**336.3**	**309.6**	**320.2**	**349.7**	**362.9**

13.4 Consolidated balance sheet – 5-year overview (in CHF millions)

	31 / 12 / 15	31 / 12 / 16	31 / 12 / 17	31 / 12 / 18	31 / 12 / 19
Cash and cash equivalents	6 861	7 496	8 044	8 235	8 384
Due from banks	1 810	1 373	1 013	1 921	1 186
Reverse repurchase agreements	280	306	499	314	239
Loans and advances to customers	4 935	4 812	4 826	5 677	5 752
Mortgage loans	24 522	25 037	25 407	26 079	27 016
Trading portfolio assets	155	153	186	334	277
Positive mark-to-market values of derivative financial instruments	343	281	282	268	273
Other financial assets at fair value	581	630	653	621	784
Financial investments	3 140	3 234	3 753	3 767	3 811
Accrued income and prepaid expenses	106	107	91	80	85
Non-consolidated holdings	48	70	70	70	69
Tangible fixed assets	558	517	519	445	433
Intangible assets	23	16	12	9	5
Other assets	56	54	57	42	36
Assets	**43 418**	**44 085**	**45 415**	**47 863**	**48 352**
Due to banks	1 224	1 070	1 398	2 655	1 703
Repurchase agreements	1 738	1 791	1 350	1 809	1 502
Customer deposits	28 877	29 245	30 512	31 375	33 048
Trading portfolio liabilities	0	0	0	0	2
Negative mark-to-market values of derivative financial instruments	331	244	205	236	213
Other financial liabilities at fair value	666	771	812	766	918
Medium-term notes	40	21	15	7	3
Bonds and mortgage-backed bonds	6 873	7 267	7 392	7 244	7 094
Accrued expenses and deferred income	219	184	172	156	154
Other liabilities	35	56	87	77	114
Provisions	18	16	15	15	16
Liabilities	**40 021**	**40 666**	**41 958**	**44 341**	**44 766**
Reserves for general banking risks	704	701	701	701	701
Share capital	86	86	86	86	86
Capital reserve	292	207	121	35	35
Retained earnings	1 999	2 137	2 249	2 371	2 419
Currency translation reserve	– 2	– 2	– 1	– 1	– 2
Own shares	– 18	– 19	– 19	– 20	– 18
Minority interests in equity	0	0	0	0	0
Net profit	336	310	320	350	363
Shareholders' equity	**3 397**	**3 420**	**3 457**	**3 522**	**3 586**
Total liabilities and shareholders' equity	**43 418**	**44 085**	**45 415**	**47 863**	**48 352**

Statutory Auditor's Report

To the General Meeting of Banque Cantonale Vaudoise, Lausanne

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Banque Cantonale Vaudoise and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2019, and the consolidated income statement, the consolidated cash flow statement and the consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 111 to 152) give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with accounting rules for banks, securities dealers, financial groups and conglomerates (ARB) and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Methods regarding identification and valuation of the value adjustments related to amounts due from customers and mortgage loans

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG

Methods regarding identification and valuation of the value adjustments related to amounts due from customers and mortgage loans

Key Audit Matter	Our response
Mortgages and loans are one of the Group's main activities and represent approximately two thirds of its consolidated balance sheet as at 31 December 2019. The valuation of a counterparty's default risk relies largely on the use of rating methods developed by the bank. The valuation of the related loan impairment charges relies on an analysis method that takes into account various elements such as market factors, the client's estimated willingness to repay and financial capacity or the estimation of the collateral's value. The identification of risks and the valuation of the related loan impairment charges thus rely on models and analyses that imply an element of judgement by the Board of Directors and Management. Exposures that create greater uncertainty are typically those that result from unsecured loans or those that are subject to a collateral's loss of value.	Our procedures consisted in particular in assessing and testing the key controls related to the granting, recording and monitoring of mortgages and loans as well as the methodology used for the identification of default risk and the valuation of the loan impairment charges. For a sample of non-impaired exposures, we assessed the debtors' capacity to fulfil their obligations. We compared our findings with the assessment of the default risk performed by the bank using its counterparty rating process. Regarding receivables that are considered as impaired or as presenting latent risks, our procedures consisted, among others, of assessing the evolution of the relation between the loan impairment and the concerned receivables as a whole. For a sample of individual receivables that are considered as impaired or as presenting latent risks, we assessed the debtors' financial standing as well as the valuation of collaterals and we compared our findings with the assumptions and factors taken into account by the bank when calculating the required loan impairment charges.

For further information on methods regarding identification and valuation of the value adjustments related to amounts due from customers and mortgage loans, refer to the following notes to the consolidated financial statements of Banque Cantonale Vaudoise as at 31 December 2019:

— Note 7.2 "Credit risk" (p. 123 to 125 of the Annual Report)

— Note 10.2 "Risk mitigants for loans and off-balance-sheet transactions, impaired loans" (p. 129 of the Annual Report)

Responsibility of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with accounting rules for banks, securities dealers, financial groups and conglomerates (ARB) and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

— Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG SA

Olivier Gauderon
Licensed Audit Expert
Auditor in Charge

Philippe Ruedin
Licensed Audit Expert

Geneva, 6 March 2020

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KPMG SA, Esplanade de Pont-Rouge 6, CH-1211 Geneva 26

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Financial Statements

Parent Company Financial Statements

1. Balance sheet (in CHF millions)

	Notes	31 / 12 / 19	31 / 12 / 18	Change absolute	Change as %
Cash and cash equivalents		8 125	8 049	75	1
Due from banks		1 249	1 954	– 706	– 36
Reverse repurchase agreements	5.1	239	314	– 75	– 24
Loans and advances to customers	5.2	5 571	5 485	87	2
Mortgage loans	5.2	26 506	25 555	950	4
Trading portfolio assets	5.3	277	334	– 57	– 17
Positive mark-to-market values of derivative financial instruments	5.4	275	274	1	0
Other financial assets at fair value	5.3	784	621	163	26
Financial investments	5.5	3 790	3 746	45	1
Accrued income and prepaid expenses		81	75	6	8
Holdings		177	177	0	0
Tangible fixed assets		402	412	– 10	– 2
Other assets	5.6	30	35	– 5	– 14
Assets	5.18	**47 505**	**47 031**	**474**	**1**
Total subordinated assets		0	0	0	0
off which subject to mandatory conversion and/or conditionnal write-off		*0*	*0*	*0*	*0*
Due to banks		1 734	2 711	– 977	– 36
Repurchase agreements	5.1	1 502	1 809	– 307	– 17
Customer deposits	5.19	32 207	30 528	1 679	5
Trading portfolio liabilities	5.3	2	0	1	n/a
Negative mark-to-market values of derivative financial instruments	5.4	209	234	– 25	– 11
Other financial liabilities at fair value	5.3/5.10	918	766	152	20
Medium-term notes		3	7	– 4	– 54
Bonds and mortgage-backed bonds		7 094	7 244	– 150	– 2
Accrued expenses and deferred income		140	144	– 5	– 3
Other liabilities	5.6	116	80	36	44
Provisions	5.11	9	8	1	9
Liabilities		**43 933**	**43 532**	**401**	**1**
Reserves for general banking risks	5.11	701	701	0	0
Share capital	5.12/5.15/5.16	86	86	0	0
Regulatory capital reserve		7	7	0	0
of which tax-exempt paid-in capital		*7*	*7*	*0*	*0*
Regulatory retained earnings		87	86	0	0
Optional retained earnings		2 337	2 276	61	3
Own shares		– 18	– 20	2	– 9
Profit for the year		372	362	10	3
Shareholders' equity		**3 572**	**3 499**	**73**	**2**
Total liabilities and shareholders' equity		**47 505**	**47 031**	**474**	**1**
Total subordinated liabilities		0	0	0	0
of which subject to mandatory conversion and/to conditional write-off		*0*	*0*	*0*	*0*

Off-balance-sheet transactions (in CHF millions)	Notes	31 / 12 / 19	31 / 12 / 18	Change absolute	Change as %
Contingent liabilities	5.2	1 793	1 868	– 75	– 4
Irrevocable commitments	5.2	1 292	1 617	– 325	– 20
Commitments relating to calls on shares and other equity securities	5.2	177	177	0	0
Confirmed credits	5.2	46	49	– 2	– 5

2. Income statement (in CHF millions)

	Notes	2019	2018	Change absolute	Change as %
Interest and discount income		561.0	563.9	– 2.9	– 1
Interest and dividend income from financial investments		27.7	30.9	– 3.2	– 10
Interest expense		– 99.0	– 105.7	– 6.7	– 6
Net interest income before loan impairment charges/reversals	7.1	**489.7**	**489.1**	**0.6**	**0**
Loan impairment charges/reversals		9.1	– 6.0	– 15.1	– 251
Net interest income after loan impairment charges/reversal (NII)		**498.8**	**483.1**	**15.8**	**3**
Fees and commissions on securities and investment transactions		170.1	164.0	6.1	4
Fees and commissions on lending operations		44.4	46.1	– 1.7	– 4
Fees and commissions on other services		70.0	69.3	0.6	1
Fee and commission expense		– 18.9	– 18.8	0.0	0
Net fee and commission income		**265.7**	**260.6**	**5.0**	**2**
Net trading income and fair-value adjustments	7.2	**116.4**	**115.8**	**0.7**	**1**
Gains/losses on disposals of financial investments		0.4	1.6	– 1.2	– 77
Income from equity investments		31.4	31.0	0.4	1
Real-estate income		7.0	7.0	0.0	1
Miscellaneous ordinary income		23.4	20.4	3.0	15
Miscellaneous ordinary expenses		– 0.4	– 0.2	0.2	114
Other ordinary income		**61.8**	**59.8**	**2.0**	**3**
Total income from ordinary banking operations		**942.8**	**919.3**	**23.5**	**3**
Personnel costs	7.3	– 299.0	– 292.3	6.7	2
Other operating expenses	7.4	– 148.4	– 150.6	– 2.2	– 1
Operating expenses		**– 447.4**	**– 442.9**	**4.5**	**1**
Depreciation and amortization of fixed assets and impairment on equity investments		– 64.0	– 60.9	3.1	5
Other provisions and losses	7.5	– 5.8	– 2.0	3.8	185
Operating profit		**425.6**	**413.4**	**12.1**	**3**
Extraordinary income	7.6	0.7	34.9	– 34.2	– 98
Extraordinary expenses	7.7	– 0.2	– 0.0	0.2	641
Taxes	7.8	– 53.8	– 86.0	– 32.2	– 37
Profit for the year		**372.3**	**362.3**	**10.0**	**3**
Appropriations	8				
Profit for the year		372.3	362.3		
Profit shown on the balance sheet		372.3	362.3		
Appropriation of profit					
- Allocation to optional retained earnings		62.4	61.1		
- Allocation to regulatory retained earnings		0.0	0.0		
- Distribution from distributable profit		309.8	301.2		

3. Statement of changes in equity (in CHF millions)

	Share capital	Capital reserve	Regulatory retained earnings	Reserves for general banking risks	Optional retained earnings	Own shares	Profit/loss for the year	Total equity
Status at 1 January 2017	**86**	**179**	**86**	**701**	**2 027**	**– 19**	**315**	**3 375**
Allocation to other reserves					117		– 117	0
2016 dividend							– 198	– 198
Distribution out of paid-in reserves		– 86						– 86
Purchases of own shares						– 28		– 28
Disposals of own shares						29		29
Gain on disposals of own shares and dividends		0	0					0
Profit/loss for the year							329	329
Status at 31 December 2017	**86**	**93**	**86**	**701**	**2 145**	**– 19**	**329**	**3 421**
Allocation to other reserves					131		– 131	0
2017 dividend							– 198	– 198
Distribution out of paid-in reserves		– 86						– 86
Purchases of own shares						– 26		– 26
Disposals of own shares						26		26
Gain on disposals of own shares and dividends		0	0					0
Profit/loss for the year							362	362
Status at 31 December 2018	**86**	**7**	**86**	**701**	**2 276**	**– 20**	**362**	**3 499**
Allocation to other reserves					61		– 61	0
2018 dividend							– 301	– 301
Purchases of own shares						– 22		– 22
Disposals of own shares						24		24
Gain on disposals of own shares and dividends			0					0
Profit/loss for the year							372	372
Status at 31 December 2019	86	7	87	701	2 337	– 18	372	3 572

4. Parent company name and accounting principles

4.1 Company name, legal status, and head office

Banque Cantonale Vaudoise (BCV) was founded on 19 December 1845 by the Vaud Cantonal Parliament as a ***société anonyme de droit public*** (i.e., a corporation organized under public law). Its legal status is defined in the Cantonal Act Governing the Organization of Banque Cantonale Vaudoise (LBCV) of 20 June 1995, and its head office is in Lausanne.

4.2 Accounting principles for the parent company financial statements

BCV's financial statements have been prepared in accordance with the Swiss Federal Act of 8 November 1934 on Banks and Savings Institutions, the corresponding Ordinance of 30 April 2014, and the Swiss Accounting Rules for Banks, Securities Dealers, Financial Groups and Conglomerates of 27 March 2014 (FINMA Circular 2015/1). The financial statements give a true and fair view of the Bank's financial position that would enable a third party to form an accurate opinion of the Bank's financial situation.

4.3 Accounting and valuation principles

The valuation principles used to draw up the parent company financial statements are the same as those used for the consolidated financial statements, with the exception of the following items:

4.3.1 Holdings

This line item comprises shares and other equity securities held as long-term investments. They are carried at cost less any impairment.

4.3.2 Own shares

Dividend payments on own shares and gains and losses on own-share disposals are allocated directly to regulatory retained earnings, while for the consolidated financial statements they are allocated to the capital reserve.

4.4 Changes to accounting principles

No changes were made to the accounting principles in 2019.

4.5 Risk-assessment and risk-management principles

Risk-assessment and risk-management principles for the parent company are the same as those for the Group; they are detailed in note 7 to the consolidated financial statements.

4.6 Use of hedge accounting

Information on the use of hedge accounting by the parent company is the same as for the Group; it is provided in note 8 to the consolidated financial statements.

4.7 Events taking place after the closing date

To the parent company's knowledge, there was no event liable to have a material influence on the financial statements as at 5 March 2020, when the writing of this annual report was completed.

5. Notes to the balance sheet

5.1 Repurchase and reverse repurchase agreements (in CHF millions)

	31 / 12 / 19	31 / 12 / 18
Book value of claims arising from cash collateral pledged in connection with securities borrowing or reverse repurchase agreements[1]	239	314
Book value of liabilities arising from cash collateral received in connection with securities lending or repurchase agreements[1]	1 502	1 809
Book value of securities held for own account, lent or transferred as collateral in connection with securities borrowing or repurchase agreements	1 644	1 792
of which those that can be sold or repledged without restriction	*1 644*	*1 792*
Fair value of securities received as collateral in connection with securities lending and those received in connection with securities borrowing and under reverse repurchase agreements, which can be sold or repledged without restriction	264	346
of which securities repledged as collateral	*0*	*0*
of which sold securities	*0*	*0*

1) Before netting agreements

5.2 Risk mitigants for loans and off-balance-sheet transactions
Impaired loans (in CHF millions)

		Type of risk mitigant			
		Mortgage	Other	Unsecured	Total
Loans and advances to customers		563	1 758	3 325	5 646
Mortgages		26 514			26 514
Residential real estate		*21 313*			*21 313*
Office and business premises		*1 410*			*1 410*
Commercial and industrial property		*831*			*831*
Other		*2 960*			*2 960*
Loans (before impairment charges/reversals)	31 / 12 / 19	27 077	1 758	3 325	32 160
	31 / 12 / 18	26 116	1 680	3 335	31 130
Loans (after impairment charges/reversals)	31 / 12 / 19	27 069	1 758	3 250	32 077
	31 / 12 / 18	26 108	1 680	3 253	31 040
Contingent liabilities		12	372	1 409	1 793
Irrevocable commitments		369	0	922	1 292
Commitments relating to calls on shares and other equity securities				177	177
Confirmed credits				46	46
Off-balance-sheet transactions	31 / 12 / 19	381	373	2 555	3 309
	31 / 12 / 18	480	325	2 906	3 710

		Gross receivables	Realization value of risk mitigants	Net receivables	Individual impairment charge/reversal
Impaired loans and off-balance-sheet commitments	31 / 12 / 19	183	– 92	91	83
	31 / 12 / 18	218	– 123	95	87
Change (absolute)		– 34	– 31	– 4	– 4
Change (as %)		– 16	– 25	– 4	– 4

5.3 Trading portfolio assets and liabilities
Other financial assets and liabilities at fair value (in CHF millions)

Assets	31 / 12 / 19	31 / 12 / 18
Debt securities	164	144
of which listed on a recognized stock exchange	*164*	*144*
Equity securities	2	1
Commodities and precious metals	111	189
Trading portfolio assets	**277**	**334**
Debt securities	58	11
Structured products	1	0
Other	725	610
Other financial assets at fair value	**784**	**621**
Total	**1 061**	**955**
of which determined using a valuation model	*0*	*0*
of which securities eligible for repurchase agreements in accordance with liquidity regulations	*70*	*85*

Liabilities	31 / 12 / 19	31 / 12 / 18
Debt securities	1	0
of which listed on a recognized stock exchange	*1*	*0*
Equity securities	1	0
Other trading portfolio liabilities	0	0
Trading portfolio liabilities	**2**	**0**
Debt securities	0	0
Structured products	918	766
Other financial liabilities at fair value	**918**	**766**
Total	**919**	**766**
of which determined using a valuation model	*83*	*62*

5.4 Derivative financial instruments (in CHF millions)

		Trading instruments			Hedging instruments		
		Positive market-to-market value	Negative market-to-market value	Value of underlying asset	Positive market-to-market value	Negative market-to-market value	Value of underlying asset
Swaps		20	26	1 017	183	124	6 354
Futures				145			
Options (OTC)		1	0	82			
Interest-rate instruments		**21**	**26**	**1 244**	**183**	**124**	**6 354**
Forward contracts and swaps		235	232	31 308			
Options (OTC)		29	23	3 613			
Foreign currencies and precious metals		**263**	**255**	**34 921**	**0**	**0**	**0**
Futures				16			
Options (OTC)		28	26	210			
Options (exchange traded)		1		9			
Equity securities / indices		**29**	**26**	**236**	**0**	**0**	**0**
Futures				0			
Other		**0**	**0**	**0**	**0**	**0**	**0**
Total	31 / 12 / 19	313	307	36 401	183	124	6 354
of which determined using a valuation model		*57*	*49*	–	–	–	–
	31 / 12 / 18	**330**	**336**	**35 381**	**165**	**119**	**6 012**
of which determined using a valuation model		*114*	*102*	–	–	–	–

		Positive market-to-market value	Negative market-to-market value	Value of underlying asset
Breakdown				
Trading instruments		313	307	36 401
Hedging instruments		183	124	6 354
Total before netting agreements	31 / 12 / 19	496	431	42 755
	31 / 12 / 18	**495**	**455**	**41 393**
Total after netting agreements	31 / 12 / 19	275	209	42 755
	31 / 12 / 18	**274**	**234**	**41 393**
Change	absolute	1	– 25	1 363
	as %	0	– 11	3

Breakdown by counterparty

	Central clearing houses	Banks and securities dealers	Other clients
Positive market-to-market value (after netting agreements)	89	136	49

5.5 Financial investments (in CHF millions)

	31 / 12 / 19		31 / 12 / 18	
	Book value	Fair value	Book value	Fair value
Debt securities	3 710	3 822	3 663	3 765
of which securities intended to be held until maturity	*3 710*	*3 822*	*3 663*	*3 765*
of which securities available for sale	*0*	*0*	*0*	*0*
Equity securities	25	76	27	75
of which significant holdings (minimum of 10% of capital or voting rights)	*4*	*4*	*6*	*6*
Available-for-sale real estate	55	60	56	60
Financial investments	**3 790**	**3 958**	**3 746**	**3 901**
including securities eligible for repurchase agreements in accordance with liquidity regulations	*3 710*	–	*3 663*	–

Counterparty breakdown by rating

	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Below B-	Not rated	Total
Book value of debt securities	3 508					202	3 710

The rating categories are based on Standard & Poor's ratings; they are used for the specific instruments to which the Bank has subscribed. If an instrument is not rated by Standard & Poor's, then a rating from another agency is used. Where there is no specific rating for a given instrument, the issuer's long-term rating is used, with the same order of rating agencies.

The Bank's unrated positions (that is, where neither the instrument nor the issuer has a rating) are in investment-grade debt securities issued by Swiss public-sector entities or by Switzerland's housing-construction bond issuer (EGW/CCL).

5.6 Other assets and liabilities (in CHF millions)

	31 / 12 / 19		31 / 12 / 18	
	Other assets	Other liabilities	Other assets	Other liabilities
Offset accounts	0	58	0	46
Indirect taxes	19	8	23	9
Coupons/coupons and securities due	0	0	3	1
Settlement accounts	4	41	6	10
Miscellaneous assets and liabilities	7	7	3	15
Other assets and liabilities	**30**	**116**	**35**	**80**

5.7 Assets pledged or assigned as collateral for own liabilities, and assets with reservation of title (in CHF millions)

	31 / 12 / 19		31 / 12 / 18	
	Amount or book value of pledge	Real liability	Amount or book value of pledge	Real liability
Assets pledged or assigned to Swiss National Bank	188		189	0
Mortgages pledged or assigned to Central mortgage-bond Institution of Swiss Cantonal Banks	8 148	5 335	7 498	5 509
Other	281	281	278	278
Total assets pledged or assigned	**8 616**	**5 616**	**7 965**	**5 787**
Assets with reservation of title	**0**	**0**	**0**	**0**

5.8 Commitments relating to own occupational pension funds
BCV shares held by own occupational pension funds (in CHF millions)

	31 / 12 / 19	31 / 12 / 18
Customer deposits	217	187

BCV's own occupational pension funds held no BCV shares at 31 December 2019.

5.9 Economic situation of own occupational pension funds (in CHF millions)

There were no employer contribution reserves at end-2019 or end-2018.

Economic benefit/liability and pension expenses	Surplus / deficit	Economic benefit/liability			Contributions adjusted for the period	Pension expenses included in "Personnel costs"	
	31 / 12 / 19	31 / 12 / 19	31 / 12 / 18	Change	2019	2019	2018
Employer-financed pension funds: "Fonds de prévoyance en faveur du personnel de la BCV"[1]	51.5	0	0	0	0.0	0.0	0.0
Pension funds with no surplus or deficit: "Caisse de pensions de la BCV"		0	0	0	31.8	31.8	31.2
Pension funds with surpluses: "Fondation de prévoyance complémentaire en faveur de l'encadrement supérieur de la BCV"	0.8	0	0	0	1.2	1.2	1.1
Total	52.4	0	0	0	33.0	33.0	32.4

[1] Since the intention is not to apply the surpluses to reduce or refund the employer's contributions, or for the employer to use them for any economic purpose other than regulatory benefits, there is no identifiable economic benefit to be recognized on the balance sheet

The surplus or deficit of a pension fund is based on its unaudited interim accounts at 30 September 2019.

Pension funds

BCV Group employees are members of the "Caisse de pensions de la Banque Cantonale Vaudoise (CP BCV)." Its purpose is to insure its members against the economic consequences of retirement, disability, and death by guaranteeing benefits in accordance with the terms of the pension-fund regulations. It is a provider of the compulsory insurance introduced under the Federal Act on Occupational Retirement, Survivors' and Disability Pension Plans (LPP), and provides coverage in excess of the minimum LPP requirements.

Senior executives insured with the CP BCV are also members of the "Fondation de prévoyance complémentaire de la Banque Cantonale Vaudoise," the purpose of which is to insure its members against the economic consequences of retirement, disability, and death by guaranteeing benefits in accordance with the terms of the pension-fund regulations.

The "Fonds de prévoyance en faveur du personnel de la BCV" is an employer-operated fund that assists BCV employees in dealing with the economic consequences of old age, disability, illness, and early retirement.

5.10 Issued structured products (in CHF millions)

Underlying risk of embedded derivative		Carrying value				Total
		Single treatment		Separate treatment		
		Recognized in trading portfolio liabilities	Recognized in other financial liabilities at fair value	Value of the host instrument	Value of the derivative	
Interest-rate instruments		–	0	6	– 0	6
Equity securities		–	842	740	– 12	1 570
Foreign currencies		–	67	4	0	71
Commodities and precious metals		–	9	0	0	9
Total	31 / 12 / 19	–	918	750	– 12	1 656
	31 / 12 / 18	–	766	753	– 89	1 430

All structured products issued by the Bank have a debenture component.

Single accounting treatment

Structured products without an interest-rate component, i.e., participation structured products (representing a fraction of an equity basket) and yield-enhancement structured products, issued by the Bank are each treated as a single position. They are recognized under "Other financial liabilities at fair value," and their fair value is based on a quoted market price or a valuation model. Subsequent revaluations are recognized under "Net trading income and fair-value adjustments."

Separate accounting treatment

Yield-enhancement, participation, and capital-protection structured products issued by the Bank and containing an interest-rate component are each treated as two separate positions.

For these structured products, the host instrument and the embedded derivative(s) are treated separately. The host instrument is recorded under "Bonds" at nominal value as a debt issued by the Bank. Embedded derivatives are carried as either positive or negative mark-to-market values. Subsequent variations are recognized under "Net trading income and fair-value adjustments."

Interest accrued in the interest-rate component is recorded under "Interest expense" using the accrual method.

5.11 Provisions

Reserves for general banking risks (in CHF millions)

	Status at year-end	Used as allocated	Changes in scope of consolidation	Currency translation differences	Recoveries, overdue interest	New provisions charged to income statement	Releases credited to income statement	Status at year-end
	2018							2019
Provisions for credit risk	1					4		6
Other provisions	7	– 4			0	1	– 0	3
Total provisions	**8**	**– 4**	**0**	**0**	**0**	**5**	**– 0**	**9**
Reserves for general banking risks[1]	**701**							**701**
Provisions for credit risk and country risk	**90**	**– 7**			**9**	**11**	**– 20**	**83**
of which provisions for impaired loans	*87*	*– 7*			*9*	*9*	*– 20*	*78*
of which provisions for latent risks	*3*					*2*		*5*

[1] Reserves for general banking risks are taxable

5.12 Share capital (in CHF millions)

		2019		2018	
		Number of shares (in units)	Total par value	Number of shares (in units)	Total par value
Share capital					
Registered share, fully paid-in	Par value	CHF 10.00		CHF 10.00	
Status at 1 January		8 606 190	86	8 606 190	86
No movement		0	0	0	0
Status at 31 December		**8 606 190**	**86**	**8 606 190**	**86**
of which share capital qualifying for dividends			*86*		*86*

Participation certificate capital

BCV does not have any participation certificate capital.

Conditional capital

BCV does not have any conditional capital.

Authorized capital

BCV does not have any authorized capital.

5.13 Stock options and shares granted to members of the Board of Directors, Executive Board members, and other employees
Employee share-ownership plans

	2019		2018	
	Shares (in units)	Value (in CHF)	Shares (in units)	Value (in CHF)
Members of the Board of Directors	0	0	0	0
Executive Board members	3 531	2 362 572	3 476	2 232 436
Other employees	25 333	10 545 428	25 218	10 367 968
Total	**28 864**	**12 908 000**	**28 694**	**12 600 404**

No stock options have been granted to members of the Board of Directors, Executive Board members, or other employees.

Employee share ownership
Annual performance-based compensation
For Executive Board members and department heads, 30% of their annual performance-based compensation must be taken in BCV shares with a lock-up period of five to ten years.

Other employees receiving annual performance-based compensation of CHF 21,000 or more may opt for full payment in cash, or 70% in cash and 30% in BCV shares with a lock-up period of three years. In the latter case, BCV increases the portion of shares by 30%.

Executive Board members are allocated shares subject to approval at the Shareholders' Meeting. The number of shares allocated will be calculated based on the closing market price on 11 May 2020, rounded up to the nearest whole number.

Other employees will receive their shares at the end of April 2020. The number of shares allocated will be calculated based on the closing market price on 19 March 2020, rounded up to the nearest whole number. These employees have until 1 April 2020 to make their decision. As their decision was not known at the time this report was published, the amount shown in the above table corresponds to the maximum amount payable in the form of shares.

The market prices used to calculate the number of shares will be those on 19 March 2020 and 11 May 2020 (see above), so they were not known at the time this report was published. As a result, the number of shares was calculated based on the closing market price on 5 March 2020, the date of the Board of Directors' final decision on this compensation.

Share-ownership plan
The Executive Board and other BCV employees were given the opportunity to subscribe to the share-ownership plan in April 2019 on the following terms:

- The number of shares that may be purchased is determined by the level of responsibility inherent in the employee's position.
- The subscription period ran from 14–26 March 2019.
- The subscription price was set at CHF 650 per share, and the market price used was CHF 806 (closing price on 14 March, the first day of the subscription period).

The amount shown in the table above corresponds to the number of shares subscribed multiplied by CHF 156, which is the difference between the market price of CHF 806 and the subscription price of CHF 650.

Long-term performance-based compensation

At the beginning of each three-year share-ownership plan, participants are informed of the number of shares that will be allocated if all objectives are met in full. At the end of each plan, the Bank informs participants of the extent to which objectives have been met based on the Bank's financial results and strategic and qualitative performance. The number of shares initially allocated is multiplied by the level of attainment of the objectives in order to determine the number of shares allocated to each participant.

The amounts shown in the table on the previous page correspond to the expense recorded in 2019 for the various plans in progress.

Free shares

The Bank awards two BCV shares to trainees and high-school graduates who successfully complete their training and are then hired by BCV.

The number allocated and their value, based on the market price on the last business day of the month before the shares are awarded, are also shown in the table.

5.14 Receivables and commitments with respect to related parties (in CHF millions)

	31 / 12 / 19		31 / 12 / 18	
	Receivable	Commitment	Receivable	Commitment
Significant shareholder	6	3 705	5	2 984
Group companies	86	50	54	72
Affiliated companies	172	391	132	350
Governing bodies	32	7	18	5

Corporations organized under public law in Vaud Canton and public-private entities in which Vaud Canton has a qualified holding are considered affiliated companies. Transactions with members of the Board of Directors were conducted on market terms. Receivables and commitments with respect to Executive Board members were granted on the standard terms for BCV employees. Transactions with related parties were conducted on market terms.

5.15 Significant shareholder

	31 / 12 / 19			31 / 12 / 18		
	Number of shares (in units)	Total par value	Stake	Number of shares (in units)	Total par value	Stake
Voting rights						
Vaud Canton, direct interest	5 762 252	57.6	66.95%	5 762 252	57.6	66.95%

5.16 Own shares and breakdown of share capital

Number of shares (in units)	Average transaction price	Total	Own shares
Status at 31 December 2018		**8 606 190**	**28 774**
of which shares reserved for long-term performance-based compensation			*13 200*
Purchases	786		28 546
Sales	743		– 32 648
Status at 31 December 2019		8 606 190	24 672
of which shares reserved for long-term performance-based compensation			*12 800*

The breakdown of share capital is provided in note 5.12, page 175.

Own shares were traded at market prices. The proceeds of the sale of own shares were recognized under "Capital reserve."

Non-distributable reserves

If the combined total of regulatory retained earnings and the regulatory capital reserve does not exceed half the amount of the Bank's share capital (i.e., CHF 43m), these line items can be used only to cover losses or for measures designed to sustain the company in the event of an operating loss. There are no regulatory restrictions on how optional reserves can be used.

The Bank must set part of its reserves aside in order to meet regulatory capital requirements.

5.17 Compensation and loans granted to members of the Board of Directors and Executive Board

5.17.1 Compensation and loans granted to current members of the Board of Directors and the Executive Board

Compensation breakdown (see pages 180-181)

Members of the Board of Directors
For 2019, the seven members of the Board of Directors in office at 31 December 2019 were accorded total compensation of CHF 1,400,000. Benefit expense resulting from compensation to the Board of Directors totaled CHF 145,537 (social security, unemployment insurance, accident insurance, and family allowances). The Bank does not contribute to the occupational pension funds of members of the Board of Directors.

Compensation comprises fees, remuneration, and expenses.

The Vice Chairman receives additional fixed compensation of CHF 20,000. For the members of the Board committees – the Audit and Risk Committee and the Compensation, Promotions and Appointments Committee – annual compensation was set as follows: CHF 40,000 for the chairman and CHF 20,000 for the other members of the Audit and Risk Committee; and CHF 20,000 for the chairman and CHF 10,000 for the other members of the Compensation, Promotions and Appointments Committee.

The average compensation of Board members, excluding the Chairman, amounted to CHF 128,333.

Since 1 November 2002, serving members of the Board of Directors have not been granted any preferential terms for banking services.

Members of the Executive Board
For 2019, the eight members of the Executive Board in office in 2019 were accorded total compensation of CHF 7,946,069. This includes annual performance-based compensation for an aggregate amount of CHF 3,600,000, subject to approval at the Shareholders' Meeting on 30 April 2020. If approved, this amount will be paid in May 2020 in two parts: CHF 2,520,000 in cash and the remaining CHF 1,080,000 in the form of shares locked up for between five and ten years. Benefit expense resulting from compensation to the Executive Board totaled CHF 1,357,851 for occupational pensions and CHF 787,106 for other benefits (social security, unemployment insurance, accident insurance, income replacement, and family allowances), subject to approval of the proposed annual performance-based compensation at the Shareholders' Meeting.

Allocation of shares during 2019

Members of the Board of Directors
Since 2019, the members of the Board of Directors receive their compensation entirely in cash.

Members of the Executive Board
For 2019, Executive Board members in office at 31 December 2019 will receive a number of locked-up BCV shares equivalent to 30% of their annual performance-based compensation. The number of shares will be determined in accordance with the closing share price on 11 May 2020. They also subscribed to 600 locked-up shares under the employee share-ownership program. They paid a subscription price of CHF 650, while the share price at the time of purchase was CHF 806. Every year the Board of Directors determines the subscription price based on the current share price and sets the number of shares to which the Executive Board may subscribe.

Under the 2017–2019 long-term performance-based salary plan, 1,519 shares were allocated to Executive Board members (see page 92 in section 5 of the Corporate Governance chapter).

Other fees and compensation
Members of the Board of Directors and Executive Board received no fees or other compensation from BCV that are not included in the above compensation. Moreover, all fees and other amounts received by Executive Board members representing BCV on the boards of directors of other companies are remitted to the Bank. In 2019, such payments to the Bank amounted to CHF 343,621.

Loans to members of the Board of Directors and Executive Board
Serving members of the Board of Directors are not accorded preferential terms on loans granted to them. For members of the Executive Board, as well as for all employees, the interest on variable-rate first mortgages was 1.9% at 31 December 2019. Until 9 December 2019, the inte-

rest charged on Libor mortgage loans and on medium- and long-term fixed-rate loans was between 0.25% and 0.53% above market rates, depending on the term of the loan. Starting on 10 December 2019, these interest rates were between 0.15% and 0.36% above market rates.

Share ownership

Members of the Board of Directors

Under a resolution adopted by the Board of Directors on 7 October 2002, each director is required to own a minimum of 100 BCV shares that must be acquired before the end of their first term.

At 31 December 2019, directors and their close relations held a total of 4,616 BCV shares.

Members of the Executive Board

At 31 December 2019, Executive Board members and their close relations held 18,545 BCV shares.

Compensation of members of the Board of Directors for the 2019 financial year (in CHF)

	Jacques de Watteville	Reto Donatsch	Jack Clemons	Ingrid Deltenre	Fabienne Freymond Cantone	Peter Ochsner	Jean-François Schwarz	Total	Average compen-sation
	Chairman	Vice Chairman	Member	Member	Member	Member	Member starting 1 January		Excluding Chairman
Fees	600 000	115 000	95 000	95 000	95 000	95 000	95 000	1 190 000	98 333
Committee-related compensation		20 000	20 000	10 000	10 000	40 000	20 000	120 000	20 000
Other	30 000	10 000	10 000	10 000	10 000	10 000	10 000	90 000	10 000
Total	**630 000**	**145 000**	**125 000**	**115 000**	**115 000**	**145 000**	**125 000**	**1 400 000**	**128 333**
Other benefits[1]	46 359	15 843	15 288	13 247	15 026	21 477	18 297	145 537	16 530

[1] Social security, unemployment insurance, accident insurance and family allowances.
The Banks does not contribute to the occupational pension funds of members of the Board of Directors

Compensation of members of the Board of Directors for the 2018 financial year (in CHF)

	Jacques de Watteville	Paul-André Sanglard	Jack Clemons	Ingrid Deltenre	Reto Donatsch	Fabienne Freymond Cantone	Peter Ochsner	Total	Average compen-sation
	Chairman	Vice Chairman	Member	Member	Member	Member starting 26 April	Member		Excluding Chairman
Fees	600 000	115 000	95 000	95 000	95 000	64 652	95 000	1 159 652	93 275
Committee-related compensation		20 000	16 667	10 000	20 000	6 806	40 000	113 473	18 912
Other	30 000	10 000	10 000	10 000	10 000	6 806	10 000	86 806	9 468
Total	**630 000**	**145 000**	**121 667**	**115 000**	**125 000**	**78 264**	**145 000**	**1 359 931**	**121 655**
Other benefits[1]	44 610	15 468	15 196	14 107	12 851	3 004	21 041	126 277	13 611

[1] Social security, unemployment insurance, accident insurance and family allowances.
The Banks does not contribute to the occupational pension funds of members of the Board of Directors

Compensation of members of the Executive Board for the 2019 financial year (in CHF)

	Total		Pascal Kiener CEO	
	Shares (in units)		Shares (in units)	
Fixed salary		4 660 080		960 000
Annual performance-based compensation paid in cash[1]		2 520 000		427 000
Annual performance-based compensation paid in shares[1, 2]		727 149		102 185
Shares acquired under employee share-ownership program[3]	600	16 040	0	0
Stock options (BCV has no employee stock-option plan)	0	0	0	0
Other		22 800		6 000
Total		**7 946 069**		**1 495 185**
Previous year		*7 968 416*		*1 495 185*
2017-2019 long-term performance-based compensation plan				
Shares allocated at CHF 810 per share[4]	1 519	1 230 390	217	175 770
Previous year	*1 374*	*1 095 078*	*229*	*182 513*
Total		**9 176 459**		**1 670 955**
Previous year		*9 063 494*		*1 677 698*
Occupational pension		1 357 851		214 153
Other benefits[5]		787 106		140 999
Previous year				
Occupational pension		*1 356 313*		*212 616*
Other benefits[5]		*753 630*		*136 904*

1) Subject to approval at the 2020 Annual Shareholders' Meeting
2) The number of shares will be calculated based on the market price on 11 May 2020, and rounded up to the nearest unit. The value of the shares (in Swiss francs) is discounted according to the duration of the share lock-up period
3) Difference between the subscription price (CHF 650) and the market price on 14 March 2019 (CHF 806) at its discounted value
4) Market price on 5 March 2020
5) Social security, unemployment insurance, accident insurance, income replacement and family allowances

Loans to members of governing bodies (in CHF)

	Position	Nominal	Secured	Unsecured	31 / 12 / 19 Drawn down
Board of Directors					
Jacques de Watteville	Chairman	0			
Reto Donatsch	Vice Chairman	0			
Jack Clemons	Member	365 000	365 000		365 000
Ingrid Deltenre	Member	0			
Fabienne Freymond Cantone	Member	0			
Peter Ochsner	Member	0			
Jean-François Schwarz	Member	11 050 000	11 050 000		10 700 000
Total		**11 415 000**	**11 415 000**	**0**	**11 065 000**
Previous year		*387 000*	*387 000*	*0*	*387 000*
Executive Board					
Total		**23 370 000**	**23 370 000**	**0**	**22 372 000**
Previous year		*20 276 000*	*20 276 000*	*0*	*19 476 000*
Gérard Haeberli[1)]	Member	10 579 000	10 579 000	0	10 487 000

[1)] Largest individual loan granted to an Executive Board member

No loans were granted to close relations (i.e., persons living under the same roof) of the members of the Board of Directors and Executive Board on terms not in keeping with market practice.

Loans to companies with links to members of governing bodies (in CHF)

No loans were granted to companies with links to members of governing bodies.

Share and option ownership

		31 / 12 / 19 Shares (in units)	31 / 12 / 18 Shares (in units)
Board of Directors			
Jacques de Watteville	Chairman	200	200
Reto Donatsch	Vice Chairman	100	100
Jack Clemons	Member	100	100
Ingrid Deltenre	Member	174	174
Fabienne Freymond Cantone	Member	51	25
Peter Ochsner	Member	300	300
Schwarz Jean-François[1]	Member	3 691	
Total		**4 616**	**899**

[1)] Not a member of the Board of Directors in 2018

Executive Board			
Pascal Kiener	CEO	3 215	2 740
Stefan Bichsel	Asset Management & Trading	5 000	4 590
Andreas Diemant	Corporate Banking	417	176
Gérard Haeberli	Private Banking	1 929	2 012
Christian Meixenberger	Business Support	336	210
Thomas W. Paulsen	CFO	1 143	937
Bertrand Sager	Credit Management	4 166	3 795
José François Sierdo	Retail Banking	2 339	1 852
Total		**18 545**	**16 312**

Members of the Board of Directors and Executive Board held no options at 31 December 2019.

5.17.2 Compensation and loans granted to former members of the Board of Directors and Executive Board

Compensation of former members of the Board of Directors and Executive Board for the 2019 financial year

None.

Loans granted to former members of the Board of Directors and Executive Board

Since 1 November 2002, serving members of the Board of Directors have not been granted any preferential terms for banking services, while former members who held office prior to this date continue to receive preferential terms that are in line with current market practice for the banking industry.

Retired Executive Board members continue to receive preferential terms that are in line with current market practice for the banking industry.

Jean-François Schwarz, a retired Executive Board member who receives a pension from the "Caisse de pensions de la Banque Cantonale Vaudoise," joined the Board of Directors on 1 January 2019 and will continue to receive preferential terms, in line with current market practice for the banking industry, on his fixed-term mortgage loans until they mature. He will receive no other preferential terms during his time in office, like the other members of the Board of Directors.

5.18 Breakdown of assets by solvency of the country group in which the risk is domiciled (in CHF millions)

		31 / 12 / 19		31 / 12 / 18	
Internal country rating	Standard & Poor's rating	Absolute value	as % of total	Absolute value	as % of total
1&2	AAA to AA-	2 832	82	2 868	83
3	A+ to A-	213	6	221	6
4	BBB+ to BBB-	55	2	113	3
5	BB+ to BB-	10	0	56	2
6	B+ to B-	281	8	154	4
7	CCC+ to C	23	1	32	1
Not rated	Not rated	19	1	11	0
Net foreign exposure		**3 433**	**100**	**3 455**	**100**

5.19 Special "Caisse d'Epargne Cantonale Vaudoise" account (in CHF millions)

Guaranteed by the Canton of Vaud and managed by Banque Cantonale Vaudoise, by decree of 20 June 1995

	2019	2018
Capital on deposit at 1 January	**188.7**	**196.7**
Movements:		
Net payment surplus during the financial year	– 10.1	– 8.0
Capitalization of net interest at 31 December	0.0	0.0
Net change	– 10.1	– 8.0
Total capital on deposit at 31 December	**178.6**	**188.7**
of which guaranteed by the Canton of Vaud	*108.2*	*117.3*

	31 / 12 / 19	31 / 12 / 18	Change
Breakdown by type of service			
Registered savings books and accounts	129.9	133.4	– 3.5
Senior citizens' savings books and accounts	26.9	31.7	– 4.8
Bearer savings books	21.1	22.7	– 1.7
Youth savings books and accounts	0.7	0.9	– 0.2
Total	**178.6**	**188.7**	**– 10.1**

6. Notes to off-balance-sheet transactions

6.1 Fiduciary transactions (in CHF millions)

	31 / 12 / 19	31 / 12 / 18	Change absolute	Change as %
Fiduciary investments with third parties	368	198	171	86

6.2 Assets under management

As BCV is not required to disclose these figures, they are provided voluntarily and only on a consolidated basis (see note 11.4 to the consolidated financial statements).

7. Notes to the income statement

7.1 Refinancing of trading positions
Negative interest

	2019	2018	Change absolute	Change as %
Banks and reverse repurchase agreements	0.1	– 2.0	2.2	106
Customers	549.4	556.5	– 7.1	– 1
Interest and dividends on financial investments	27.7	30.9	– 3.2	– 10
Other interest income	11.5	9.5	2.1	22
Total interest income	**588.7**	**594.8**	**– 6.1**	**– 1**
Banks and repurchase agreements	20.5	16.9	3.6	21
Customers	– 5.8	– 1.6	– 4.2	– 253
Medium-term notes and bonds	73.3	80.3	– 7.0	– 9
Other interest expense	11.0	10.1	0.9	9
Total interest expense	**99.0**	**105.7**	**– 6.7**	**– 6**
Net interest income before loan impairment charges/reversals	**489.7**	**489.1**	**0.6**	**0**

Negative interest paid by the Bank on its assets is deducted from interest and discount income. This negative interest totaled CHF 5.0m in 2019, against CHF 6.9m in 2018, and relates mainly to deposits held with the Swiss National Bank, interbank positions, and to a lesser extent funding transactions for trading positions.

Negative interest received by the Bank on its liabilities is deducted from interest expense. This negative interest totaled CHF 42.6m in 2019, against CHF 38.3m in 2018, and was earned on interbank positions, customer deposits, and transactions related to structured product issuance.

7.2 Net trading income and fair-value adjustments (in CHF millions)

Breakdown by business sector	2019	2018	Change absolute	Change as %
Retail Banking	17.1	17.3	– 0.2	– 1
Corporate Banking	9.8	9.7	0.1	1
Wealth Management	9.6	9.1	0.5	6
Trading	46.0	41.5	4.5	11
Corporate Center	33.9	38.2	– 4.3	– 11
Total	**116.4**	**115.8**	**0.7**	**1**

Trading income and fair-value adjustments				
Fixed-income instruments (including funds)	2.1	0.9	1.2	134
Equity securities (including funds)	20.6	17.2	3.5	20
Currencies and precious metals	100.7	104.4	– 3.7	– 4
Total trading income and fair-value adjustments	**123.4**	**122.4**	**1.0**	**1**
of which fair-value adjustments	*20.3*	*17.1*	*3.2*	*18*
of which fair-value adjustments on assets	*192.7*	*– 126.6*	*319.3*	*252*
of which fair-value adjustments on liabilities	*– 172.4*	*143.7*	*– 316.1*	*– 220*
Trading fee expense	– 7.0	– 6.7	0.3	5
Net trading income and fair-value adjustments	**116.4**	**115.8**	**0.7**	**1**

7.3 Personnel costs (in CHF millions)

	2019	2018	Change absolute	Change as %
Fixed and variable compensation	228.6	223.9	4.7	2
of which charges related to share-based compensation and other variable compensation (including the portion paid in cash)	*34.3*	*32.4*	*1.9*	*6*
Employee benefits	23.3	22.4	0.9	4
Contributions to staff pension funds	33.0	32.4	0.7	2
Other personnel expenses	14.0	13.6	0.4	3
Total	**299.0**	**292.3**	**6.7**	**2**

7.4 Other operating expenses (in CHF millions)

	2019	2018	Change absolute	Change as %
Premises	18.8	19.1	– 0.3	– 2
IT	68.3	69.6	– 1.3	– 2
Machinery, furniture, vehicles, etc.	3.2	3.5	– 0.3	– 8
Office supplies	1.0	1.0	– 0.0	– 2
Telecommunications and shipping	5.9	7.1	– 1.2	– 17
Marketing and communications, gifts and subscriptions	16.9	16.2	0.7	4
Financial information	12.3	11.8	0.5	4
Auditor fees	2.0	1.9	0.1	5
of which for financial and prudential audits	*1.8*	*1.8*	*0.1*	*4*
of which for other services	*0.2*	*0.2*	*0.0*	*15*
Other professional fees	3.6	3.8	– 0.2	– 6
Payment transactions	10.4	10.5	– 0.1	– 1
Issuing fees	1.1	1.0	0.1	12
Miscellaneous operating expenses	4.9	5.1	– 0.2	– 4
of which charges for the guarantee by the Canton of Vaud[1]	*0.3*	*0.3*	*– 0.0*	*– 7*
Total	**148.4**	**150.6**	**– 2.2**	**– 1**

[1] Limited guarantee by the Canton of Vaud for deposits with the Caisse d'Epargne Cantonale Vaudoise, and managed by BCV

7.5 Other provisions and losses (in CHF millions)

	2019	2018	Change absolute	Change as %
Provisions for credit risk	4.4	0.3	4.1	n/a
Miscellaneous provisions	0.3	0.0	0.3	1092
Miscellaneous losses	1.1	1.7	– 0.7	– 39
Total	**5.8**	**2.0**	**3.8**	**185**

7.6 Extraordinary income (in CHF millions)

	2019	2018	Change absolute	Change as %
Disposals of equity holdings	0.2	0.3	– 0.1	– 44
Disposals of tangible fixed assets[1]	0.0	33.9	– 33.9	– 100
Other extraordinary income	0.5	0.7	– 0.2	– 28
Total	**0.7**	**34.9**	**– 34.2**	**– 98**

[1] Proceeds from the sale of a piece of non-core real estate, which was finalized in 2018

7.7 Extraordinary expenses (in CHF millions)

	2019	2018	Change absolute	Change as %
Miscellaneous extraordinary expenses	0.2	0.0	0.2	641
Total	**0.2**	**0.0**	**0.2**	**641**

7.8 Taxes (in CHF millions)

	2019	2018	Change absolute	Change as %
Direct federal tax	28.2	27.2	1.0	4
Cantonal and municipal taxes	25.6	58.8	– 33.3	– 57
Total	**53.8**	**86.0**	**– 32.2**	**– 37**
Weighted average tax rate, based on operating profit	13%	21%		

8. Proposal by the Board of Directors

At the Annual Shareholders' Meeting to be held on 30 April 2020, the Board of Directors will recommend the following appropriation of profit and distributions:

The proposed allocation of available earnings of CHF 372.3m is as follows:

	Dividend in CHF per registered share	Number of shares (in units)	Appropriation (in CHF millions)
Payment of an ordinary dividend	36.00	8 606 190	309.8
Allocation to regulatory retained earnings			0.0
Allocation to optional retained earnings			62.4
			372.3

If this resolution is adopted, the dividend will be payable, after deduction of Swiss withholding tax, at the Bank's head office and branches beginning on 7 May 2020.

Statutory Auditor's Report

To the General Meeting of Banque Cantonale Vaudoise, Lausanne

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the financial statements of Banque Cantonale Vaudoise, which comprise the balance sheet as at 31 December 2019, the income statement and the statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements (pages 164 to 189) for the year ended 31 December 2019 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Methods regarding identification and valuation of the value adjustments related to amounts due from customers and mortgage loans

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG

Methods regarding identification and valuation of the value adjustments related to amounts due from customers and mortgage loans

Key Audit Matter	Our response
Mortgages and loans are one of the bank's main activities and represent approximately two thirds of its balance sheet as at 31 December 2019. The valuation of a counterparty's default risk relies largely on the use of rating methods developed by the bank. The valuation of the related loan impairment charges relies on an analysis method that takes into account various elements such as market factors, the client's estimated willingness to repay and financial capacity or the estimation of the collateral's value. The identification of risks and the valuation of the related loan impairment charges thus rely on models and analyses that imply an element of judgement by the Board of Directors and Management. Exposures that create greater uncertainty are typically those that result from unsecured loans or those that are subject to a collateral's loss of value.	Our procedures consisted in particular in assessing and testing the key controls related to the granting, recording and monitoring of mortgages and loans as well as the methodology used for the identification of default risk and the valuation of the loan impairment charges. For a sample of non-impaired exposures, we assessed the debtors' capacity to fulfil their obligations. We compared our findings with the assessment of the default risk performed by the bank using its counterparty rating process. Regarding receivables that are considered as impaired or as presenting latent risks, our procedures consisted, among others, of assessing the evolution of the relation between the loan impairment and the concerned receivables as a whole. For a sample of individual receivables that are considered as impaired or as presenting latent risks, we assessed the debtors' financial standing as well as the valuation of collaterals and we compared our findings with the assumptions and factors taken into account by the bank when calculating the required loan impairment charges.

For further information on methods regarding identification and valuation of the value adjustments related to amounts due from customers and mortgage loans, refer to the following notes to the consolidated and parent company financial statements of Banque Cantonale Vaudoise as at 31 December 2019:

— Note 7.2 "Credit risk" (p. 123 to 125 of the Annual Report)

— Note 5.2 "Risk mitigants for loans and off-balance-sheet transactions, impaired loans" (p. 169 of the Annual Report)

Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

— Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings (page 189) complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG SA

Olivier Gauderon
Licensed Audit Expert
Auditor in Charge

Philippe Ruedin
Licensed Audit Expert

Geneva, 6 March 2020

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KPMG SA, Esplanade de Pont-Rouge 6, CH-1211 Genève 26

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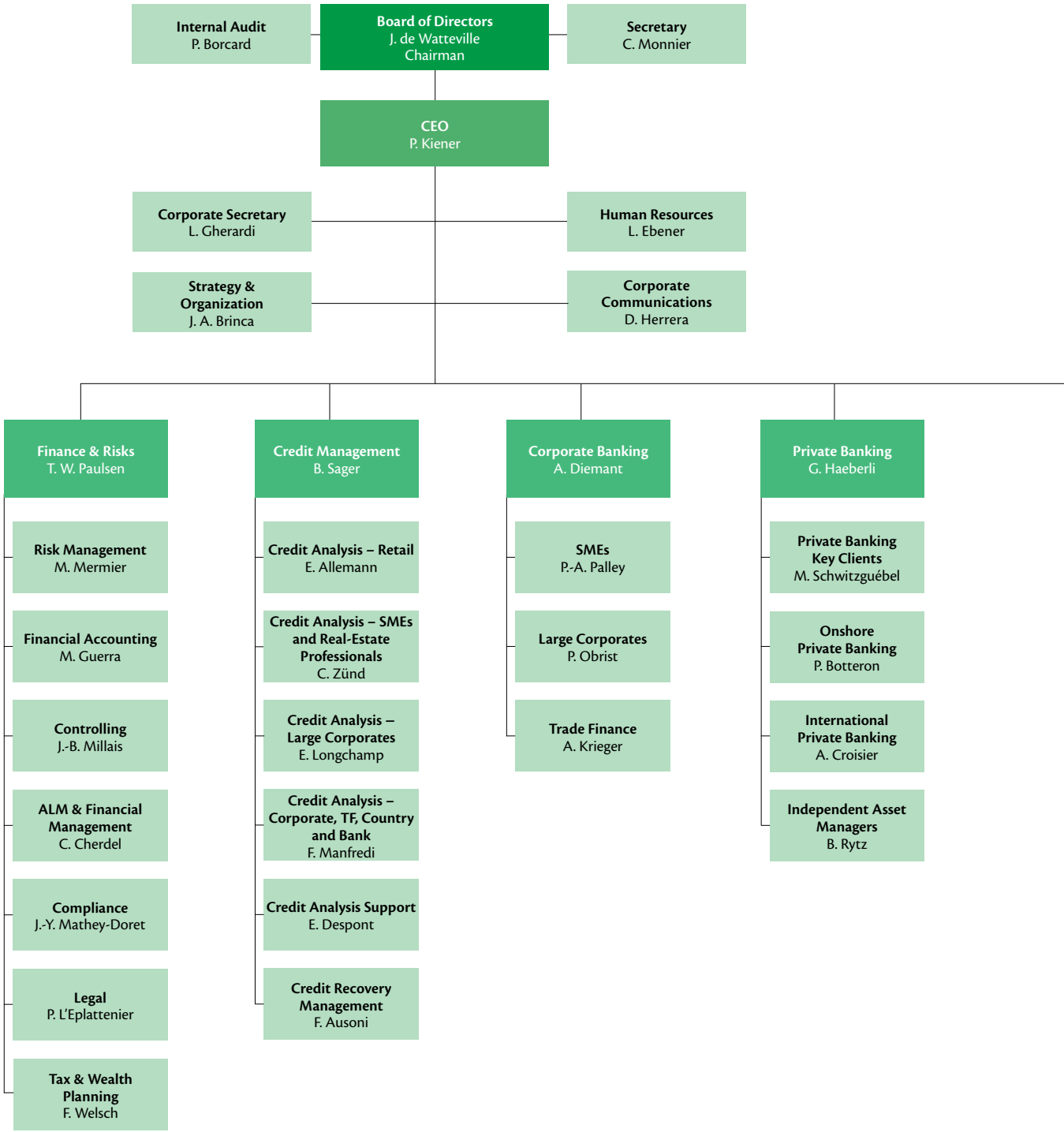
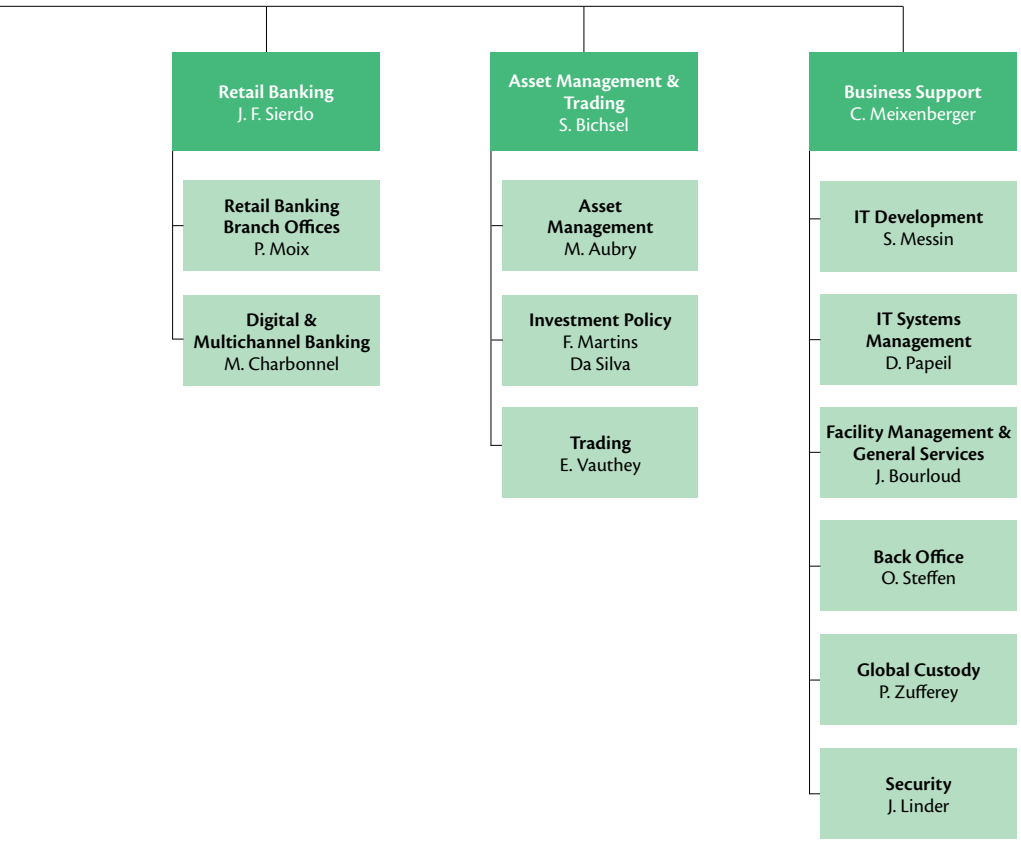
Organization Chart

As of 1 March 2020




Retail Banking
J. F. Sierdo
Retail Banking Branch Offices
P. Moix
Digital & Multichannel Banking
M. Charbonnel
Asset Management & Trading
S. Bichsel
Asset Management
M. Aubry
Investment Policy
F. Martins Da Silva
Trading
E. Vauthey
Business Support
C. Meixenberger
IT Development
S. Messin
IT Systems Management
D. Papeil
Facility Management & General Services
J. Bourloud
Back Office
O. Steffen
Global Custody
P. Zufferey
Security
J. Linder

Retail Network

As of 1 March 2020

Regional Managers

As of 1 March 2020

Broye region

Retail banking	David Platel, a.i.
Private banking	Hubert Joye
SME	Julien Gander

Chablais region

Retail banking	Éric Barroud
Private banking	Vincent Mottier
SME	Sébastien Roduit

Gros-de-Vaud region

Retail banking	Pascal Udry, a.i.
Private banking	Pierre-Yves Zimmermann
SME	Stéphane Binggeli

Lausanne region

Retail banking	Sébastien Rod
Private banking	Pascal Aubry
SME	Henri-Pierre Monney

Lavaux region

Retail banking	David Platel
Private banking	Olivier Engler
SME	Cédric Ottet

Morges region

Retail banking	Philippe Diserens
Private banking	Daniel Vuffray
SME	Patrick Blanc

Nord vaudois region

Retail banking	Pascal Udry
Private banking	Adrian Kocher
SME	Alexandre Berthoud

Nyon region

Retail banking	Jean-Daniel Dreifuss
Private banking	Jean-Michel Isoz
SME	Jean-Daniel Gebhard

Riviera region

Retail banking	David Bressoud
Private banking	Christophe Millius
SME	Didier Muller

Branch Offices

As of 1 March 2020

Broye region

Avenches
Route de Lausanne 9
Case postale
1580 Avenches

Lucens
Avenue de la Gare 4 A
Case postale 69
1522 Lucens

Payerne
Rue du Temple 9
Case postale 64
1530 Payerne

Chablais region

Aigle
Rue du Collège 2
Case postale 449
1860 Aigle

Bex
Rue Centrale 5
Case postale 62
1880 Bex

Château-d'Oex
Grand-Rue 82
Case postale 172
1660 Château-d'Oex

Les Diablerets
Les Ormonts 7
Case postale 28
1865 Les Diablerets

Leysin
Place du Marché
Case postale 83
1854 Leysin

Villars
Avenue Centrale 119
Case postale 7
1884 Villars

Villeneuve
Grand-Rue 1
Case postale 27
1844 Villeneuve

Gros-de-Vaud region

Cheseaux-sur-Lausanne
Rue du Pâquis 1
Case postale 68
1033 Cheseaux-sur-Lausanne

Cugy
Centre commercial Migros
Route de Bottens 1
Case postale 8
1053 Cugy

Echallens
Place de la Gare 7
Case postale 31
1040 Echallens

Moudon
Rue du Temple 10
Case postale 32
1510 Moudon

Penthalaz
Place Centrale 3
Case postale 7
1305 Penthalaz

Romanel
Centre commercial Romanel
en Félezin
Case postale 105
1032 Romanel

Lausanne region

Bellevaux
Route Aloys-Fauquez 116
1000 Lausanne 8

Bergières
Avenue Bergières 42
Case postale 60
1000 Lausanne 22

Bussigny
Rue St-Germain 2 A
Case postale 44
1030 Bussigny

Chauderon
Place Chauderon 8
Case postale 300
1001 Lausanne

CHUV
Rue du Bugnon 46
Case postale 8
1011 Lausanne

Crissier
Centre MMM
Case postale 210
1023 Crissier

Écublens
Chemin du Croset 3
Case postale 47
1024 Écublens

Épalinges
Place de la Croix-Blanche 17
Case postale 119
1066 Épalinges

La Sallaz
Route d'Oron 2
Case postale 32
1000 Lausanne 10

Lausanne - Cour
Avenue de Cour 38 A
Case postale 163
1000 Lausanne 3

Lausanne - Gare
Place de la Gare 10
Case postale 192
1001 Lausanne

Ouchy
Avenue d'Ouchy 76
1006 Lausanne

Prilly
Route de Cossonay 21
Case postale 48
1008 Prilly

Renens
Rue du Midi 15
Case postale 608
1020 Renens

UNIL
Internef - Dorigny
Case postale 125
1015 Lausanne

Lausanne - St-François
Place St-François 14
Case postale 300
1001 Lausanne

Lavaux region

Chailly
Avenue de Chailly 10
Case postale 79
1000 Lausanne 12

Cully
Place de l'Hôtel de Ville 7
Case postale 16
1096 Cully

Lutry
Route de Lavaux 166
Case postale 265
1095 Lutry

Mézières
Rue du Théâtre 2
Case postale 41
1083 Mézières

Oron-la-Ville
Le Bourg 16
Case postale 103
1610 Oron-la-Ville

Pully
Rue de la Poste 8
Case postale 62
1009 Pully

Savigny
Place du Forum 2
Case postale 120
1073 Savigny

Morges region

Aubonne
Chemin du Mont-Blanc 2
Case postale 37
1170 Aubonne

Cossonay
Rue des Etangs 5
Case postale 35
1304 Cossonay-Ville

Denges
Route de Genève 107 B
Case postale 74
1026 Denges

Morges Hôtel-de-Ville
Place de l'Hôtel-de-Ville 2
Case postale 144
1110 Morges 1

St-Prex
Route de Rolle 2
Case postale 24
1162 St-Prex

Nord vaudois region

Chavornay
Route d'Yverdon 2
Case postale 62
1373 Chavornay

Grandson
Place du Château 8
Case postale 24
1422 Grandson

Le Sentier
Grand-Rue 36
Case postale 62
1347 Le Sentier

Orbe
Place du Marché 9
Case postale 27
1350 Orbe

Ste-Croix
Rue Neuve 2
Case postale 17
1450 Ste-Croix

Vallorbe
Rue de l'Horloge 1
Case postale 36
1337 Vallorbe

Yverdon-les-Bains
Rue des Remparts 17
Case postale 256
1400 Yverdon-les-Bains 1

Nyon region

Coppet
Rue Froide 1
Case postale 30
1296 Coppet

Gland
Avenue du Mont-Blanc 14 A
Case postale 338
1196 Gland

Nyon
Rue Perdtemps 6
Case postale 1048
1260 Nyon 1

Rolle
Grand-Rue 60
Case postale 1208
1180 Rolle

Signy
Centre Commercial
Rue des Fléchères 7 A
Case postale 245
1274 Signy-Centre

Riviera region

Blonay
Route du Village 7
Case postale 91
1807 Blonay

Chexbres
Grand-Rue
Case postale 113
1071 Chexbres

Clarens
Avenue Vinet 15
Case postale 51
1815 Clarens

La Tour-de-Peilz
Grand-Rue 38
Case postale 64
1814 La Tour-de-Peilz

Montreux
Grand-Rue 50
Case postale 1026
1820 Montreux

Vevey - Gare
Place de la Gare
Case postale 160
1800 Vevey 1

Vevey - Nestlé
Avenue Nestlé 55
Case postale 353
1800 Vevey 1

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