2020 Annual Report

BCV

BCV at a glance

2020 highlights

We fulfilled our role in serving our Canton's people and economy

- We continued to deliver our products and services while implementing optimal safety conditions for our employees and customers.
- We also worked with four other Swiss banks and the Swiss federal authorities to develop and implement the Covid-19 bridge-loan program in record time. We granted more than 6,000 bridge loans for a total of over CHF 700m.

We achieved solid financial results despite the extraordinary conditions created by the Covid-19 crisis

- In an operating environment deeply impacted by the public health crisis and persistently negative interest rates, our revenues decreased 6% to CHF 945m.
- The decline in revenues was partially offset by firm cost control. Operating profit came in at CHF 373m, down 11% on the year-earlier period.
- Net profit stood at CHF 331m, which is 9% lower than the record level reached in 2019, but nevertheless a solid figure, as illustrated by an ROE of 9.3% – one of the highest in our peer group.

We delivered on our dividend policy for the 12th year in a row

- In recognition of our financial solidity, Standard and Poor's reaffirmed our AA rating, and Moody's reaffirmed our Aa2 rating. We paid an ordinary dividend of CHF 36 per share to shareholders in May 2020, corresponding to a CHF 1 increase relative to the previous year, for a payout of CHF 310m. For the 2020 financial year, the Board of Directors is recommending that shareholders approve another payout of CHF 310m.

2020 was a great year for our share

- Our share delivered a total return of 26.5% in 2020, making it the second-best performer among Swiss banking stocks.
- On 28 May 2020, we carried out a 10-for-1 stock split following the approval of our shareholders at our annual meeting. The following day, our share was added to the MSCI World Index, and on 22 June it joined the STOXX Europe 600 Index, enhancing the share's visibility and liquidity.

We continued to implement our sustainable development strategy with several new initiatives

- For the first time, we published our Sustainability Report in accordance with Global Reporting Initiative Standards and in both French and English.
- In our institutional asset management business, we entered into a strategic partnership with Ethos, a foundation that plays a leading role in SRI in Switzerland. We are now jointly developing SRI investment solutions with Ethos. Our existing range of products also applies ESG selection criteria.
- We extended our line of green mortgage loans for energy-efficient properties and renovation projects aimed at improving energy efficiency.

Key figures – 5-year overview

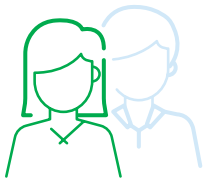
Balance sheet (in CHF millions)	2016	2017	2018	2019	2020
Total assets	44 085	45 415	47 863	48 352	53 186
Advances to customers	29 849	30 233	31 756	32 768	33 849
Customer deposits	29 245	30 512	31 375	33 048	35 424
Shareholders' equity	3 420	3 457	3 522	3 586	3 574
Assets under management (in CHF millions)					
Assets under management	85 382	86 490	87 620	97 840	103 159
cash and cash equivalents	*26 009*	*26 977*	*28 062*	*29 837*	*31 729*
investment funds	*19 812*	*21 807*	*21 817*	*25 217*	*27 402*
shares	*21 588*	*19 871*	*18 485*	*20 934*	*22 336*
bonds	*11 029*	*9 764*	*9 413*	*9 746*	*8 536*
other	*6 945*	*8 071*	*9 843*	*12 106*	*13 156*
Headcount					
Full-time equivalents	1 943	1 922	1 896	1 921	1 909
Income statement (in CHF millions)					
Total income	967	967	977	1 002	945
Operating expenses	509	508	500	505	495
Depreciation and amortization of fixed assets and impairment on equity investments	72	70	69	71	72
Other provisions and losses	3	1	5	7	5
Operating profit	383	387	403	419	373
Net profit	310	320	350	363	331
Liquidity and capital ratios[1]					
Liquidity Coverage Ratio (LCR)	113%	121%	113%	129%	136%
Leverage Ratio	6.6%	6.5%	6.2%	6.3%	5.8%
Tier 1 capital ratio[2]	17.5%	17.1%	17.1%	17.1%	17.7%
Total capital ratio[2]	17.6%	17.3%	17.2%	17.3%	17.8%
Income ratios					
Operating profit/average shareholders' equity	11.4%	11.4%	11.6%	11.9%	10.5%
Cost/income ratio[3]	59.4%	58.3%	57.6%	57.7%	58.7%
Operating profit per employee (in CHF thousands)	197.1	201.6	211.8	219.3	195.8
ROE	9.1%	9.4%	10.1%	10.4%	9.3%
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

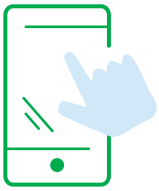
2) To facilitate like-for-like comparison, the ratios for 2016 have been recalculated without subtracting the countercyclical buffer from regulatory capital, in accordance with FINMA Circular 2016/1 "Disclosure – banks"

3) Excluding goodwill amortization and write-downs

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

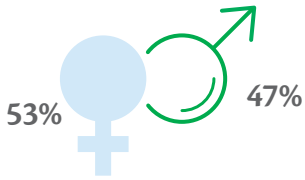


1 of **2** people in Vaud banks with BCV

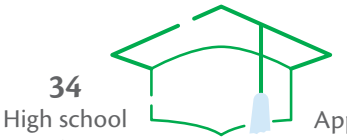


65% of our customers use our digital banking services

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



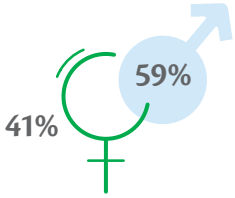
Personal banking advisors



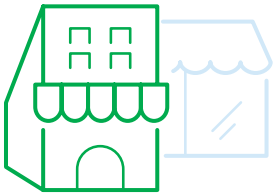
34 High school graduate trainees

34 Apprentices

13 University interns

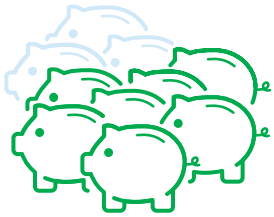


Staff



1 of **2** Vaud small businesses banks with BCV

More than **110** new businesses financed



7 of **10** Vaud pension funds count on BCV

Carbon **Neutral**
(Swiss Climate certification)

We work with over **600** local vendors

More than **6,000** Covid-19 bridge loans granted

For more details on CSR at BCV please see our 2020 Sustainability Report.

Our reports

2020 Annual Report

This report contains BCV's consolidated and parent-company financial statements. It also provides information on our activities in 2020, 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.

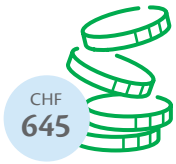
2020 Sustainability Report

Our Sustainability Report provides a detailed look at the progress we made and the steps we took as a responsible corporate citizen in 2020. 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 2020. 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.

66%
of the assets managed through our discretionary agreements and strategic funds include ESG criteria



The equivalent amount per household that BCV paid out to Vaud Canton and municipalities

Standard & Poor's rating

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Letter from the Chairman and the CEO

A year impacted by the Covid-19 pandemic

Last year should have been a year of celebration at BCV, as 2020 was the 175th anniversary of the Bank's founding. Instead, it turned out to be the year of the Covid-19 pandemic – and an unprecedented economic and public health crisis. Protective measures were put in place across Switzerland in March, and at BCV we reorganized our teams, rearranged our branches and offices, and switched our staff over to remote working wherever possible. In this, our overriding concerns were keeping our customers and employees safe while continuing to deliver the full range of banking products and services people count on us for. And in fact, the Covid lockdowns made it clear just how effective our multichannel approach really is: throughout the period, our customers were able to easily do their banking with us at our branches, via videoconference, or online.

Both the Vaud and Swiss governments took measures to mitigate the pandemic's economic impact. We participated actively in those efforts. BCV joined the federal authorities and other major Swiss banks in the working group that developed the country's Covid-19 bridge-loan program, and then we quickly set up the processes and teams to get those loans to the local firms that needed them. We ultimately granted more than 6,000 bridge loans for a total of over CHF 700m. We also suspended the 31 March and 30 June principal repayments on loans to local SMEs, and have decided to implement this much-appreciated measure again in 2021.

Solid results given the challenging operating environment

Despite the exceptional circumstances that shaped 2020, our business model proved robust, with volumes up in our core businesses. Mortgage lending expanded 4%,

Jacques de Watteville
Chairman of the Board of Directors

Pascal Kiener
CEO

or CHF 1.0bn, to CHF 28.0bn, in a real-estate market still supported by historically low interest rates. Other loans increased 1% to CHF 5.8bn. A rise in lending to SMEs, primarily a result of Covid-19 bridge loans, offset our voluntary reduction in Trade Finance exposure. Customer deposits grew 7%, or CHF 2.4bn, to CHF 35.4bn, and assets under management passed the CHF 100bn mark, increasing by 5% to CHF 103.2bn. However, our revenues fell back 6% to CHF 945m, mainly due to the Covid-19 pandemic and the continued negative-interest-rate environment. The decline in revenues was partially offset by firm cost control, and operating profit stood at CHF 373m, down 11%. Net profit for the period came in at CHF 331m, which was 9% lower than our record 2019 net but nevertheless solid.

Sustainability at the heart of our values

BCV's contribution to the long-term development of the Vaud economy is one of the cornerstones of our commitment to sustainability. In 2020, we continued to expand our range of sustainable products and services. We stepped up our Green Bonus preferential interest-rate offering on mortgage loans for energy-efficient properties and renovation projects aimed at improving energy efficiency. We continued to integrate environmental, social and governance (ESG) criteria into our full array of investment solutions. And we introduced ESG Impact investment certificates that allow customers to invest in sustainability-related themes. Last but not least, we entered into a long-term strategic partnership with Ethos – a foundation that plays a leading role in socially responsible investing (SRI) in Switzerland – in order to further expand our range of ESG investment products.

A number of other sustainability initiatives are in the works as well, and you can read about them in our Sustainability Report. Last year we began publishing that report annually in both French and English, and in a new format that is fully compliant with Global Reporting Initiative Standards. This year, the French version is being published at the same time as this annual report, with the English translation scheduled for release in May 2021.

A solid financial position – a cornerstone of long-term sustainability

Financial solidity is the mainstay of long-term sustainability for any bank. The lasting stability that a solid financial position provides is essential to long-term strategic thinking and execution, especially during turbulent times like the current Covid-19 crisis. And at BCV we are indeed in excellent financial shape. At year-end 2020 our capital ratio stood at 17.8%, and Standard & Poor's and Moody's reaffirmed their ratings of AA and Aa2, respectively, during the year.

Dividend unchanged at CHF 3.60 per share

The Board of Directors is confident in BCV's future and will recommend that shareholders approve an unchanged dividend of CHF 3.60 per share, for a payout of CHF 310m.

Changes to the Board of Directors

The Vaud Cantonal Government appointed Eftychia Fischer as the new Chair of BCV's Board of Directors. Ms. Fischer, who was first elected to the Board at the 2020 Shareholders' Meeting, will replace Jacques de Watteville on 1 January 2022. Mr. de Watteville, whose term will expire on 31 December 2021, has been Chairman since 2018. At the next Shareholders' Meeting, BCV's Board of Directors will recommend that Pierre-Alain Urech, former CEO of Romande Energie and current Vice Chairman of the Swiss Federal Railways (SBB) Board of Directors, be elected to the open Board seat. His term would begin on 1 January 2022.

Acknowledgements

The pandemic and its economic impact have been tough on us all, and we would like to express our sincere thanks to all of our customers, both individuals and businesses, for their continued trust. We intend to remain by their side during these trying times, offering the advice and services they need – just as we have for the past 175 years. We would also like to express our gratitude to our shareholders for remaining loyal and for understanding our decision to forgo in-person attendance at the 2020 and 2021 Shareholders' Meetings. Lastly, we wish to thank all our employees for their commitment and efforts during this difficult period and for the great work they do, day in and day out.

J de Watteville

Jacques de Watteville

Pascal Kiener

BCV's original offices
Rue Saint-Pierre 1
Lausanne

"We would have loved to have shared this celebration with everyone. But our responsibility is first and foremost to serve our customers – so that's where we focused our efforts."

In 2020, BCV celebrated its 175th anniversary. The Bank was founded in 1845 after the people of Vaud petitioned the Cantonal Parliament to create a financial establishment capable of providing the households and businesses of the Canton with the funding they needed. Last year, to thank the Canton and its residents for their loyalty over all those years, BCV had planned to celebrate this milestone with contests, promotions, and events. Due to the public health crisis, however, we had to cancel most of the planned events.

"It's a shame," says Daniel Herrera, BCV's Communications Director. "We would have loved to have shared this celebration with everyone. But our responsibility is first and foremost to serve our customers – so that's where we focused our efforts. We also did what we could to help the local community. For example, as part of a joint initiative with the Vaud Tourism Office, our employees received a prepaid card worth 175 francs that they can use at hundreds of businesses across the Canton. It was, in part, a token of our appreciation for all the extra work our teams put in throughout the year, but it was also a way we could provide almost 350,000 francs in support to local businesses."

BCV's Head Office
Place Saint-François 14
Lausanne

1903
BANQUE CANTONALE
BCV

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 (CECV), a savings institution that, although a separate legal entity, is managed by the Bank. Following the Vaud Cantonal Parliament's vote on 8 December 2020, the CECV will be dissolved on 31 December 2021, and its assets and liabilities will be transferred to BCV; all CECV passbooks and accounts will become BCV products.

Our core businesses

With revenues of CHF 945m in 2020 and total assets of CHF 53.2bn, 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 1,909 full-time-equivalent employees at 31 December 2020. 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 2020 is described on page 137.

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 omnichannel 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 3.40–3.80 per share (adjusted for the 10-for-1 stock split on 28 May 2020), 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

The Covid-19 pandemic affected 2020 on many levels, including on the financial markets. Despite signs that the new coronavirus was spreading quickly in China, the markets got the year off to a strong start. They then took a turn for the worse at the end of February when the first restrictions were implemented in Europe. Shortly thereafter, most European countries adopted lockdown measures to contain the rapidly spreading virus, leading to an economic crisis the likes of which the world had not seen since World War II. The main global markets bounced back once those measures were lifted but lost steam at the end of September as the second wave of Covid-19 hit. In mid-November, once the results of the US elections became clear and several vaccines proved to be effective against the virus, the markets picked back up. For the year as a whole, global indices posted the following performance figures: the SMI remained relatively unchanged, edging up 0.8%, and the DAX gained 3.5%, while the CAC 40 fell 7.1% and the Europe Stoxx 600 was down 4.0%. In the US, the Dow Jones rose by 7.2%, the S&P 500 by 16.3%, and the Nasdaq by 47.6%. Other markets around the world benefited from the late-year rally, with the Shanghai Stock Exchange finishing the year up 13.9% and the Nikkei adding 16.0%. The MSCI Emerging Markets index ended 2020 up 15.8%.

Despite the turbulence, 2020 was a positive and eventful year for the BCV share. After a sharp correction in March alongside the broader market, the stock recouped its losses and ended the year up 21.9%. That share-price appreciation, coupled with the dividend paid out to shareholders in May, brought the total return to 26.5%. Over the same period, the SPI and SP Banks indices for Swiss banks posted returns of 3.8% and –12.6%, respectively.

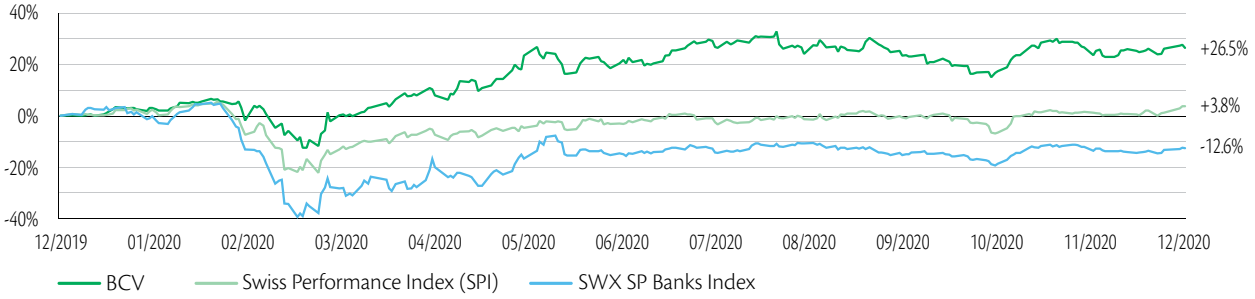
Given the share's remarkable price appreciation over more than a decade, the Bank proposed a 10-for-1 stock split to its shareholders. The objective was to make the share more attractive to private investors and to enhance its liquidity. The stock split was carried out on 28 May 2020. Another highlight of the year was the BCV share's inclusion in two major global indices, the MSCI World Index and STOXX Europe 600. That increased its visibility and significantly improved its liquidity, both of which are crucial for institutional investors. And with an average daily trading volume of CHF 10.7m in 2020 – three times higher than in 2019 – the BCV share is one of the five most-liquid Swiss banking stocks.

At 31 December 2020, 13,840 shareholders were listed in the share register, 12,964 of which were individuals.

Listed on:	SIX Swiss Exchange
Par value:	CHF 1
Swiss security number:	53 175 175
ISIN code:	CH0531751755
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

Total shareholder return[1]

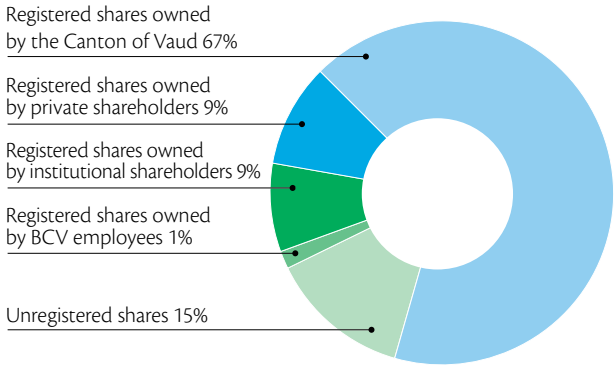


[1] Stock-market performance over the period plus dividends and capital distributions

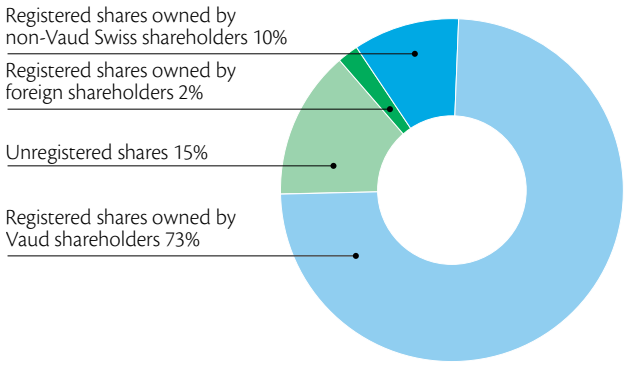
		2016	2017	2018	2019	2020[1]
Number of shares outstanding (in thousands)		8,606	8,606	8,606	8,606	86,061
Period-end share price (in CHF)		645.00	735.00	741.00	790.00	96.30
Share price high / low (unadjusted, in CHF)	– high	694.00	764.50	823.00	820.00	101.40
	– low	582.00	644.00	688.00	708.00	67.50
EPS[2] (in CHF)		36.0	37.2	40.6	42.2	3.84
Adjusted EPS[3] (in CHF)		35.6	37.2	40.6	42.2	3.84
Dividend per share (in CHF)		23.0	23.0	35.0	36.0	3.60[4]
Dividend yield[5] (in %)		3.6	3.1	4.7	4.6	3.7
Total payout (in CHF)		33.0[6]	33.0[6]	35.0	36.0	3.60[4]
Total payout yield[5] (in %)		5.1	4.5	4.7	4.6	3.7

1) Amounts adjusted for the 10-for-1 stock split on 28 May 2020
2) Reported net profit after minority interests over total number of shares in issue
3) Reported net profit after minority interests, excluding an allocation to the reserves for general banking risks, over total number of shares in issue
4) Dividend to be proposed at the 2021 Shareholders' Meeting
5) Relative to the period-end share price
6) 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



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.

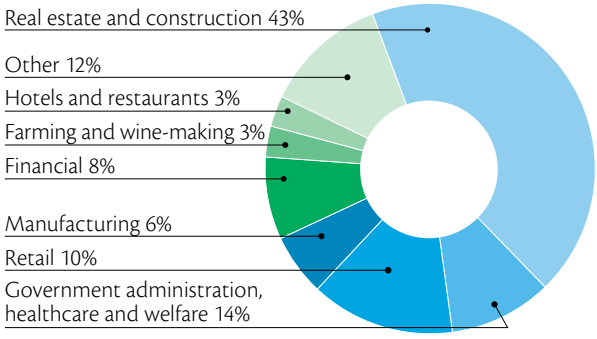
6. Playing an active role in the community.

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

That role was especially important in 2020 with the outbreak of the Covid-19 epidemic. In March, we introduced special measures to protect our customers and employees, while continuing to provide our full range of banking products and services to the people and businesses of Vaud. We rearranged our branches and offices, switched our staff over to remote working wherever possible, and reorganized our teams so that employees could work in shifts or in separate areas to minimize risks. Our customers were able to use BCV's various remote banking channels to carry out their day-to-day transactions and speak with their advisors, demonstrating the effectiveness of our multichannel approach.

We also canceled most of the activities we had planned for our customers, employees, and the general public to celebrate BCV's 175th anniversary. We focused instead on fulfilling our missions and serving the people of Vaud. It quickly became clear that measures needed to be taken to help local companies during the crisis. For Vaud SMEs, we suspended the loan repayments due on 31 March and 30 June, leaving those firms with over CHF 40m of additional cash. We have decided to repeat this much-appreciated measure in 2021. We also worked intensely with other banks and the Swiss federal and Vaud cantonal authorities to develop the Covid-19 bridge-loan program and its equivalent for startups. In just a few days, we set up the processes and the teams – involving 80 employees in total – needed to get those loans to our customers. We ultimately granted over 6,000 bridge loans for a total of over CHF 700m last year, fulfilling our role as the Canton's largest lender.

80% of our lending is local

Our loan book covers all of our client segments across the entire Canton, with the people and businesses of Vaud accounting for 80% of total lending volumes. At end-2020, 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 2020, we financed over 50 business successions for a total of CHF 70m and provided CHF 60m in financing to get over 110 startups off the ground in Vaud Canton.

More than
110
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).

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, GENILEM (a startup support organization), and SAWI (a marketing and communications organization). In 2020, seminar attendance remained strong despite the public health crisis and most of the workshops being held online rather than in-person.

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 over 60 branch offices across the Canton (see our retail map and list of branch addresses on pages 200–203).

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. In 2020, we completed the renovation of our regional office in Nyon.

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 with BCV advisors available Monday through Friday from 8am to 7pm and on Saturday mornings in some of our shopping center branches. Our 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 2020, our Customer Service Center handled 700,000 customer contacts – a 13% increase compared with 2019 – driven by the public health situation. Our branch advisors stepped in to provide additional help handling customer requests, attesting to our success in integrating our various customer channels. Our business banking hotline for Vaud companies is available between 8am and 6pm, Monday to Friday. Throughout this unusual year, our hotline played a central role in providing businesses with information, especially about federal government support measures. In 2020, our advisors handled over 110,000 customer contacts, around 25% more than in 2019.

We also offer automated services through our network of over 220 ATMs in more than 120 locations across Vaud.

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%	16%	13%	10%	8%	9%	15%
Other loans	4%	8%	15%	15%	11%	8%	11%	10%	18%
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, 2018

For greater ease of use, our ATMs feature touchscreens and an interface for the visually impaired, and run on the new ATM Futura software for Swiss bank ATMs. In 2020, around 6.5 million transactions were carried out via our ATMs, a 28% decline compared with the previous year owing to the public health situation. At the other end of the spectrum, payment methods such as BCV Maestro cards and BCV TWINT were used significantly more frequently for purchases in Switzerland; debit card transactions were up 9% and BCV TWINT transactions were up 171%.

A broad digital proposition

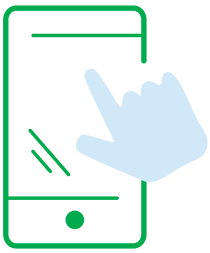
Our clients are also increasingly taking advantage of the 24/7 access provided by our online banking services through our website, bcv.ch, and our online banking platform accessible via BCV-net on a computer or BCV Mobile on a smartphone or tablet. We regularly add new features to our digital-banking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

Currently, 65% 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 logins are via our BCV Mobile app, and 40% 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 to the firm's accounts. They can also apply for, renew, or repay loans such as fixed-term advances. For our wealth management clients, we offer our BCV Conseil range of investment advisory services, which include an easily accessible portfolio overview and personalized recommendations.

We enhanced our investment proposal tool so that customers can filter for funds that integrate environmental, social, and governance criteria (ESG) into their investment process. In 2020, we made it possible for our clients to issue and pay QR bills, make use of new notification settings, and easily access their tax statements in a single space in BCV-net. What's more, we have added to our card-management functions, enabling customers to change the spending limits on their credit cards and block their cards from being used in certain areas of the world.

BCV Mobile users benefited from a number of upgrades to our app as well. They can now speak with an advisor via video conference, use the same notification settings that were already available in BCV-net, scan QR-bill codes, and have full access to the information and features that were previously part of our Finance and Markets app. These many improvements reflect our pledge to follow through on the customer feedback we receive at workshops, 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.



65%
of our customers use our digital banking services

BCV TWINT mobile payment

Our BCV TWINT app has been growing in popularity every year since it was launched in 2017. With the public health crisis, the number of TWINT users has now soared both at BCV and nationwide. In 2020, TWINT recorded 116,000 new users, for a total of over three million people who use the app in Switzerland. TWINT is a payment app developed by the Swiss banking sector that allows users to pay for in-store and online purchases, transfer money to other TWINT users, buy public transportation tickets, and pay for parking. TWINT users may one day be able to use the app abroad, too; the European Mobile Payment Systems Association (EMPSA), of which TWINT is a member, began running tests on this in 2020, in which TWINT participated.

BCV's TradeDirect platform remains one of the most competitively priced online brokerage services in Switzerland. The tradedirect.ch website, which was completely redesigned in 2020, 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. TradeDirect attracted a record number of new clients in 2020, and the stock market volatility contributed to a record year in terms of transaction volumes.

In addition to the content on our website, BCV publishes economic news and information on a single platform (www.bcv.ch/pointsforts). This includes analyses from our experts, videos of their guest appearances on the "Votre argent" segments broadcast on La Télé Vaud Fribourg, and an array of articles covering investments, financial planning, real estate, and the Vaud economy.

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 published in 2019 and 2020 by LINK Institut on a representative sample of Vaud residents.

At BCV, we see customer feedback as a key element to improving our products, services, and processes. To make it easier for customers to share their experience with us, we created a customer feedback center that can be accessed across all our channels. We also carry out customer satisfaction surveys and systematically follow up on complaints. In 2020, BCV received 530 customer complaints, 90% of which were processed within the target deadlines. Thanks to the feedback we received, we were quickly able to make concrete improvements. Some were relatively simple, such as making hand sanitizer available in all our branches. Others, like giving corporate clients faster access to BCV-net, were more complex.

As for our specific banking solutions, we offer our personal banking customers a comprehensive range of products and services. Customers of all ages, whether working or in school, can simply choose the BCV banking pack that best fits their daily banking needs. Our banking packs can be opened online or at a BCV branch. For our Junior banking pack, children as young as 7 can now have a BCV account (as opposed to 11 before); parents can manage their child's account and Maestro card spending limits, and parents can use TWINT with their children (for instance, to send some pocket money).

We provide 1 of 3
mortgage loans in Vaud

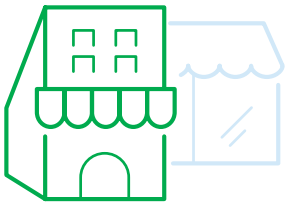
Personal banking customers can take out mortgage loans to meet their home financing needs. First-time home buyers can take advantage of our new BCV Start Immo offer and not pay interest for the first six months on a fixed-rate loan with a term of at least five years. We also expanded the scope of our Green Bonus, which is a preferential interest rate on loans used to finance energy-efficient properties and renovations, to include properties with a CECB eco-rating. Our customers can use our asset allocation funds and third-pillar individual retirement accounts to invest their savings for the long term. We added several funds to that range in 2020: the BCV Stratégie Équipondéré ESG Impact fund, for investors seeking socially responsible investments, and the BCV Pension 70 and BCV Pro Patrimoine funds,

which are invested predominantly in stocks and bonds, respectively.

While most of our 175th anniversary festivities had to be canceled, our customers were able to take advantage of three special offers to celebrate the occasion: we made a CHF 175 deposit into BCV Start Invest savings plan accounts opened during a period of two months; matched the first deposit up to CHF 175 for customers who opened an Epargne 3 Youth account (for 18- to 30-year-olds); and, for customers who took out a mortgage loan with a term of at least five years, we granted a 0% interest rate for 175 days.

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. With our BCV Conseil advisory services, clients can speak with their dedicated advisor, manage their portfolio on the online platform, and read up on financial news articles written by our experts. In 2020, we made a number of updates to the platform, including integrating an online trading platform and adding features for clients with a discretionary management or advisory agreement. We also made our full range of ESG investment solutions available to customers to meet their expectations in sustainable investing. Our regional footprint means we have advisors throughout the Canton; clients appreciate knowing that our specialists are close by when they want to talk over their financial situation or the larger economic picture. With BCV's digital channels, those interactions were still possible despite the public health crisis and social distancing measures in place. We also enhanced our newsletters and held a series of web conferences so our clients could stay on top of market and economic news.

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. In addition to providing products and services for our corporate banking clients, we regularly enhance our online banking features and hold workshops on specific subjects to meet companies' needs. In 2020, we held 11 workshops about forex alone, with a total of 130 participants. We likewise hosted six web conferences – attended by over 1,000 people – on current events and topics relevant to companies. BCV was also heavily involved in the Covid-19 loan program and granted over 6,000 loans for a total of more than CHF 700m to SMEs and large corporates, but also startups. In fact, BCV was the third largest provider in Switzerland of Covid-19 loans to startups.

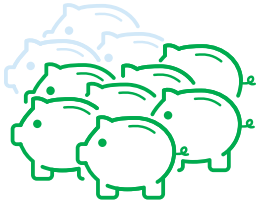


1 of 2 Vaud small businesses
banks with BCV

In Asset Management & Trading, investors can take advantage of BCV's investment strategy and proven expertise through our comprehensive range of advisory and other services together with investment products, from investment funds and structured products to management agreements and asset allocation funds in both specific and global investment universes. To continue meeting our clients' needs in private and institutional asset management – areas in which BCV is a leading player – we focused on socially responsible investment solutions that comply with ESG criteria. Our Bank is playing an active role in this field. Through the strategic partnership we entered into with Swiss SRI specialist Ethos last fall, we will continue to expand our ESG offering.

Investors also came to us for advice on the financial markets. While stock indices posted full-year gains, economic uncertainty and the public health crisis fueled market volatility, and interest rates remained very low, or even negative, in Switzerland and the rest of Europe. BCV's investment products nevertheless generated good returns relative to their benchmark indices and peers.

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.



7 of 10 Vaud pension funds
count on BCV

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, which we previously 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 2020 sections), we have enhanced our approach to sustainability. We created dedicated CSR organizational and governance structures and, since 2020, have been publishing our Sustainability Report annually in both French and English, with added content in line with the Global Reporting Initiative Standards. The French version of this year's report was published at the same time as this annual report, and the English version is scheduled for release in May 2021. Our Sustainability Reports are available on our 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 broadened the scope of our Green Bonus, which is a preferential interest rate on loans used to finance energy-efficient properties and renovations, to include properties with a CECB eco-rating.

BCV is a signatory to the United Nations Principles for Responsible Investment (UNPRI) and is a member of Swiss Sustainable Finance, which aims to strengthen Switzerland's position as a hub for sustainable finance. We have made it possible for institutional and private clients to build portfolios that integrate ESG criteria, in accordance with SRI principles. We have also enhanced our equity funds' ESG profiles by weighting the companies they hold by their ESG rating, based on MSCI Research analyses. 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 thermal coal. More information on SRI and ESG at BCV can be found on our website at https://www.bcv.ch/en/About-us/Corporate-Social-Responsibility/SRI.

66%
of the assets managed through our discretionary agreements and strategic funds include ESG criteria

In 2020, we further developed the ESG dimension of our funds, management agreements, and certificates, and we plan to continue evolving our approach to ESG investing, most notably through the partnership we concluded with Swiss SRI specialist Ethos. Under this partnership, which currently covers six Ethos funds,

Ethos is responsible for carrying out ESG analyses, exercising voting rights at shareholders' meetings in accordance with its own guidelines, and actively engaging in dialogue with investee companies to encourage them to improve their ESG practices. BCV's Asset Management department's role is to select investments and build the portfolio, taking Ethos' ratings into account, and to conduct financial and risk analyses. In November 2020, we took the first step in our partnership with the successful launch of the Ethos Swiss Sustainable Equities fund. We will include the Ethos funds in the asset management agreements and portfolios that we manage for our clients. At the same time, some BCV products – mainly bond funds – will incorporate Ethos' ESG analyses and criteria. Ethos and BCV will work together closely in order to strengthen this partnership over the coming years and create a new center of expertise in sustainable finance in Switzerland.

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 moderate risk profile. This approach benefits all our stakeholders. In 2020, for example, we paid out CHF 234m 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 2020. 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 in 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 thermal coal.

We offset 100% of the greenhouse gas emissions from our operations by financing carbon reduction and sequestration projects with myclimate, a Swiss non-profit organization. In 2020, BCV earned an A- grade from the CDP (formerly Carbon Disclosure Project) survey. This is the second highest of eight grades, ranging from A to D-, and puts us in the leadership category. The Bank has been taking part in the CDP, which measures the greenhouse gas emissions of companies, 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 moderate 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 3.4bn to our shareholders for the 2009 to 2020 financial years. Over the same period, the BCV share price tripled, making it one of the best-performing stocks in the Swiss banking sector. That share-price appreciation, coupled with the distributions paid out over the years, equates to an average total shareholder return of about 13% per year.

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 ninth year running, and Moody's reaffirmed our long-term rating of Aa2 for the sixth 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

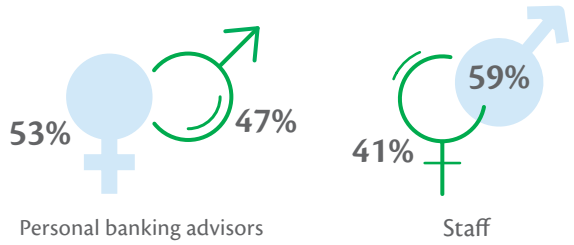
BCV is one of Vaud's leading employers and the largest employer in the Canton's banking sector. We consider our dynamic human resources policy to be crucial to both our mission and our strategy. Alongside missions and objectives, skills development is a key employee performance factor. We encourage training 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 2020, BCV Group had 1,909 employees on a full-time-equivalent (FTE) basis, down slightly from the prior year. The parent company accounts for the largest share of the workforce, with a total of 1,902 employees, or 1,720 FTEs. In 2020 we filled 266 positions: there were 148 outside hires and 82 internal transfers, and 36 people were kept on after they completed BCV internships or training programs. Average staff turnover was 8.8% in 2020.

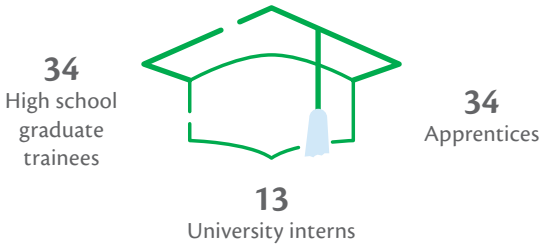
In terms of gender equality, the parent company had 804 female employees (42% of the workforce) at the end of 2020. Women accounted for 29% of employees with signing authority (286 positions) and 11% of all senior managers (36 positions). In addition, women run 39% of our branches (14 positions), where they play a key role in running our retail network. There were 504 employees (27% of the Bank's staff) working part time at the end of the year.



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 2020 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 2020, BCV provided job training for 85 entry-level employees, including 34 apprentices, 34 high school graduates, 13 university interns and 4 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 200 instructors, more than three quarters of whom work elsewhere within the Bank.

In 2020, 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 220 client advisors had received their certification by end-2020.

In October, the Executive Board confirmed that the eighth 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, would begin in January 2021. The 23 participants will develop interdisciplinary and project management skills. In addition, 17 BCV employees received post-secondary degrees from outside institutions in 2020, 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 2020, pension fund members comprised 2,039 employees, 1,843 of whom were working at the parent company, and another 1,315 pension recipients, including 1,023 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. Our commitment has not wavered. We continued to support events and activities, especially those related to culture and sports, that could not take place because of the pandemic-related public health measures. Our goal there was to contribute to sustaining these events through a difficult period.

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 Red Pigs Festival in Payerne, the Paillote Festival in Morges, 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 Plateforme 10 (i.e., the Musée cantonal des Beaux-Arts, or MCBA, in Lausanne).

We also support a number of outreach initiatives that help bring together the local community. In 2020, 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 Pro-XY (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 2020 (Youth Olympic Games), 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, and the Numerik Games Festival in Yverdon-les-Bains.

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 2020, 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. Within the Bank, we organized a food drive for the Fondation Mère Sofia and supported the #VersusVirus hackathon, an online collaboration to develop solutions to tackle the crisis. 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 2020, BCV Solidarity supported Lausanne-based organization Nouvelle Planète in a project to provide drinking water to two villages in Burkina Faso, thereby improving their health conditions.

In addition, BCV supports its employees' involvement in the community, thereby contributing to their personal development. In 2020, 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.

Jayson Ren
Second-year apprentice in Private Banking, Lausanne
Member of Lausanne Hockey Club's U-20 Elites squad

"I had the honor and privilege of carrying the Olympic torch at the Lausanne Youth Olympics."

In January 2020, the Canton of Vaud hosted the Youth Olympics, welcoming over 1,800 young athletes from 70 countries, including 120 from Switzerland. The city of Lausanne – the Olympic capital of the world – was on full display, and the entire region celebrated the Olympic spirit and values of respect, friendship, and excellence. As a Youth Olympics partner, BCV was involved in the festivities and organized events at its branch offices and a number of other locations.

"I had the honor and privilege of carrying the Olympic torch at the Lausanne Youth Olympics," says Jayson Ren, a second-year apprentice at BCV. Jason is a member of Lausanne Hockey Club's U-20 Elites squad and is supported by Switzerland's National Olympic Committee. "It was a huge deal for me and truly a special moment in my life. For athletes, the Olympics are always in the back of our mind – that's what we work towards. It's hard for me to say exactly what I was feeling at that moment, but it was definitely a rewarding experience. I know that not a lot of people get that chance to carry the Olympic torch, so I was very proud to have been chosen and just excited about the whole thing."

Youth Olympic Games 2020
Opening ceremony

LAUSANNE
2020
YOUTH
OLYMPIC
GAMES

Year in Review

Economic Environment

The Covid-19 pandemic plunged the world economy into a deep recession. According to IMF estimates, global GDP fell by 3.5% in 2020. The recession was worse in industrialized economies, which contracted by 4.9%, than it was in emerging markets, where GDP dropped by 2.4%. The eurozone economy was hit particularly hard, shrinking 7.2%.

Vaud Canton and Switzerland as a whole also experienced negative growth in 2020. With GDP falling by around 3% in both cases, however, they fared better than other developed economies. Business support measures helped to limit the economic impact of the restrictions put in place to stem the spread of Covid-19.

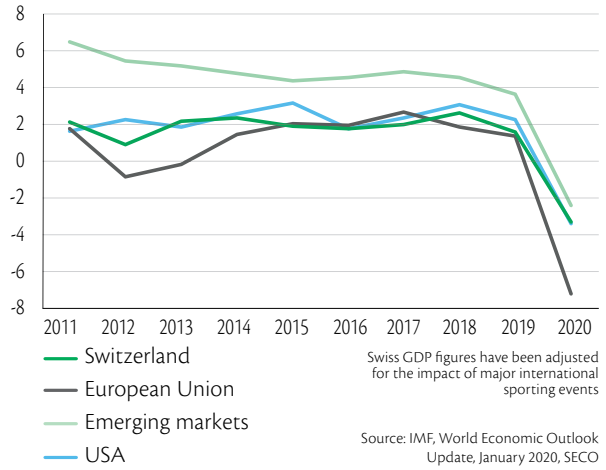
Global economy locked down

Growth was expected to accelerate slightly in 2020 compared with 2019 as the global economy continued to claw its way back from the long-term effects of the financial crisis. Instead, 2020 was the year of Covid-19. In less than three months, initial questions about a new form of pneumonia in China had turned into a series of lockdowns of varying severity, affecting around half of the world's population. The pandemic slammed the brakes on economic activity and caused a collapse in global trade, business travel, and tourism. Most countries fell into recession.

To limit the damage caused by this unprecedented economic crisis, many governments put in place measures to support businesses, including partial unemployment benefits and bridge loans, while central banks loosened monetary policy still further. It was a year of ups and downs. The first half was particularly difficult, with falling

GDP growth around the world

as %

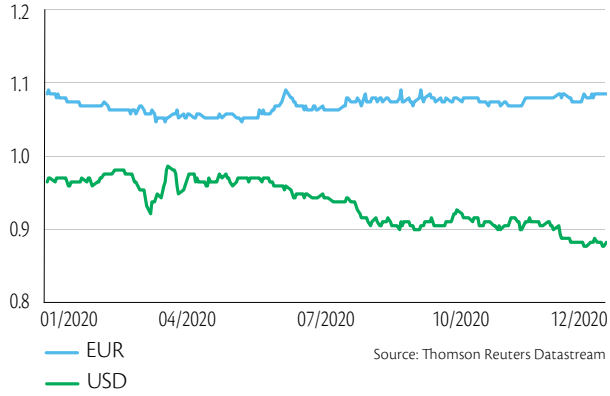


Swiss GDP figures have been adjusted for the impact of major international sporting events

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

Exchange rates

versus CHF



Source: Thomson Reuters Datastream

output and a sharp rise in unemployment. In the second half, however, the general easing of protective measures boosted confidence among consumers and businesses, and vaccines started to be approved, allowing people to see an eventual end to the crisis. The EU and UK also reached a post-Brexit trade deal, avoiding the no-deal scenario.

In January 2021, the IMF estimated that global GDP fell 3.5% in 2020, which is slightly less than had been predicted six months earlier. Worst affected were industrialized countries and regions on this side of the Atlantic, such as the eurozone (–7.2%) and the UK (–10.0%). The recession in the US was less pronounced (–3.4%), and emerging markets also saw a less severe decline in GDP (–2.4%). China's economy actually grew modestly, expanding by 2.3%.

Mixed financial-market and macro climates

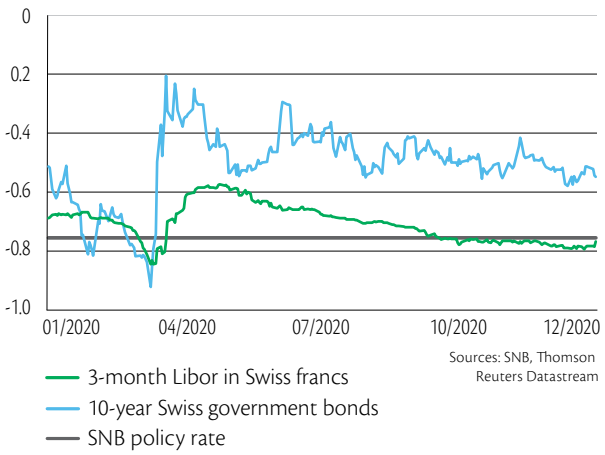
2020 was a year of contrasts for stock markets. The main indices rose for the first two months of the year, continuing their 2019 trajectory, but then dove between 30% and 40% between the end of February and the end of March as lockdowns and border closures were announced. Over the following three quarters, that decline was reversed, due in particular to an upturn in confidence driven by business support programs and ultra-loose central-bank policies. Stock-market indices recouped most or all of their losses, and some even posted solid gains for the year.

In the US, the S&P 500 rose 16.3% in 2020, closing at a record 3,756. In Switzerland, the Swiss Market Index (SMI), made up of the largest companies listed on the SIX Swiss Exchange, fell short of its previous peaks, posting a much smaller gain of 0.8%. The Euro Stoxx 50 eurozone blue-chip index failed to make up all the losses it sustained in the spring, ending the year down 5.1%. The MSCI Emerging Markets Index (USD) rose 15.8%, although it remained lower than its 2007 levels.

The fixed-income market saw similar volatility to the equity market. Government bond yields started the year by continuing the downtrend seen in 2019, before plunging as the Covid-19 crisis began, and then rising. Yields moved sideways for the following three quarters. At the short end of the yield curve, after starting to loosen its policy in 2019 to support the economy, the US Federal Reserve cut the fed funds target range from 1.50%–1.75% to 0%–0.25% in March. At the long end, 10-year US Treasury yields fell from 1.92% to 0.91%. In the eurozone, the European Central Bank (ECB) kept its deposit facility rate at –0.5%, while in Germany, the 10-year Bund yield fell further into negative territory, moving from –0.19% at the start of January to –0.58% at end-December. The Swiss National Bank (SNB) maintained an interest rate of –0.75% on sight deposits in

Interest rates

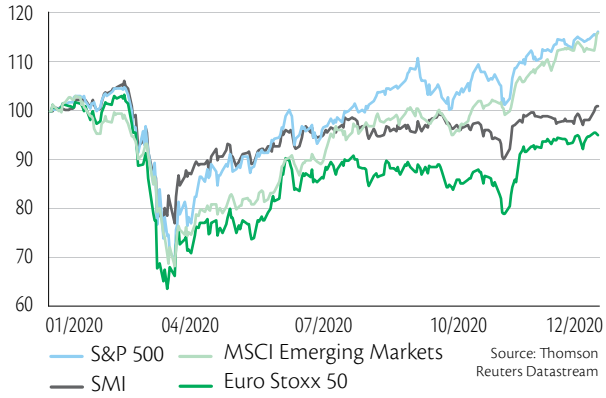
as %



Sources: SNB, Thomson Reuters Datastream

Stock-market indices in local currency terms

base of 100 at 31 December 2019



Source: Thomson Reuters Datastream

excess of a given exemption threshold, while the 10-year Swiss government bond yield went from –0.51% at the start of the year to –0.55% at the end.

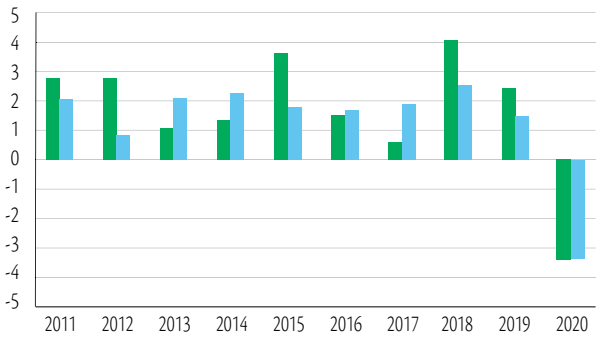
Inflation remained low around the world. In Switzerland, inflation turned negative again, falling from +0.4% in 2019 to –0.7% in 2020, due to lower prices for petroleum products and medicines. Prices rose 0.3% in the eurozone and 1.4% in the US.

In the precious metals market, the gold price continued its 2019 gains in dollar terms, ending the year up 24.6% at USD 1,888 per ounce. In Swiss-franc terms, gold rose 13.4% to CHF 53,566 per kilo.

In the foreign-exchange market, the Swiss franc strengthened slightly. The euro was worth CHF 1.09 at the start of the year and CHF 1.08 at the end, a decline of 0.3%. The dollar fell 8.5% from CHF 0.97 to CHF 0.89.

Vaud and Swiss GDP growth

as %



Data adjusted for new SECO accounting treatment of income generated by major international sporting events

Year-over-year change in real terms

Sources: CREA, FSO, SECO

Switzerland in recession

Switzerland was a little less affected by the Covid-19 crisis than other industrialized economies, with GDP contracting 2.9% based on February 2021 estimates. Although economic support measures adopted from spring onwards were not a cure-all, the extension of partial unemployment benefits, the bridge loans, and the support for cases of hardship in particular helped limit the damage caused by the partial lockdowns and other protective measures. However, the crisis was more broad-based than previous ones. In economic shocks earlier this century, the deceleration in global growth hit export-oriented sectors, while industries more reliant on domestic demand provided support to the economy. This time, however, domestic sectors suffered as certain activities were shut down or restricted in order to slow the spread of Covid-19 in Switzerland.

Widespread adoption of partial unemployment prevented a spike in full unemployment. Whereas only around 5,000 people were receiving partial unemployment benefits in February, that figure jumped to 1.0m in March and 1.3m in April according to Switzerland's State Secretariat for Economic Affairs (SECO). It then fell sharply before rising significantly again in the fall due to the second wave of Covid-19, resulting in further closures and protective measures. Overall, the unemployment rate averaged 3.1% in 2020 as opposed to 2.3% in 2019. Although that represents a sharp increase, the rate remains reasonable compared with previous years. The number of jobs in the Swiss economy fell slightly: in the fourth quarter of 2020, the number of secondary- and tertiary-sector jobs was down 0.4% year on year, totaling 4.0m (on a full-time-equivalent basis). The number of jobs declined by 1.2% to 1.0m in the secondary sector and by 0.1% to 3.0m in the tertiary sector.

After four years of growth, foreign trade was hit hard by the pandemic. Figures from Switzerland's Federal Customs Administration show a 7.1% fall in trade to CHF 225.1bn, largely due to a historic slump in the second quarter. All industries experienced a decline in trade except for chemicals and pharmaceuticals. Watchmaking, machinery, and metals suffered badly.

Decline in Vaud Canton's GDP

Vaud's economy followed the same trajectory as that of Switzerland as a whole, with GDP falling 3.4% in 2020 according to January 2021 figures from the CREA Institute of Applied Economics in the Business and Economics Faculty of the University of Lausanne. As in the broader Swiss economy, the downturn affected all sectors with the notable exceptions of chemicals and pharmaceuticals. The CVCI's fall economic survey also showed a sharp decline in business in both services and manufacturing.

The job market was relatively stable thanks to partial unemployment benefits, which covered 155,000 people in Vaud. The number of jobs (on a full-time-equivalent basis) in the Canton was down 0.4% year on year, with a 1.2% fall in the secondary sector and a 0.1% decline in the tertiary sector. As in Switzerland as a whole, the unemployment rate in Vaud rose, going from an average of 3.5% in 2019 to 4.5% in 2020. However, that figure masks regional differences. Unemployment was below the Vaud Canton average in Gros-de-Vaud (3.1%), Morges (3.5%), Lavaux-Oron (3.7%), Nyon (3.8%), and Jura-Nord Vaudois (4.1%), while it was close to the average in Aigle (4.7%). Unemployment was above average in Broye-Vully (5.0%), Riviera-Pays-d'Enhaut (5.0%), West Lausanne (5.2%), and Lausanne (5.7%).

BCV Immobilier

In 2020, 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 second homes and environmentally friendly construction and 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-2020)[1]	815,300 residents	8,671,480 residents
Population density	254 residents/km²	210 residents/km²
Working population[2] (2019)	412,910	4,600,833
Number of companies[3]	61,228	687,022
Primary sector	6.4%	7.8%
Secondary sector	13.4%	13.9%
Tertiary sector	80.2%	78.3%
Jobs	453,467	5,249,958
Primary sector	3.0%	3.1%
Secondary sector	16.3%	20.8%
Tertiary sector	80.7%	76.1%
Unemployment rate (2020 average)	4.5%	3.1%
GDP (2020 est.)[4]	CHF 57.4bn	CHF 703.5bn
GDP/inhabitant	CHF 70,454	CHF 81,131

[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

Real-estate market still firm

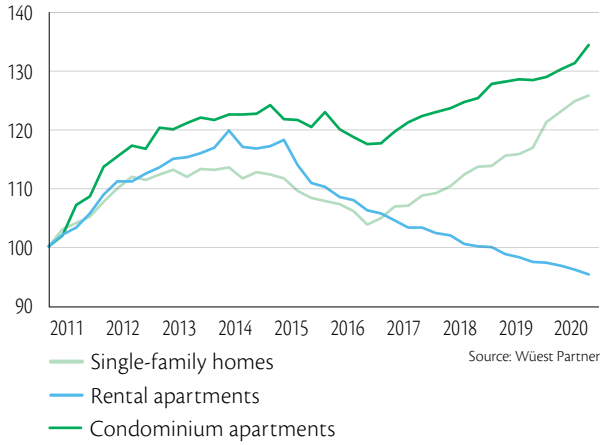
The Vaud real-estate market proved impervious to Covid-19. Prices of owner-occupied housing continued the upward trend that started in 2017. On average across the Canton, prices of single-family homes rose 7.6% year on year and apartment prices were 4.7% higher, according to Wüest Partner figures. Although prices rose more slowly than they did between 2006 and 2012, they still hit new all-time highs in almost all regions.

High prices, stringent criteria for home buyers, and weaker population growth limited the number of potential buyers. However, low interest rates and the partial lockdown introduced in the spring – which boosted the appeal of having a comfortable home with a decent amount of outdoor space – continued to attract households with sufficient income and capital to consider buying their own home. Vaud's housing supply is also limited. 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 one-third in 2020. The housing market is also becoming less stretched. Since hitting a low of 0.4% in 2009, the vacancy rate has been rising, reaching 1.4% in 2020, and rents have fallen by around 20% overall in Vaud since 2014.

The investment real-estate market remains very strong. It is continuing to attract both institutional investors and

Real-estate prices in Vaud

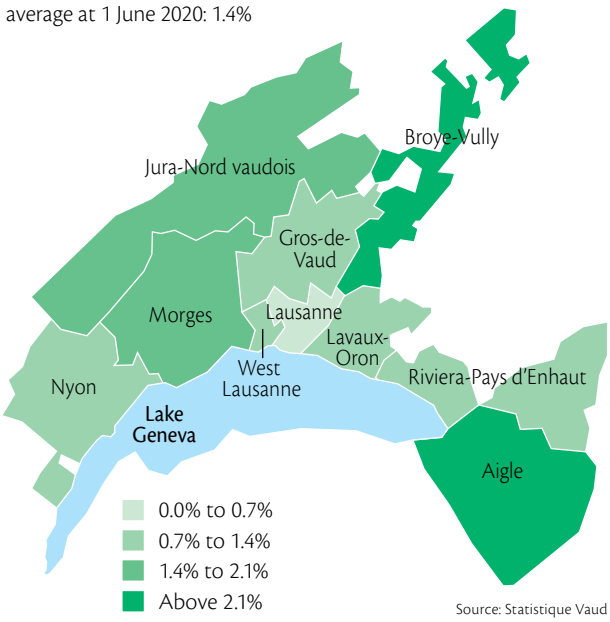
indices, base of 100 in Q1 2011



Source: Wüest Partner

Housing vacancy rates in Vaud

average at 1 June 2020: 1.4%



Source: Statistique Vaud

Slight acceleration in population growth

Vaud's population grew at a faster pace in 2020 after two years of moderate increases. Statistique Vaud figures show that the Canton's population grew by 1.1%, or 9,200 people, to end the year at 815,300. After leveling off for two years, the number of foreigners living in Vaud (up 1.8% or 4,840 people) once again outpaced the increase in the number of Swiss citizens (up 0.8% or 4,370 people). The number of French people living in the Canton is also growing steadily, and could draw level with the number of Portuguese people in Vaud, which is falling. French citizens could thus represent the Canton's largest foreign community in the near future, according to Statistique Vaud.

The population increased in all regions of the Canton, with the strongest growth recorded in West Lausanne (+2.8%) and Broye-Vully (+2.0%). Although population growth was stronger than in previous years, it was less than the 15-year average of 1.5% or 10,500 people per year.

individuals seeking alternatives to putting their money in fixed income. Although prices were stable in 2020, they remain very high, while ongoing heavy spending on rental property construction is helping the rental market to continue easing. 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 moderate population growth.

Outlook

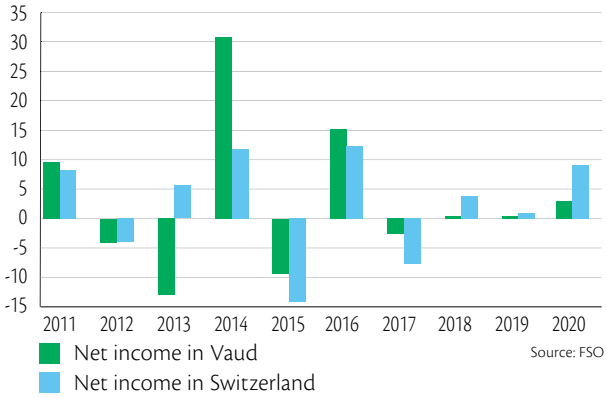
2021 should bring a partial economic recovery. In particular, the start of vaccine rollouts in many countries offers the prospect of bringing the Covid-19 situation more under control and reducing the most restrictive protective measures, if not eliminating them completely. However, a degree of caution was still required in spring 2021, because it was hard to estimate how long it would take to vaccinate enough of the population, while the appearance of new, more contagious coronavirus variants could complicate efforts to combat the pandemic.

There are other risk factors as well, particularly regarding political developments in the US following the arrival of the new administration. The effectiveness of stimulus measures and developments in the trade dispute with China remained hard to predict in early 2021. In its January forecasts, the IMF predicted that the global economy would grow 5.5% in 2021. It expects the upturn to be driven primarily by emerging economies (+6.3%) and China (+8.1%) in particular. Developed economies are likely to lag behind (+4.3%). Among the latter, the US (+5.1%) is expected to see a slightly stronger upturn than the eurozone (+4.2%).

In both Switzerland and Vaud, forecasts are pointing in the same direction. At the national level, SECO's March 2021 forecasts showed GDP growth of 3.0%. In Vaud, CREA's January 2021 forecasts indicated growth of 2.2%.

Change in farming income

as %



Source: FSO

2020 growth by economic segment in Vaud

Growth above 2%
Chemicals, pharmaceuticals, rubber, glass, metallurgy, etc.
Growth of –0.5% to +0.5%
Finance and insurance
Growth of –2% to –0.5%
Wholesale and retail distribution, repairs, etc.
Growth of less than –2%
Construction
Government administration, healthcare, education, sports, etc.
Real estate, business services, etc.
Primary sector
Water and electricity production and distribution
Food, textiles, leather, wood, paper
Transport, postal services, telecommunications, publishing
Machinery, instruments, watches, etc.
Hotels and restaurants

Sources: CREA, FSO, SECO

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 that began in 2008 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 limit the Covid-19-related decline in GDP compared with other industrialized regions. Most of the Canton's main economic sectors held up relatively well in 2020, although to varying degrees.

Primary sector

A mild winter, warm spring and two heat waves in the summer meant that 2020 was the hottest year – along with 2018 – since records began in 1864. However, there was enough rainfall to allow optimal crop growth, according to the Swiss Farmers' Union. There were some exceptions: beet yields fell by half because of beet yellows virus after an insecticide used to treat it was banned in 2019. The sector broadly managed to overcome Covid-19-related disruption, such as a fall in demand from restaurants.

Data from the Federal Statistics Office (FSO) show that the value of farming output fell 1.3% to CHF 1.2bn, due in particular to a 4.5% drop in crop production. Good yields from major crops (grain, industrial crops, and potatoes) and fresh vegetables failed to offset lower yields in feed, fruit, and wine crops. Revenue from livestock production rose 4.6%. Farmers derived additional revenue from agricultural and non-agricultural services. Production costs also fell, and total farm income rose 3.2% to CHF 371m.

Vaud is a major contributor to Swiss farming output (11% by value), second only to Bern. The Canton accounts for the largest share (17%) 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.

In terms of wine production, favorable weather conditions meant that the 2020 vintage was of high quality. Vines grew well and damage from fungal diseases and parasites was limited. Quota reductions meant that the grape harvest fell by a quarter to around 30m kilos according to Vaud's Department of Agriculture and Winegrowing. Volumes fell more for white varietals than for reds.

Covid-19 worsened the difficulties that the wine industry was already experiencing due to falling consumption and competition from foreign wines. Sales were hit in 2020 by restaurant closures and event cancellations. However, the Department of Agriculture and Winegrowing believes that the small harvest in 2020 should help producers clear excess inventories. In addition, the industry is

A joint study by BCV, the CVCI and Innovaud – entitled ***Vaud innove - Un écosystème aux multiples visages***, available only in French – provides a full overview of the region's innovation ecosystem, covering its strengths and supporting factors, along with areas requiring attention and improvement to ensure that it continues to develop. The study's content was first published online and then compiled by BCV into a single document, which clearly demonstrates the Canton's status as a hub for deep tech companies. The density and quality of academic research that takes place in French-speaking Switzerland, despite the limitations inherent in the region's small size, set our innovation ecosystem apart from others and enhances its appeal.
The study can be downloaded from the BCV website at bcv.ch.

Structure of the Vaud economy

Sectors and segments	Share of Vaud GDP (2020)	Full-year growth (2011-2020)	Jobs (2018)	Share of total jobs (2018)
Primary sector	**1.0%**	**–0.6%**	**13,423**	**3.0%**
Agriculture, forestry, hunting, fishing	1.0%	–0.6%	13,423	3.0%
Secondary sector	**21.4%**	**1.9%**	**74,113**	**16.3%**
Food, textiles, leather, wood, paper	2.1%	–3.1%	11,167	2.5%
Chemicals, pharmaceuticals, rubber, glass, metallurgy, etc.	9.7%	9.7%	11,591	2.6%
Machinery, instruments, watches, etc.	3.6%	–3.1%	17,720	3.9%
Water and electricity production and distribution	1.8%	–2.2%	4,065	0.9%
Construction	4.6%	0.4%	29,570	6.5%
Tertiary sector	**77.7%**	**1.6%**	**365,931**	**80.7%**
Wholesale and retail distribution, repairs, etc.	14.2%	1.9%	54,164	11.9%
Hotels and restaurants	1.6%	–1.5%	21,166	4.7%
Transport, postal services, telecommunications, publishing	4.7%	–0.8%	23,842	5.3%
Finance and insurance	7.0%	1.4%	17,545	3.9%
Real estate, business services, etc.	24.1%	1.9%	89,599	19.8%
Government administration, healthcare, education, sports, etc.	25.2%	1.9%	152,851	33.7%
Other	0.9%	–0.2%	6,764	1.5%
Total Vaud GDP (after adjustments)	**100.0%**	**1.6%**	**453,467**	**100.0%**

Sources: CREA, SECO, FSO. Swiss GDP figures have been adjusted for the impact of major international sporting events

receiving coronavirus-related support from Switzerland's federal government and cantons in the form of financial and promotional assistance.

Secondary sector

The Covid-19 crisis affected the secondary sector in two main ways. In export-led sectors, the global recession and supply chain disruptions badly affected business levels, and the CVCI's fall 2020 survey showed a significant deterioration in business conditions among manufacturing companies. Domestically oriented firms, particularly those operating in the construction industry, were less affected, although their activity was hampered by the partial lockdown in the spring and subsequent protective measures.

Manufacturing

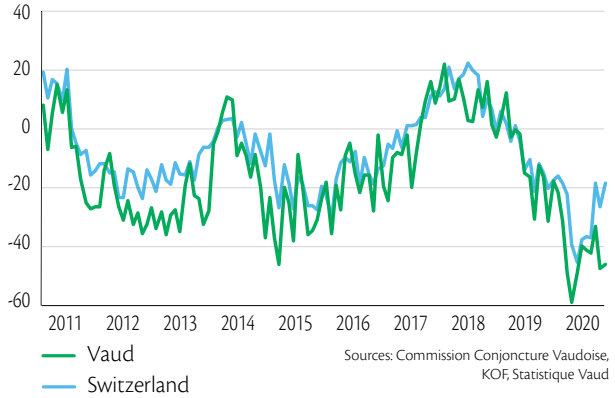
After a mixed 2019, the end-2020 survey by the Commission Conjoncture Vaudoise (CCV) showed that Vaud manufacturers felt the full force of the pandemic. A sharp fall in order intake in the second quarter left order books depleted. Almost half of manufacturing companies regarded business conditions as poor, 40% satisfactory, and fewer than 15% good. More than two-thirds of the companies cited weak demand as a drag on production. However, financing was not a problem: the Covid-19 loans and partial unemployment benefits seem to have provided valuable assistance.

Construction

Although building sites came to a standstill in March, activity resumed once protective measures were put in place. That allowed Vaud's construction sector to limit the damage, according to the CCV. However, activity slowed again in the third quarter, particularly in structural works, and this could have a knock-on effect on non-structural, metal construction, and technical fit-out work in subsequent quarters. The number of people working in construction held up well, rising 2.9% to 28,413. Order intake declined from summer onward, despite building permit applications rising to around 5,600 in 2020 for new-build, renovation, and conversion projects.

Composite index of business sentiment in manufacturing

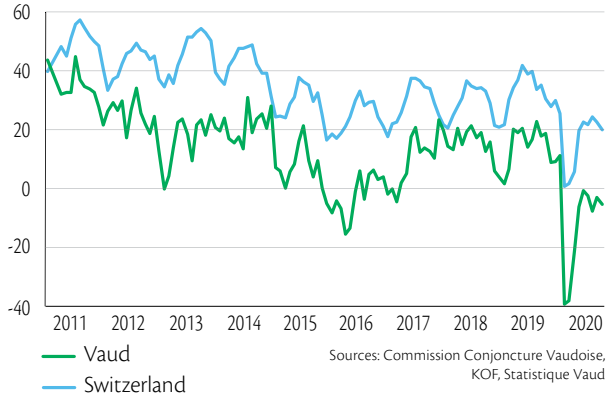
net positive responses



Sources: Commission Conjoncture Vaudoise, KOF, Statistique Vaud

Business sentiment in construction

net positive responses



Sources: Commission Conjoncture Vaudoise, KOF, Statistique Vaud

Tertiary sector

Having provided firm support to the Vaud economy in recent years, the tertiary sector was also stung by the Covid-19 crisis, particularly as a result of the partial lockdown and protective measures, as well as the fall in international tourism. The CVCI's fall 2020 survey showed a sharp drop in sentiment among business leaders. However, there was less pessimism in services than in manufacturing.

Wholesale and retail distribution

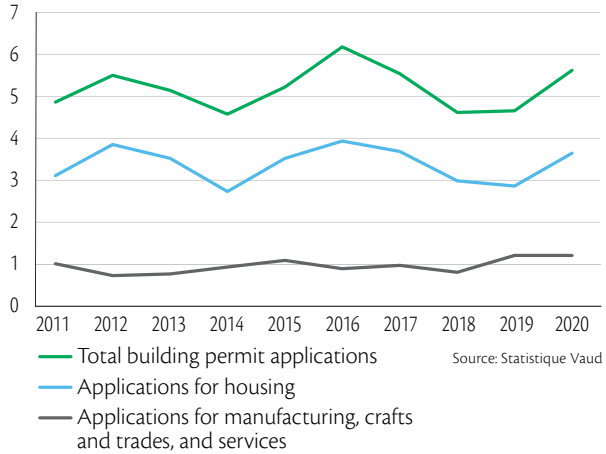
Retailers were badly affected by the closure of non-food stores in the spring, and by the protective measures subsequently introduced. The situation increased the appeal of online shopping, which continued to grow rapidly in 2020. Despite stable demand in food retail and a decline in Swiss consumers doing their shopping in neighboring countries, the CCV's retail business confidence indicator fell to an all-time low in the spring. Sentiment was particularly poor among small retailers. The situation improved from the second quarter on, although it varied between the industry's various segments. Large and medium-sized companies, along with non-specialist stores, were relatively upbeat about business conditions, but small retailers remained pessimistic. In-store sales of food, computer and multimedia products, and household appliances stood up well to the crisis, while sales of cultural goods and clothing remained under pressure.

Hospitality services

2020 started out well for Vaud Canton's hotels, particularly as a result of a good snowpack in the Alps and the Winter Youth Olympic Games. However, Covid-19 restrictions from March onward caused the number of overnight stays to fall by 48.3% over the course of the year. Overnight stays by foreign visitors plummeted 66.2%. The decline was partly offset by the large number of Swiss tourists who visited mountain resorts in the summer. Urban destinations also benefited from summer tourism, but less than mountain resorts in most cases. Nevertheless, the number of overnight stays by Swiss guests fell by 26.5%. Business levels in the restaurant trade were hit by Covid restrictions, which

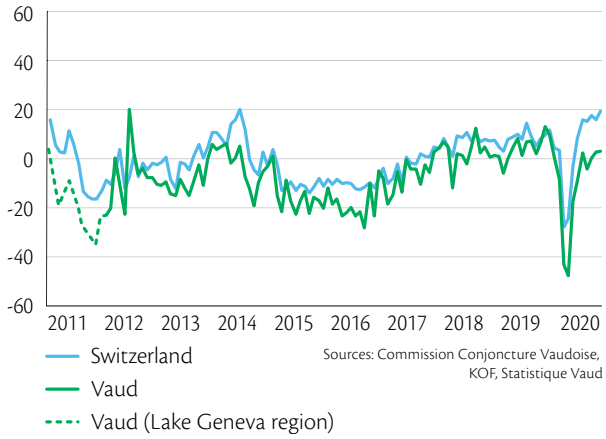
Value of work from building permit applications in Vaud

in CHF billions



Business sentiment in the retail sector

net positive responses



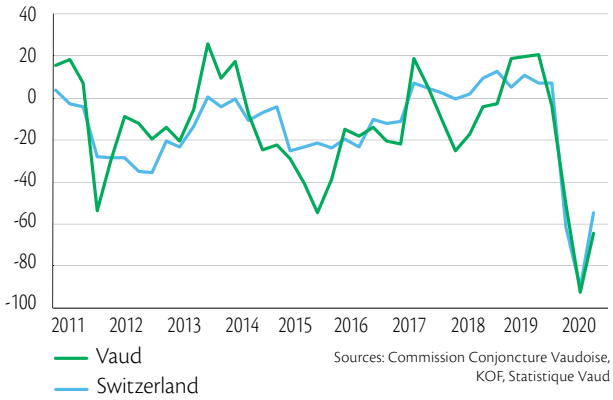
reduced the capacity of many restaurants and forced them to close temporarily. CCV surveys showed a high level of pessimism among hotel and restaurant managers.

Services

The service sector also suffered from the Covid-19 crisis. The spring lockdown adversely affected all types of services, both business and personal, which form a large part of the Vaud economy. According to CCV surveys, however, the situation improved significantly in subsequent quarters, particularly in business services.

Sales index in the hotel and restaurant industry

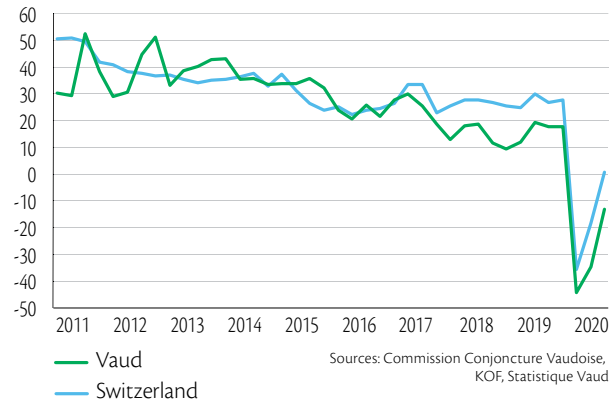
net positive responses



Sources: Commission Conjoncture Vaudoise, KOF, Statistique Vaud

Sales index in the services sector

net positive responses



Sources: Commission Conjoncture Vaudoise, KOF, Statistique Vaud

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

Rental property construction slowed, not because of the Covid-19 crisis but because Broye's vacancy rates are higher than the Vaud Canton average, mainly as a result of the amount of new housing hitting the market in recent years. The construction of owner-occupied properties also slowed, but to a lesser extent. Apartment prices increased and reached relatively high levels in towns such as Payerne. Farmers had to contend with a hot summer. The main problem arose from a very poor beet harvest, caused by beet yellows virus after an insecticide used to treat it was banned in 2019.

Chablais

2020 started off with good snow conditions and great enthusiasm for the Winter Youth Olympic Games, before the Covid-19 pandemic completely changed the course of the year. Mountain hotels had to close early in the spring and reopen late in June but had a good summer. Foreign guests generally stayed away, although their absence was partially offset by Swiss tourists. The real-estate market remained buoyant, and the pandemic even led to increased interest in second homes in the Vaud Alps. Wine producers suffered from difficulties in the restaurant industry.

Gros-de-Vaud

All sectors were hit by the Covid-19 crisis, although to varying extents. The restaurant and events industries suffered the most. Manufacturing held up well, after adjusting to new public health rules. Despite coronavirus-related disruption, construction activity was supported by a number of projects in the region. Several housing development projects are underway, while others were approved in 2020, particularly in Cheseaux-sur-Lausanne and Échallens. The town of Échallens will be able to sell a plot of land as the intended site of a new high school after a challenge to that plan was defeated in a referendum. Overall, real-estate transaction volumes remained high. Trains on the LEB line started running every 15 minutes in December, further improving connections between the region and Lausanne.

Lausanne

2020 got off to a good start with the success of the Winter Youth Olympic Games and the opening of a hotel with more than 100 rooms and operated by a major international chain. The Covid-19 crisis then hit several industries hard, particularly events, hotels, and restaurants. However, the construction sector benefited from firm spending on new buildings. Construction staking – marking what will eventually be a district containing 11,000 homes – appeared on former soccer fields to the north of the city. West Lausanne also had a high level of construction activity, particularly with the completion of the Oassis project in Crissier.

Lavaux

The real-estate market experienced another year of moderate growth in both the upper and lower parts of the region. Undeveloped land is scarce and the potential for new construction remains limited by the Swiss Spatial Planning Act, but small rental property buildings are being built to replace older properties. Prices of owner-occupied homes increased. Major public-sector projects – such as the construction of schools and fire stations – continued, particularly in Forel, Jorat-Mézières, and Oron. The construction industry was less affected by the pandemic than others, with business levels remaining firm despite the disruption caused by pandemic-related restrictions, and order books are healthy.

Morges

The Covid-19 crisis weighed heavily on the hotel and restaurant industry. Manufacturing companies were impacted by the crisis to varying extents, particularly in terms of exports. In the real-estate market, a large number of rental housing units are about to enter the market in central Morges. However, apartments remained in high demand in 2020, with prices stable or rising slightly. Construction firms had a good year even though their productivity fell because of the crisis and their margins were tight. For wine producers, difficulties in the restaurant industry compounded problems arising

from lower consumption, competition from imported wines, and high levels of inventories.

Nord Vaudois

The watchmaking industry was resilient in 2020 despite the Covid-19 pandemic. Manufacturers in segments like machinery, precision instruments, and plastic injection – which either export their products or supply local firms – fared less well, but partial unemployment benefits helped them cope with the crisis. 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. Vegetable crops also fared well.

Nyon

The business hotel industry received a boost in 2019 with the completion of new projects but was badly affected by the Covid-19 crisis in 2020. Travel restrictions, closures, and the cancellation of major events in the Lake Geneva region caused hotel occupancy rates to slump. However, life sciences – a key industry for this region – continued to strengthen as various projects progressed. The real-estate market was supported by interest in single-family homes as more people worked from home, pushing prices upward. In the construction industry, order books were strong and business levels relatively stable, although productivity fell. Wine producers, facing problems arising from growing inventories and difficulties in the restaurant trade, were helped out by sales to individual consumers.

Riviera

Tourism is important for this region, and Covid-19 caused serious damage. Foreign tourists were almost completely absent, and major events – first and foremost the Montreux Jazz Festival – were canceled, resulting in very low hotel occupancy rates. Some hotels even decided not to reopen post-lockdown. It was also a tough year for restaurants. The Swiss Federal Supreme Court overturned the Montreux land-use plan that had been approved in 2019, blocking a number of real-estate projects. Nevertheless, interest in single-family homes underpinned activity in the residential real-estate market. In particular, there was an upturn in demand for detached homes with a yard.

Economic structure by BCV region

	Broye	Chablais	Gros-de-Vaud	Lausanne	Lavaux	Morges	Nord Vaudois	Nyon	Riviera
Population at end-2020	35,247	51,210	65,411	239,810	62,678	79,115	94,399	103,219	84,211
Population growth in 2020	+2.1%	+1.0%	+1.1%	+1.3%	+0.9%	+1.3%	+0.5%	+1.3%	+1.0%
Proportion of Canton's population	4.3%	6.3%	8.0%	29.4%	7.7%	9.7%	11.6%	12.7%	10.3%
Jobs (2018)	13,844	23,025	26,256	194,209	21,333	40,676	49,308	45,012	39,804
Proportion of Canton's jobs	3.1%	5.1%	5.8%	42.8%	4.7%	9.0%	10.9%	9.9%	8.8%
Jobs in the primary sector	9.7%	7.3%	6.3%	0.1%	6.3%	5.8%	5.2%	3.6%	1.5%
Jobs in the secondary sector	22.7%	22.3%	31.0%	10.3%	16.5%	21.4%	29.6%	15.4%	9.8%
Jobs in the tertiary sector	67.6%	70.5%	62.7%	89.5%	77.2%	72.9%	65.2%	81.0%	88.7%
Average unemployment in 2020	5.0%	4.5%	3.4%	5.7%	3.6%	3.5%	4.1%	3.8%	5.1%
Change in unemployment in 2020	+2.0%	+1.1%	+0.8%	+1.3%	+1.0%	+0.9%	+0.9%	+1.0%	+1.3%

Sources: Statistique Vaud, FSO, SECO

Year in Review

BCV in 2020

We delivered solid FY 2020 financial results, with a net profit of CHF 331m, down 9% compared with 2019's record bottom line. Revenues decreased 6% or CHF 57m to CHF 945m, mainly due to the Covid-19 pandemic and the continued negative-interest-rate environment. The decline in revenues was partially offset by firm cost control, with total operating expenses down 2% or CHF 9m. Operating profit stood at CHF 373m, down 11% or CHF 46m.

We fulfilled our role in serving the local economy in 2020, granting more than 6,000 Covid-19 bridge loans for a total of over CHF 700m. We also suspended two principal repayments on loans to SMEs, leaving those firms with over CHF 40m of additional cash, and have done the same again this year.

A business environment impacted by Covid-19

The Covid-19 pandemic plunged the world economy into a deep recession. According to IMF estimates, global GDP fell by 3.5% in 2020. The recession was worse in industrialized economies, which contracted by 4.9%, than it was in emerging markets, where GDP dropped by 2.4%. The eurozone economy was hit particularly hard, shrinking 7.2%.

Vaud Canton and Switzerland as a whole also experienced negative growth in 2020. With GDP falling by around 3% in both cases, however, they fared better than other developed economies. Business support measures helped to limit the economic impact of the restrictions put in place to stem the spread of Covid-19.

The Vaud real-estate market proved impervious to Covid-19. Prices of owner-occupied housing continued the upward trend that started in 2017. On average across the Canton, prices of single-family homes rose 7.6% year on year and apartment prices were 4.7% higher, according to Wüest Partner figures. Although prices rose more slowly than they did between 2006 and 2012, they still hit new all-time highs in almost all regions.

Continued growth in customer-driven business volumes

Mortgage lending rose 4% or CHF 1.0bn to CHF 28.0bn. Other loans were up by 1% (+CHF 60m) to CHF 5.8bn. On the liabilities side, customer deposits grew further, rising 7% or CHF 2.4bn to CHF 35.4bn. Total assets increased 10% or CHF 4.8bn to CHF 53.2bn, driven by large cash inflows.

The Group's assets under management rose 5% (+CHF 5.3bn) to CHF 103.2bn, passing the CHF 100bn mark for the first time. Net new money totaled CHF 4.5bn and came from all client segments. Financial-market performance drove AuM up by CHF 2.1bn, while CHF 1.3bn in Swisscanto funds still in custody were transferred to ZKB, closing out the transfers relating to ZKB's acquisition of Swisscanto.

Financial results

BCV Group's revenues were down 6% or CHF 57m year on year to CHF 945m, mainly due to the Covid 19 pandemic and the continued negative-interest-rate environment. In that interest-rate environment and with the Bank's voluntary reduction in Trade Finance exposure, net interest income before loan impairment charges was down 5% to CHF 474m. Net interest income fell 9% to CHF 459m, due to loan impairment charges recognized during the period. Although commission and fee income was up in Private Banking and Asset Management, fee and commission income decreased 4% overall to CHF 310m, due mainly to the decrease in personal banking transactions (i.e., credit card, ATM, and forex) during the pandemic and the voluntary reduction in Trade Finance exposure. Net trading income was bolstered by the heightened forex-market volatility, rising 9% to CHF 139m. Other ordinary income fell 18% to CHF 36m,

largely reflecting a non-recurring payout received on a holding in 2019.

Operating expenses fell 2% or CHF 9m to CHF 495m. Personnel costs held steady at CHF 339m, and other operating expenses were down 5% to CHF 156m thanks most notably to the Bank's firm control of IT-related costs. Depreciation and amortization remained practically unchanged at CHF 72m (+1%). Operating profit came in at CHF 373m, down 11% or CHF 46m.

We recorded extraordinary income of CHF 5m in 2020 and a tax expense of CHF 47m. Net profit for the period came in at CHF 331m, down 9% but nevertheless solid, as illustrated by an ROE of 9.3% – one of the highest in BCV's peer group.

The cost/income ratio went from 57.7% to 58.7%. In an environment still marked by negative interest rates, the net interest margin stood at 0.95%, down slightly on the 2019 figure (1.07%). Shareholders' equity held steady at CHF 3.6bn. The Group's Common Equity Tier 1 (CET1) ratio at 31 December 2020 was 17.7%, and the leverage ratio was 5.8%.

Business sector overview

Retail Banking

Customers carried out fewer day-to-day banking transactions in 2020 owing to the Covid-19 lockdowns, which restricted people's movements and forced stores to close. The mortgage book continued to expand, ending the year up 4% to CHF 8.6bn. Customer deposits increased 10% to CHF 10.0bn. Sector revenues declined by 2% to CHF 170m, and operating profit fell 6% to CHF 35m with operating expenses remaining broadly stable. The Digital & Multichannel Banking Department, part of the Retail Banking Sector, continued to implement its growth plan and rolled out around 20 new features and functions across all digital channels.

Corporate Banking

The Covid-19 crisis weighed on the Corporate Banking Sector's business activity. Vaud SMEs were impacted by the lockdown measures put in place in the second and fourth quarters, and more than 6,000 of them applied for federal-government-backed Covid-19 bridge loans from BCV. The Bank's Trade Finance exposure was voluntarily reduced in light of the pandemic, and transaction volumes in this segment declined as a result of the global economic slowdown. The Large Corporates business posted growth in both its loan book and its off-balance-sheet commitments. Lending and commitments climbed 6% to CHF 18.5bn, while deposits, which remained volatile, were up 14% to CHF 11.5bn. A reduction in Trade Finance exposure impacted Sector revenues and operating profit, which declined 5% to CHF 250m and 8% to CHF 142m, respectively. Against the backdrop of the public health and economic crises, new provisioning needs increased yet stayed moderate and the corporate loan book remained healthy.

Wealth Management

The Wealth Management Sector experienced a solid business trend in 2020 despite the pandemic. Institutional asset management embarked on several major initiatives in the area of socially responsible investing, including the launch of a long-term strategic partnership with Ethos. In private wealth management, a new line of ESG investment solutions was created. The Sector's assets under management rose 3% to CHF 74.7bn thanks to net new money from individual and institutional clients and the financial markets' positive performance. The mortgage book expanded by 3% to CHF 8.0bn. Sector revenues and operating profit both held relatively stable, edging down just 1%, to CHF 359m and CHF 137m, respectively.

Trading

The Trading Sector's volumes peaked during the spring lockdown, amid the first wave of Covid-19, as high market volatility boosted our customers' trading activity. Currency trading, which accounts for nearly 70% of the Sector's total revenues, increased year on year, as did the Bank's structured products business albeit to a lesser extent. Trading revenues climbed 9% to CHF 55m, and operating profit rose 24% to CHF 27m. Risk levels stayed low, as BCV's trading activities are focused primarily on customer-driven transactions.

Highlights of the year

Dividend payment

In 2020, we executed on our dividend policy for the twelfth consecutive year, with an ordinary dividend of CHF 36 per share. We thus distributed CHF 310m to shareholders in May, with the Canton of Vaud receiving CHF 207m of that amount. For the 2008 to 2019 financial years, we returned a total of nearly CHF 3.4bn to our shareholders.

Credit ratings reaffirmed

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..

Changes to the Board of Directors and Executive Board

The Vaud Cantonal Government appointed Eftychia Fischer as the new Chair of BCV's Board of Directors. Ms. Fischer, who was first elected to the Board at the 2020 Shareholders' Meeting, will replace Jacques de Watteville on 1 January 2022. Mr. de Watteville, who reaches the age limit stipulated by the cantonal act governing BCV (LBCV) this year and whose term will expire on 31 December 2021, has been Chairman since 2018.

At the next Shareholders' Meeting, BCV's Board of Directors will recommend that Pierre-Alain Urech, former CEO of Romande Energie and current Vice Chairman of the Swiss Federal Railways (SBB) Board of Directors, be elected to the open Board seat as from 1 January 2022.

BCV's Board of Directors appointed Fabrice Welsch to the Bank's Executive Board as head of the Asset Management & Trading Division. Mr. Welsch, previously head of the Bank's occupational pension and financial planning department, took up his new position on 1 January 2021. He replaced Stefan Bichsel, who reached retirement age and left BCV on 31 December 2020.

Key projects and investments

One of the highlights of 2020 was that we added a number of new features and functions to our digital banking services. 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 to the firms' accounts. They can also apply for, renew, and repay loans such as fixed-term advances directly online. In our Wealth Management business, we made several improvements to our BCV Conseil investment advisory platform, such as providing access to online trading and adding a number of new features for clients with discretionary or advisory agreements. With our digital banking services, all of our clients can issue and pay QR bills and make use of new notification settings and card-management functions, which include changing spending limits and blocking cards from being used in certain areas of the world.

We also pressed ahead with our corporate social responsibility strategy. As part of that work, we extended our range of socially responsible investment solutions so that they cover all our personal banking client segments. And we continued to integrate ESG criteria into our investment funds, discretionary management agreements, and equity certificates. We intend to keep evolving our approach to socially responsible investing, and to that end we entered into a partnership with Ethos, a foundation that plays a leading role in socially responsible investing (SRI) in Switzerland.

The year was, of course, also overshadowed by the Covid-19 crisis. We implemented a number of operational measures in response to the public health situation so that we could continue to provide the products and services our customers count on us for while also ensuring that both our clients and our employees stayed safe. We were also actively involved in measures to limit the economic impact of the crisis, working with federal and cantonal authorities and other banks to develop the federal Covid-19 bridge-loan program and its equivalent for startups. In just a few days, we set up the processes and the teams – involving 80 employees in total – needed to get those loans to our customers. We ultimately granted over 6,000 bridge loans for a total of over CHF 700m last year.

Investments

In each of the past three years, we invested between CHF 50m and CHF 60m in our IT, spread over infrastructure, equipment, 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 plan builds on those we have been implementing for more than ten years and positions the Bank to respond to future challenges.

The strategic plan developed in 2019 – 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 omnichannel 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 2020, Piguet Galland & Cie SA recorded net profit for the year of CHF 2.7m, with revenues from banking operations down 4% and operating expenses dropping 2%. At end-2020, AuM was practically unchanged at CHF 5.8bn (+0.6%).

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 1.3bn (+8%) to CHF 16.8bn, with net new money totaling CHF 1.1bn. At 31 December 2020, Gérifonds managed 118 funds, 79 of which were registered in Switzerland and 39 in Luxembourg.

Gérifonds' 2020 revenues and net profit were both stable at CHF 15.7m and CHF 4.2m, respectively.

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-2020, 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 2020, total assets were CHF 1.3bn (+0.6%) and rental income stood at CHF 73m. 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 2020, FIR acquired a building near Nyon and continued to invest in its portfolio by making several buildings more energy-efficient. The FIR portfolio had relatively little exposure to the Covid-19 crisis, as commercial properties account for just 12.5% of rental income. The rental loss rate edged up to 2.7%.

Year in Review

Business Sector Reports

Retail Banking

- **Customers carried out fewer day-to-day banking transactions in 2020 owing to the Covid-19 lockdowns, which restricted people's movements and forced stores to close.**

- **The mortgage book continued to expand, ending the year up 4% to CHF 8.6bn. Customer deposits increased 10% to CHF 10.0bn.**

- **Sector revenues declined by 2% to CHF 170m, and operating profit fell 6% to CHF 35m with operating expenses remaining broadly stable.**

- **The Digital & Multichannel Banking Department, part of the Retail Banking Sector, continued to implement its growth plan and rolled out around 20 new features and functions across all digital channels.**

Business and strategy

In 2020, Retail Banking employed 353 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 online 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 65% 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.

2020: business report

As soon as the pandemic broke out, the Retail Banking Sector modified both its customer reception areas and office spaces to safeguard the Bank's customers and employees, and kept those measures in place throughout the year. During the spring lockdown, we kept more than half of our branches open, even though customer footfall dropped sharply.

However, the unprecedented circumstances did not prevent the Sector from continuing to improve its products and services in line with our customers' expectations. In recent years, we have offered a lower interest rate on mortgage loans used to finance energy-saving renovations or to buy certified energy-efficient properties. In 2020, we expanded the scope of this Green Bonus offering and promoted it actively. What's more, additional products and services designed to promote energy-efficient renovations are in the works and will be rolled out in the next few years.

Mirroring the Bank's institutional asset management business, which now integrates environmental, social, and governance (ESG) criteria into all BCV-managed equity funds, the Retail Banking Sector added an ESG-focused

asset allocation fund to its range of savings products.

The public health crisis in 2020 led to a decline in day-to-day banking transactions – debit and credit card payments, currency exchange, and ATM usage – among retail customers, which weighed on Retail Banking revenues. At the same time, the mortgage book expanded by 4% to CHF 8.6bn, and customer deposits were up 10% to CHF 10.0bn.

Sector revenues decreased 2% to CHF 170m, while operating profit declined 6% to CHF 35m, in an environment characterized by negative interest rates and pressure on margins.

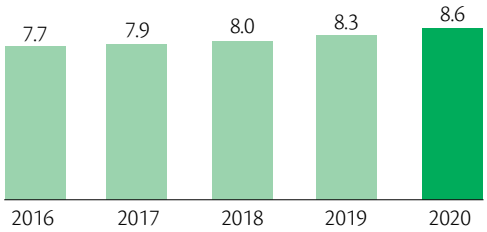
Objectives and outlook

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.

2016–2020 financial data

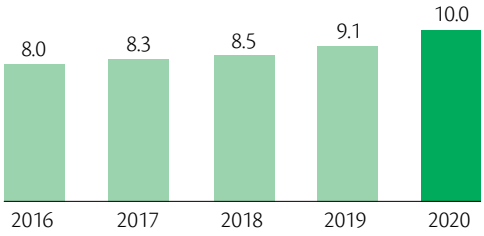
Mortgage loans

in CHF billions



Customer deposits

in CHF billions



Key figures

	2020	2019
Total revenues (CHF millions)	170.0	173.7
Operating profit (CHF millions)	35.1	37.2
Cost/income ratio (excluding goodwill amortization and write-downs)	77%	77%
ROE	11.2%	11.6%
Headcount	353	352

2019 figures were adjusted to facilitate like-for-like comparison

Corporate Banking

- **The Covid-19 crisis weighed on the Corporate Banking Sector's business activity. Vaud SMEs were impacted by the lockdown measures put in place in the second and fourth quarters, and more than 6,000 of them applied for federal-government-backed Covid-19 bridge loans from BCV. The Bank's Trade Finance exposure was voluntarily reduced in light of the pandemic, and transaction volumes in this segment declined as a result of the global economic slowdown. The Large Corporates business posted growth in both its loan book and its off-balance-sheet commitments.**

- **Lending and commitments climbed 6% to CHF 18.5bn, while deposits, which remained volatile, were up 14% to CHF 11.5bn.**

- **A reduction in Trade Finance exposure impacted Sector revenues and operating profit, which declined 5% to CHF 250m and 8% to CHF 142m, respectively.**

- **Against the backdrop of the public health and economic crises, new provisioning needs increased yet stayed moderate and 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.

2020: business report

The pandemic affected all parts of the economy, albeit unevenly. It accelerated the downward trend at a number of firms that were already struggling before the crisis, and weakened others that had been doing well. However, several economic institutes in Switzerland have released forecasts pointing towards a recovery, suggesting that the Vaud economy has held up extremely well overall.

Vaud SMEs account for the bulk of the Sector's business. In response to the unprecedented lockdown-induced economic slowdown in the second quarter, BCV teamed up with four other Swiss banks and the federal authorities to develop the Covid-19 bridge-loan program for SMEs. We then mobilized our teams to distribute the loans to client firms. Overall, we granted more than 6,000 Covid-19 bridge loans for a total of over CHF 700m to our corporate clients, over 98% of which were Vaud SMEs. We also set up a Covid-19 loan program for local startups.

In addition to participating in the bridge-loan program, BCV suspended the 31 March and 30 June principal repayments on loans to SMEs (i.e., mortgage loans, overdraft facilities, and capital goods loans). This measure left SMEs with over CHF 40m of additional cash in 2020 and has been implemented once again in 2021 for the same amount.

Our commodities trade finance business slowed sharply in 2020 as a result of both the global slowdown and BCV's decision to decrease volumes during the public health and economic crises. In February, we reduced our exposure to China, where restrictions were already making it increasingly difficult to load and unload cargo ships. Subsequent lockdown measures put the brakes on transactions worldwide, and the industry was impacted by several cases of fraud. We decided to keep our exposure low through the end of the year amid heightened uncertainty around the globe.

Overall Sector business volumes rose in 2020, with lending and commitments up 6% to CHF 18.5bn. Deposits grew by a very solid 14% to CHF 11.5bn despite ongoing low interest rates.

Lending and commitments to Vaud SMEs continued to expand (+8%). Lending and off-balance-sheet commitments to Large Corporates also rose, albeit to a lesser extent (+3%). In the Trade Finance business, average lending and commitments were down by 21% versus 2019.

Sector revenues declined 5% to CHF 250m, and operating profit fell 8% to CHF 142m.

Against the backdrop of the public health and economic crises, new provisioning needs increased yet stayed moderate, and the corporate loan book remained healthy.

Objectives and outlook

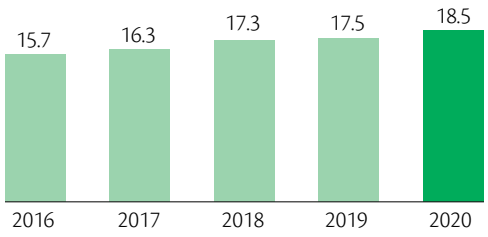
Corporate Banking will seek to increase its presence among local SMEs and ensure maximum responsiveness to their needs, standing with them during these still-uncertain economic times and throughout their life cycle – from creation to succession.

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

2016–2020 financial data

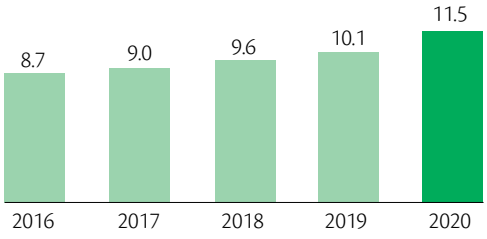
Lending and off-balance-sheet commitments

in CHF billions



Customer deposits

in CHF billions



Key figures

	2020	2019
Total revenues (CHF millions)	250.4	264.7
Operating profit (CHF millions)	142.2	154.1
Cost/income ratio (excluding goodwill amortization and write-downs)	36%	35%
ROE	9.5%	10.0%
Headcount	190	188

2019 figures were adjusted to facilitate like-for-like comparison

Wealth Management

- **The Wealth Management Sector experienced a solid business trend in 2020 despite the pandemic.**

- **Institutional asset management embarked on several major initiatives in the area of socially responsible investing, including the launch of a long-term strategic partnership with Ethos. In private wealth management, a new line of ESG investment solutions was created.**

- **The Sector's assets under management rose 3% to CHF 74.7bn thanks to net new money from individual and institutional clients and the financial markets' positive performance. The mortgage book expanded by 3% to CHF 8.0bn.**

- **Sector revenues and operating profit both held relatively stable, edging down just 1%, to CHF 359m and CHF 137m, respectively.**

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.

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.

2020: business report

The Covid-19 crisis affected private wealth management in several ways. Business activity slowed during the weeks-long lockdown before picking up again, although the upswing did not fully offset the spring slowdown. Client trading volumes, however, showed a clear uptick in February and March amid very high market volatility.

Despite the constraints resulting from Covid-related measures, our teams rolled out a number of important projects, most notably in the area of socially responsible investing. We continued to integrate environmental, social and governance (ESG) criteria into all of our investment solutions. By year-end 2020, two-thirds of the assets managed through our discretionary agreements and strategic funds included ESG criteria (versus 19% at the end of 2019). Those numbers are in line with the objective we set in 2019. We also created a range of thematic ESG Impact products that allow our clients to actively support sustainable development.

In another important development, we entered into a long-term strategic partnership with Ethos, a recognized leader in the field of sustainable finance in Switzerland. Ethos analyzes the companies in funds based on ESG criteria, applying a methodology and skills developed over more than 20 years. In addition, Ethos exercises voting rights at shareholders' meetings in accordance with its own guidelines and engages in dialogue with companies in its funds in order to encourage them to improve their ESG practices. BCV's Asset Management teams contribute their expertise in financial analysis and portfolio management to the partnership. We also actively promote Ethos funds by listing them in our product offering and including them in the asset management mandates and portfolios which we manage for our clients. At the same time, some BCV products – mainly bond funds – incorporate Ethos' ESG analyses and criteria.

The Sector's assets under management rose 3% to CHF 74.7bn thanks to net new money from individual and institutional clients and the financial markets' positive performance. In addition, the remaining Swisscanto funds still in custody at BCV were transferred to ZKB in the first half of 2020. The mortgage book expanded by 3% to CHF 8.0bn.

Sector revenues and operating profit both held relatively stable, edging down just 1%, to CHF 359m and CHF 137m, respectively.

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.

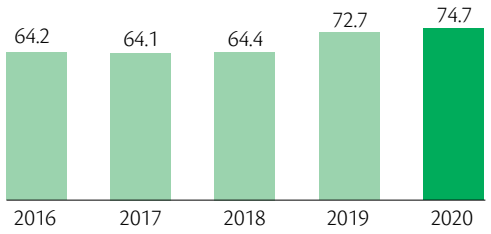
In institutional asset management, we aim to continue growing our business in Vaud and the rest of French-speaking Switzerland, as well as in the German-speaking part of the country through our representative office in Zurich. As a creator and distributor of investment products, Asset Management will 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.

2016–2020 financial data

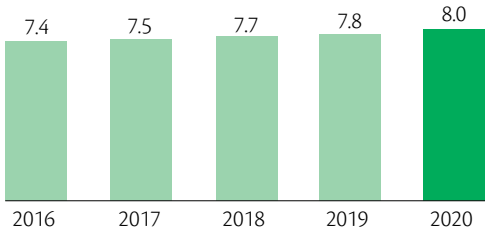
Assets under management

in CHF billions



Mortgage loans

in CHF billions



Key figures

	2020	2019
Total revenues (CHF millions)	358.7	362.6
Operating profit (CHF millions)	137.1	138.7
Cost/income ratio (excluding goodwill amortization and write-downs)	60%	60%
ROE	33.3%	33.2%
Headcount	496	499

2019 figures were adjusted to facilitate like-for-like comparison

Trading

- **The Trading Sector's volumes peaked during the spring lockdown, amid the first wave of Covid-19, as high market volatility boosted our customers' trading activity. Currency trading, which accounts for nearly 70% of the Sector's total revenues, increased year on year, as did the Bank's structured products business albeit to a lesser extent.**

- **Trading revenues climbed 9% to CHF 55m, and operating profit rose 24% to CHF 27m.**

- **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.

2020: business report

The various waves of the pandemic and the accompanying restrictions set the tone for the stock markets throughout the year. This drove spreads between yearly highs and lows to record levels. The SMI, for example, posted its 2020 high on 20 February at 2,701.70 and its full-year low on 16 March at 1,859.65 points, for a difference of over 45% versus an average of 23% over the previous 10 years.

Volatility was high on the forex market during the spring lockdown, spurred by the unprecedentedly rigorous measures enacted by almost all governments around the world. The euro/Swiss franc exchange rate continued the downward slide it had begun in April 2018, as the prevailing uncertainty in 2020 prompted investors to seek refuge in the Swiss franc. The dollar/Swiss franc exchange rate dropped even more steeply, from CHF 0.97 to CHF 0.88 over the year.

As a result of this turbulent environment, customer trading volumes rose sharply in the second quarter before returning to normal levels, in line with the decline in volatility.

Currency trading continues to account for the bulk of the Sector's revenues, with the figure standing at around 70% last year. The structured products business also remained solid in 2020. Full-year revenues for the Sector as a whole rose 9% to CHF 55m, and operating profit increased 24% to CHF 27m.

Despite the market volatility, 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. In other words, at any point in the year, there was a 99% chance that our trading floor would not lose more than CHF 0.2m on a given day.

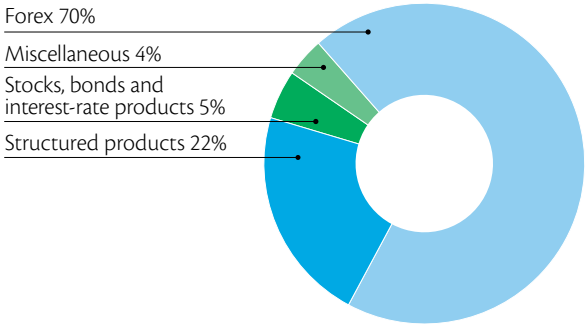
Objectives and outlook

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.

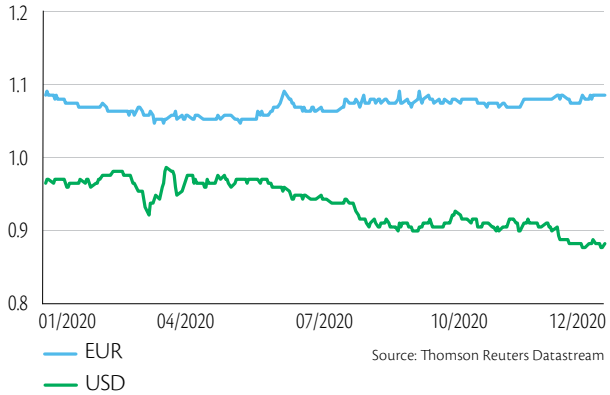
2020 financial data

Breakdown of trading income by market segment



Exchange rates

versus CHF



Source: Thomson Reuters Datastream

Key figures

	2020	2019
Total revenues (CHF millions)	54.7	50.1
Operating profit (CHF millions)	27.2	21.9
Cost/income ratio (excluding goodwill amortization and write-downs)	49%	55%
ROE	34.2%	29.2%
Headcount	52	55

2019 figures were adjusted to facilitate like-for-like comparison

Jean-Daniel Dreifuss
Regional Manager – Personal Banking, Nyon

"To deal with the challenges of the health crisis, we had to be well-organized yet remain very flexible."

From the very beginning of Switzerland's lockdown, BCV made the necessary changes in line with public health regulations while still meeting the needs of its individual customers and business clients and maintaining high service quality. In our branch offices, we applied protective measures such as hand sanitizing, plexiglass barriers, masks, and social distancing. We also encouraged our customers to do their banking by telephone and via our digital services – BCV Mobile and BCV-net – whenever possible. Our multichannel approach has certainly made things easier for our customers during this crisis.

"To deal with the challenges of the health crisis, we had to be well-organized yet remain very flexible," says Jean-Daniel Dreifuss, regional manager for personal banking in Nyon. "In March, from one day to the next, footfall in our branches plummeted and calls to our Customer Service Center went through the roof. A lot of those calls actually ended up being redirected to our branch offices. Our advisors there really stepped up to help out the call center…and I think that's a great example of how having a tight-knit team made it possible for us to better serve our customers."

Nyon branch office
Protective measures applied in our reception areas.

2
Dernier Numéro Appelé
Ticket
Caisse / Conseil
Caisse / Conseil
BCV Familles
STOP CORONA

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 CCO is also responsible for developing and monitoring the models used to measure credit risk, particularly those used in the lending process, and for setting and implementing the criteria and rules governing lending decisions and monitoring.
- The Risk Management Department is responsible for setting up, implementing, monitoring, and adapting the Bank's oversight principles and methods for credit, market, and operational risk; monitoring the Bank's risk profile; and overseeing and executing risk reporting. The Department ensures that the Bank's operational internal control system is effective and in keeping with the Bank's needs, by coordinating the work of the entities responsible for level 2 oversight; it is also in charge of submitting all risk reports to the Bank's governing bodies. Finally, it is responsible for the overnight monitoring of market risk for BCV's trading floor.
- The Compliance Department is responsible for setting up, implementing, monitoring, and adapting 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, monitoring, and adapting the 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.

2.1 Lending decisions

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.

BCV risk profile

		31/12/17	31/12/18	31/12/19	31/12/20
BCV Group capital adequacy[1]	• Risk-weighted assets (CHF billions)	18.2	18.4	18.8	18.4
	• Total capital ratio	17.3%	17.2%	17.3%	17.8%
	• Tier 1 capital ratio	17.1%	17.1%	17.1%	17.7%
Non-impaired loans (parent company)	• Customer loans, on and off balance sheet[2] (CHF billions)	31.8	33.3	33.9	35.2
	• Expected loss ratio (relative to amount drawn)	11 bps	11 bps	10 bps	10 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%	0.5%	0.5%
	• Specific provisioning ratio	46%	42%	45%	49%
Market risk in the trading book (parent company)	• Trading Dept.: VaR[4] (CHF millions, 1-day, 99%)	0.2	0.2	0.2	0.2
	• Asset mgt. nostro portfolio: VaR[4] (CHF millions, 180-day, 99%)	0.7	0.1	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)	–347.5	–390.4	–396.3	-412.3
Operational risk (parent company)	• New provisions and direct losses (CHF millions)[5]	0.8	1.0	0.6	1.6

[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

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 dedicated independent teams, 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 Bank.

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 37.2bn at 31 December 2020, a year-on-year increase of 3.2%. At CHF 1.8bn, 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%).

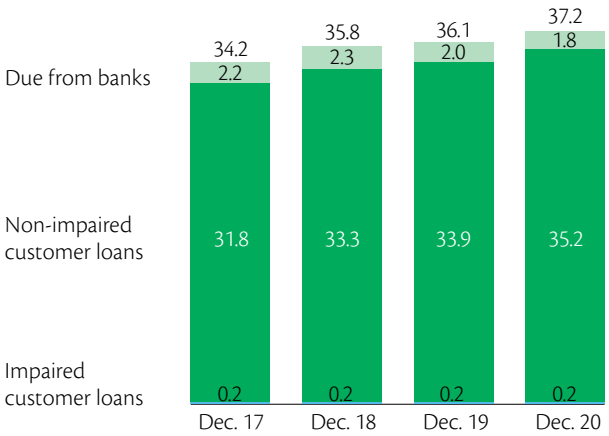
The 2020 breakdown by sector was generally stable compared with 2019, other than a relative reduction in Trade Finance exposure. Retail and private banking clients remained the largest sector in total non-impaired loan-book exposures, at 51% at end-2020.

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 10 basis points, or 8 basis points excluding trade-finance exposures. Impaired loans were CHF 181m 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

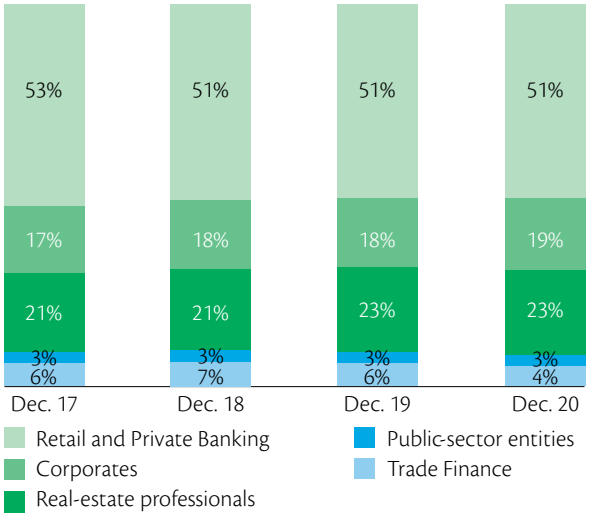
CHF billions, on and off balance sheet, for the parent company[1]



[1] Excluding financial investments

Customer loans by segment

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



Customer loans by geographical zone

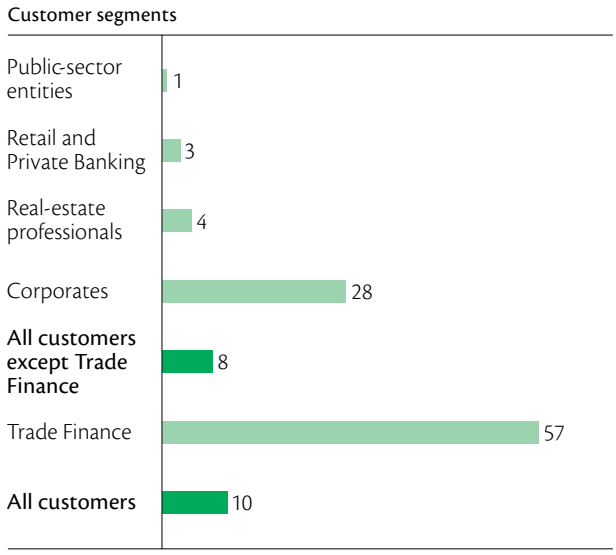
as a % of on-balance-sheet customer loan exposure, for the parent company[1]

Client domicile	31/12/2019	31/12/2020
Vaud Canton	80%	80%
Rest of Switzerland	15%	16%
European Union + North America	1%	1%
Other	4%	3%

[1] Excluding financial investments

Expected loss rate

expressed in basis points of drawn customer loans, including OTC derivatives, at 31 December 2020



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.

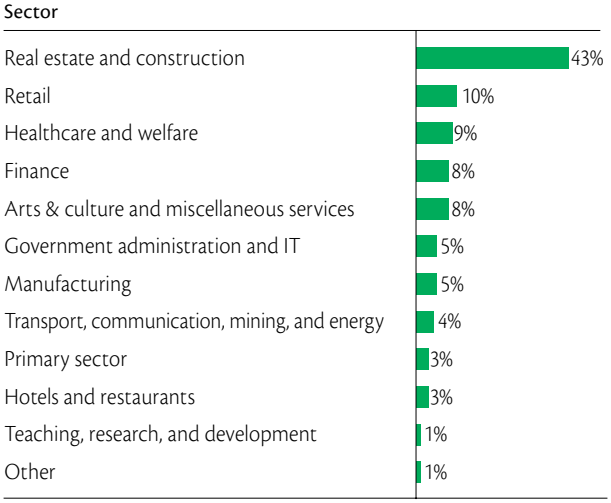
3.1 Market risk on the trading book

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.

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,

Corporate loans by economic sector

as a % of on-balance-sheet corporate loan exposure, for the parent company,[1] at 31 December 2020



[1] Excluding financial investments

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:

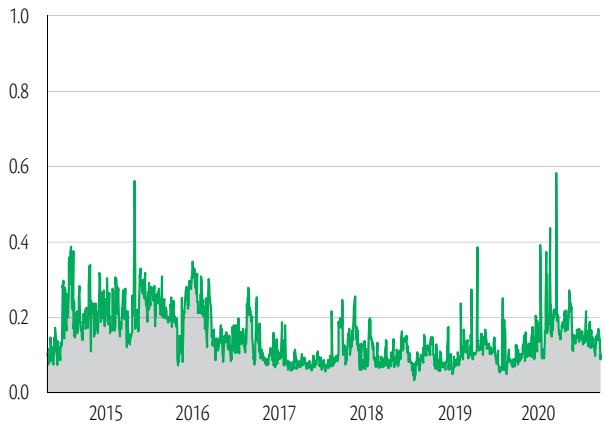
- Historical overnight value-at-risk (VaR) with a one-day time horizon and a confidence level of 99%
- Analysis of potential losses using static stress tests
- Sensitivity metrics such as delta, gamma, vega, theta, and rho.

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 2020, VaR for the trading book remained low, at an average of around CHF 0.2m.

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

in CHF millions



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 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. Further information on these types of risk is provided below.

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).

5. Compliance risk

The management of compliance risk consists of having suitable processes and systems in place for combating money laundering and the financing of terrorism, ensuring compliance with economic sanctions, and monitoring market abuse. The Compliance Department acts as the support and control function for these three areas across the Bank. It has primary responsibility for conducting regulatory intelligence and monitoring and implementing changes to compliance-related rules, procedures, and processes. In addition, it provides employees with training and ongoing support on how to implement compliance-related rules and procedures. The Compliance Department also conducts level-two oversight, which consists of controlling front-line businesses' implementation of the regulations within the Department's purview, as well as their implementation of cross-border and tax-compliance rules.

5.1 Risk of money laundering and the financing of terrorism

By accepting funds and executing payment and financing transactions, the Bank is exposed to the inherent risk that one or several of its clients may be directly or indirectly involved in money laundering or the financing of terrorism. Banking supervision rules require banks to play a key role in combating money laundering and the financing of terrorism. For this purpose, they must have systems in place to detect signs of these activities. Determining the economic background of client funds and the purpose of transactions is a central component of the due diligence process, which consists of monitoring client relationships and transactions made through the Bank.

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 sets out the framework to be followed within the Bank, provides tools for implementing that framework, and supports and monitors the work of the front-line businesses.

Monitoring client relationships

For each client relationship, the Bank systematically identifies the contracting party, the beneficial owner, and/or the controlling owner. The entire client portfolio is constantly monitored in order to detect any individuals who have been convicted or are suspected of money laundering or terrorist financing, as well as politically exposed persons (PEPs) listed in public databases.

Each client relationship is categorized based on money-laundering and terrorist-financing risk factors, in alignment with the regulatory requirements set out in the Swiss Federal Anti-Money Laundering Act (AMLA), the FINMA Anti-Money Laundering Ordinance (FINMA-AMLO) and the risk profiles of the Bank's business activities. These categories are then used to determine the extent of monitoring and the decision-making authority applicable to each client relationship.

Client relationships showing signs of an increased risk of money laundering or terrorist financing must go through an approval process before they can be entered into and when periodically reviewed. This involves various levels of management, and approval by the Compliance Department is required in each case. The approval process draws on information provided by the Bank's front-line businesses and meets the strict in-house requirements set for each business line, especially regarding supporting documentation that must be provided.

For Private Banking and Trade Finance, client relationships are approved by specific review committees when relationships are entered into and reviewed. The Compliance Department takes part in those committee meetings and has veto power on client relationships.

Monitoring transactions

The Bank categorizes client transactions based on their size and the criteria set out in the AMLA and FINMA-AMLO relative to the Bank's risk profile. Dedicated software, configured for each of the Bank's business lines, is used to detect transactions that are at a high risk of money laundering or terrorist financing. The software's detection algorithms are calibrated to identify indicators relating to transaction frequency, volume, and type, as well as any unusual client behavior. If customer advisors become aware of any indications of money laundering or terrorist financing, particularly during interactions with clients or based on information from third parties, the Compliance Department is informed directly.

Clarifications on potential increased-risk transactions are made in accordance with the strict in-house requirements set for each of the Bank's business lines, and transactions representing the highest level of risk are approved by the Compliance Department.

Reporting suspected cases of money laundering

The Compliance Department, on behalf of the Bank, systematically reports suspected cases of money laundering or terrorist financing involving a client relationship or a transaction to the Money Laundering Reporting Office (MROS).

5.2 Risk of non-compliance with economic sanctions

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 required to follow as a result of its business activities, 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.

The Compliance Department conducts due diligence at the start of each client relationship and continuously on its entire client portfolio, in order to detect individuals or companies that are subject to applicable economic sanctions. It also monitors incoming and outgoing transactions through its detection system and blocks suspicious transactions where necessary. It likewise monitors the securities of companies that are subject to sanctions and prohibits clients from trading in those securities.

5.3 Risk of market abuse

Monitoring market abuse involves identifying instances of insider trading and market manipulation, in keeping with FINMA Circular 2013/8 and the Financial Market Infrastructure Act (FMIA).

Trades by clients and employees are monitored through a dedicated computer system that detects any atypical returns and possible access to insider information. Individuals who are categorized as insiders based on information gathered from external databases are recorded as such in the Bank's computer systems, and their transactions are closely monitored by the Compliance Department.

The Bank's computer system also monitors trades in order to detect behavior that could constitute market manipulation, including buy and sell trades conducted on the same day on the same security.

6. Physical and IT security risks

The main aims of the Security function are to protect the Bank and mitigate the impact of a crisis or serious incident. It protects:

- the IT systems, data, and operations needed for the Bank to run smoothly.
- stakeholders such as clients, employees, partners, and external service providers.
- the physical assets that the Bank uses in its work or that are stored on its premises, e.g., banknotes, precious metals, paper contracts, and mortgage deeds.
- infrastructure, i.e., buildings and other premises containing Bank property, and all of the equipment that the Bank needs to operate.

The Security Department is responsible for setting up, implementing, monitoring, and adapting the Bank's security system. It also makes sure that the safeguards and measures put in place to manage crisis situations and ensure business continuity remain effective and adequate over time. Its main missions are to:

- protect the Bank's IT systems, data, and operations by setting up and implementing a security system based on an analysis of threats, particularly regarding cybercrime.
- keep people, infrastructure, and assets safe by setting up and implementing a range of related security measures, also based on an analysis of threats.
- manage crisis situations and ensure business continuity by setting up and implementing measures to make sure that crises are handled effectively and the Bank can keep running its mission-critical business functions.

6.1 IT security risk

Three of the units within the Bank's Security Department are involved in protecting the Bank's IT systems, data, and operations. One unit is responsible for safeguarding the Bank against cybercrime, for developing the Bank's security architecture, and for managing cybersecurity incidents. A second unit covers the operational aspects of security, which include managing access rights and user IDs, ensuring continuous service and surveillance, and carrying out controls. A third unit is responsible for the Bank's security management system and for crisis and business continuity management. It also supervises the management and financial oversight of security-related projects for the Bank.

The Bank has a series of security measures in place to protect its IT systems and data. The measures are based on an analysis of the Bank's inherent exposure to threats, or to potential risk events, and are adapted to the Bank's specific needs and areas of business. The main threats and mitigating measures are summarized below.

Risk of system hacking and unauthorized access to data. Potential risk events include intrusions (e.g., as a result of malware or an insider's malicious intent) and attacks (e.g., denial of service) aimed at making certain IT channels unusable or to cause a massive data breach. To limit this

risk, the Bank has put in place a security system providing constant surveillance; it records and analyzes hacking attempts, conducts IT security intelligence, hires external providers to test the resilience of its IT systems, and works closely with the Swiss federal authorities in charge of combating cybercrime, such as the National Cyber Security Center (NCSC). In addition, it has a crisis management plan, which is regularly tested and updated.

Risk of data theft or the breach of client data privacy. Potential risk events include a massive leak of confidential data by one or more employees of the Bank or by external individuals. Access to client data is centrally managed and access rights are granted strictly on a need-to-know basis to limit this risk. Confidentiality levels are set by type of client data, and access is restricted accordingly. The Bank also controls all outgoing data streams (e.g., internal emails, internet, USB flash drives, and CDs), and an alert is triggered if client-identifying data are detected.

Risk of client identity theft. Potential risk events include the theft of client usernames and passwords or the misuse of resources made available to clients (e.g., payment software) in order to conduct fraudulent transfers of client funds. Various client-authentication and transaction-confirmation procedures adapted to each channel and client segment are put in place to limit this risk. For BCV-net and TradeDirect, strong authentication is applied, and the level of protection is routinely reassessed. At the same time, the Bank regularly seeks to raise clients' awareness of the risks of hacking through articles, recommendations, and other information published on its website, bcv.ch.

6.2 Physical security risk

The Security Department has a unit responsible for protecting people, physical assets, and infrastructure within the Bank.

The Bank has implemented a series of measures to keep its people, assets, and infrastructure safe and secure. The measures are based on an analysis of the Bank's inherent exposure to threats, or to potential risk events, and are adapted to the Bank's specific needs and areas of business. The main threats and mitigating measures are described below.

Risks to personal safety. Potential risk events include accidents and verbal and physical attacks. To limit these risks, 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. The Bank also focuses its efforts on managers, raising their awareness by providing training and putting in place employee monitoring tools.

Risk of physical theft. Potential risk events include the theft of assets, goods, or documents by individuals from inside or outside the Bank. Access to certain areas of the Bank's premises is restricted and buildings are kept under constant surveillance to limit this risk. It is also insured against theft and raises branch employees' awareness of the issue through training.

Risk of damage to infrastructure. Potential risk events include a loss of operating resources as a result of events like a fire, power outage, pandemic, or natural disaster. To limit this risk, the Bank performs daily backups to its two data centers and has a data recovery plan that is tested regularly. In addition, the Bank has plans in place to ensure the continuity of critical business functions in the event of situations like a pandemic or a disaster. It also performs annual checks and updates on critical infrastructure.

Principles governing the Bank's 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.

In terms of procedures, implementing an overall risk-management framework involves assigning tasks, responsibilities, and decision-making authority to employees and managers, 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 procedures governing their work. Department heads are in charge of implementing and updating the procedures for their department and the related operational ICS, with the relevant Division head having ultimate responsibility in this regard.

The operational ICS covers execution-related operational risks (EOR) and the controls put in place to mitigate them. An EOR arises from potential errors, failures, or non-compliance with rules, limits, or documentation requirements. EORs with Bank-wide relevance are referred to as key EORs. Controls are set up and documented at Bank level for each key EOR. These controls always include operational oversight by employees, conducted in the course of their work, and managerial oversight, conducted at each management level (up to the department head) to ensure that the previous level of oversight was properly carried out.

The ICS comprises three levels. The Executive Board is responsible for the first two levels (the Executive Board's ICS), while the Board of Directors oversees the third level:

- Level one: operational oversight (1a) and managerial oversight (1b) based on the chain of command
- Level two: controlling the appropriateness and effectiveness of level-one oversight by entities independent of the chain of command (e.g., Risk Management and Compliance)
- Level three: periodic reviews of levels one and two by the Internal Audit Department, which is responsible for determining the principles, content, and schedule for these reviews.

The Executive Board assigns extensive oversight responsibility to managers, with centralized functional units providing support. The Executive Board also ensures the requisite separation of tasks to prevent conflicts of interest between level-one and level-two oversight.

Executive Board members collectively and individually attach great importance to ensuring that the operational ICS is of a high quality, effective, and adapted to the Bank's needs, and implement the operational ICS rigorously, thereby serving as an example for department heads and all other Bank employees.

The operational ICS is set up and implemented factoring in the Bank's organizational structure, the characteristics of its business lines and functions, its risk levels, and the need to make effective use of the know-how available within the Bank.

Lucie Testuz
University trainee in service quality

"I actually met my Unit team online and started off all my training remotely."

BCV was able to continue providing its full range of banking services throughout the year – without compromising on quality – while protecting its employees and customers thanks to remote working. Between mid-March and early summer, we provided secure network access to nearly 1,000 employees, more than half of our workforce. All remote-working employees received laptop computers with the necessary software. In July, our teams gradually returned to working on site. When the second wave of the pandemic hit in late October, almost two-thirds of our employees went back to working from home, and the transition was smooth thanks to the Bank's earlier efforts. The work-from-home policy remained in place in early 2021.

"I started working at BCV in April, when the first wave of the pandemic was in full swing," says Lucie Testuz, a university intern in the Bank's Service Quality unit. "I actually met my Unit team online and started off all my training remotely. But regardless of whether we were at home or on site, it was really great working with various units across the Bank. The only downside was that we couldn't get together to celebrate each of the milestones we reached in our various projects."

Lucie Testuz
Working from home

NO.48

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, Basel III Pillar 3 report, and sustainability report.

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 105 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 2020)

Details of all BCV Group companies are shown in note 10.7 (consolidated and non-consolidated holdings) to the consolidated financial statements, on page 137. 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 2020, the value of BCV's listed shares with a par value of CHF 1 was CHF 8.3bn
Security number	53.175.175
ISIN code	CH0531751755

1.1.3 Unlisted companies included in the scope of consolidation (at 31 December 2020)

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.

Upon the recommendation of the parent company's Executive Board, the parent company's Board of Directors submits proposals to the subsidiaries' boards of directors concerning the appointment of, as a general rule, the majority of the members of those boards (including the chair) and of their CEOs.

The share capital of BCV's subsidiaries and the holdings of the parent company are shown in note 10.7 on page 137 of the consolidated financial statements.

1.2 Major shareholders

At 31 December 2020, 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 18.21% of the Group's capital at 31 December 2020.

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 2018, 2019, and 2020 may be found in notes 3 and 5.12 to the parent company financial statements (pages 171 and 179). Additional information on the Group's capital is shown on page 119 of the consolidated financial statements.

At 31 December 2020, the Bank's share capital stood at CHF 86,061,900 and consisted of 86,061,900 registered shares with a par value of CHF 1.

2.2 Authorized and conditional capital

There was no authorized or conditional capital at 31 December 2020.

2.3 Capital structure at the end of the 2018, 2019, and 2020 financial years

At the Annual Shareholders' Meeting on 30 April 2020, shareholders approved a 10-for-1 stock split, where the share's par value was divided by 10 and the total number of shares increased accordingly, as well as an amendment to Article 6 of the Articles of Incorporation, which now states:

The share capital of eighty-six million sixty-one thousand nine hundred Swiss francs (CHF 86,061,900) is divided into eighty-six million sixty-one thousand nine hundred (86,061,900) fully paid-up registered shares with a par value of one Swiss franc (CHF 1) per share.

The stock split was carried out on 28 May 2020. The BCV share's security number on the SIX Swiss Exchange changed on that date from 1.525.171 to 53.175.175.

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

Number of shares

Share capital	31/12/2018	31/12/2019	31/12/2020
Share capital (fully paid-in registered shares)	8,606,190	8,606,190	86,061,900

Equity – Group
CHF millions

Equity	31/12/2018	31/12/2019	31/12/2020
Share capital (fully paid-in)	86	86	86
Capital reserves and retained earnings	2,735	2,799	2,822
Reserves for general banking risks	701	701	666
Minority interests in shareholders' equity	0	0	0
Total	**3,522**	**3,586**	**3,574**

2.4 Shares and participation certificates

Registered shares at 31 December 2020

Number of shares	86,061,900
Proposed ordinary dividend	CHF 3.60
Par value	CHF 1
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 Financial Market Infrastructure Act (FMIA). (…) 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 2020, 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 2020, 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 2020 were Jacques de Watteville, Fabienne Freymond Cantone, Peter Ochsner, and Jean-François Schwarz. 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 one Board member appointed by the VCG (Mr. Ochsner, Committee Chairman) – who therefore holds such an appointment letter – and two elected by shareholders (Jack Clemons and Eftychia Fischer). 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 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 stepped down from the Board of Directors at the Annual Shareholders' Meeting on 30 April 2020, as he reached the age limit of 70 years old set by the Act[ii].
Jean-François Schwarz, 1955, Swiss citizen	Master's degree in economics with a specialization in business administration from Lausanne University	Mr. Schwarz was appointed to the Board by the Vaud Cantonal Government, taking up his position on 1 January 2019. He was then appointed Vice Chairman of the Board by the Vaud Cantonal Government on 1 January 2020. He has over 40 years of experience in the banking sector. 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.
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. She has been Chair of the Compensation, Promotions and Appointments Committee since 1 May 2020. 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. She has since joined the boards of several companies.
Eftychia Fischer, 1963, Dual Swiss and Greek citizen	Bachelor's degree in physics from Imperial College London Graduate of the Advanced Management Program (AMP) at the Wharton School at the University of Pennsylvania Certified Chartered Financial Analyst (CFA) and Financial Risk Manager (FRM)	Eftychia Fischer was elected at the Annual Shareholders' Meeting on 30 April 2020 and joined the Board on that date. After graduating with a Bachelor's degree in physics from Imperial College London, she began her career in 1986 as an interest-rate derivatives trader at Société Générale Strauss Turnbull in London. She then held managerial positions at firms in Paris and Zurich, including J.P. Morgan & Co., Julius Baer, and EFG International, and joined UBP in 2010 as the Head of the Treasury & Trading Division. She took on an additional role as the Head of Asset Management at UBP from 2012 to 2015. Since 2015, she has served on the Boards of UBP, Vaudoise Assurances, and several other companies. At its meeting on 13 January 2021, the Vaud Cantonal Government appointed Ms. Fischer to replace Jacques de Watteville as the Chair of BCV's Board of Directors, starting on 1 January 2022.
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.

3.2 Other activities and business relations (at 31 December 2020)

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 (at 30 April 2020)	• Member of the Board of Directors of Constellation Capital AG, Freienbach • 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 Agence France-Presse, Paris • Member of the Board of Directors of Akara Funds AG, Zug • Member of the University of Zurich's Executive MBA advisory board • Member of Aufsichtsrat Deutsche Post/DHL, Bonn
Eftychia Fischer	• Member of the Board of Directors of Vaudoise Assurances, Lausanne • Member of the Board of Directors of Union Bancaire Privée SA (UBP), Geneva • Member of the Board of Directors of Sherpa Asset Management, Zurich • Chair of the Board of Directors of Alberca Foundation (single family office), Bahamas
Fabienne Freymond Cantone	• Member of the Nyon municipal government • Member of the executive committee of the Vaud Socialist Party • Committee Member of the Innovaud Association, Lausanne • 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, 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, as well as Fondation Pro Vapore – Fondation pour la sauvegarde des huit bateaux Belle Epoque du Lac Léman, Geneva
Peter Ochsner	• Member of the Board of Directors of Kieger SA, Zurich • Head of Finance and Accounting for the Festival of Zurich Foundation (in liquidation), 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

Ingrid Deltenre
Member of the Board of Directors

Fabienne Freymond Cantone
Member of the Board of Directors

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

Jean-François Schwarz

Vice Chairman of the Board of Directors

Peter Ochsner

Member of the Board of Directors

Eftychia Fischer

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 Jean-François Schwarz, who was already a Board member when he was appointed Vice Chairman. Mr. Schwarz replaced Reto Donatsch, who stepped down from the Board of Directors on 30 April 2020 after reaching the age limit (70 years) under the LBCV[ii]. The other members are Jack Clemons, Ingrid Deltenre, Eftychia Fischer (who joined the Board on 30 April 2020), Fabienne Freymond Cantone, and Peter Ochsner.

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 2020, the Audit and Risk Committee was made up of Peter Ochsner (Chairman), Jack Clemons, and Jean-François Schwarz until 30 April 2020 when Mr. Schwarz was replaced by Eftychia Fischer after joining the Compensation, Promotions and Appointments Committee.

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
Jean-François Schwarz (Vice Chairman)	1955	1 January 2019	2025	Vaud Government
Jack G. N. Clemons	1966	21 April 2016	2032	Shareholders' Meeting[1]
Ingrid Deltenre	1960	1 May 2014	2030	Shareholders' Meeting[2]
Eftychia Fischer	1963	30 April 2020	2033	Shareholders' Meeting
Fabienne Freymond Cantone	1963	26 April 2018	2033	Vaud Government
Peter Ochsner	1956	1 July 2016	2026	Vaud Government

[1] Term of office renewed for four years at the 2020 Annual Shareholders' Meeting
[2] Term of office renewed for four years at the 2018 Annual Shareholders' Meeting

At 31 December 2020, the Committee was therefore composed of Peter Ochsner (Chairman), Jack Clemons, and Eftychia Fischer.

The Audit and Risk Committee is tasked with ensuring the application and operation of risk control and management 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 2020 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 2020, the Compensation, Promotions and Appointments Committee, which is expressly provided for in the Articles of Incorporation[(i)] (Article 30a), consisted of Reto Donatsch (Chairman until 30 April 2020), Ingrid Deltenre, and Fabienne Freymond Cantone. Following Mr. Donatsch's departure on 30 April 2020, Ms. Deltenre became Committee Chair, and Jean-François Schwarz joined the Committee.

At 31 December 2020, the Committee was therefore composed of Ingrid Deltenre (Chair), Fabienne Freymond Cantone, and Jean-François Schwarz. The Chairman of the Board and the CEO take part in an advisory capacity.

As stipulated in the committee regulations adopted in 2014, the Committee provides significant support to the Board of Directors relating to human resources strategy and good governance of the Bank. It also serves as the Board's Corporate Social Responsibility (CSR) Committee.

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.

The Committee has the additional tasks 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.

Finally, it is responsible for developing and implementing BCV's CSR strategy via recommendations to the Board concerning CSR-related decisions. It is also responsible for reviewing and approving the annual Sustainability Report. The head of CSR regularly submits reports to the Committee on the different projects being carried out at the Bank as part of the CSR strategy.

3.4.3 Operational procedures of the Board of Directors and its committees

In 2020, the Board of Directors held 13 ordinary and extraordinary 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 one two-day retreat and one one-day retreat, 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.

Due to the Covid-19 situation, some Board of Directors and Committee meetings were held via conference call or video conference.

The Board committees meet whenever required by the business at hand. In 2020, the Audit and Risk Committee met nine times (four full-day meetings and four 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).

Members of the Board of Directors	2020 attendance rates
Jacques de Watteville	100%
Jack G. N. Clemons	100%
Ingrid Deltenre	100%
Reto Donatsch	100%
Eftychia Fischer	94%
Fabienne Freymond Cantone	100%
Peter Ochsner	100%
Jean-François Schwarz	100%

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 60–71) provides a summary of BCV's risk management procedures and an overview of its risk profile. Note 7 of the financial statements (pages 127–130) explains the principles applied by the Bank in assessing and managing risk. 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 (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. As decided at the November 2020 Risk and Audit Committee meeting, the next external audit will take place in autumn 2021. 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 at 31 December 2020 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 from 1 May 2009 until his retirement on 31 December 2020	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

Stefan Bichsel

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

Andreas Diemant

Member of the Executive Board,
Head of Corporate Banking

Thomas W. Paulsen

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

Bertrand Sager

Member of the Executive Board,
Head of Credit Management

José F. Sierdo

Member of the Executive Board,
Head of Retail Banking

Christian Meixenberger

Member of the Executive Board,
Head of Business Support

4.2 Other activities and business relations (at 31 December 2020)

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 • Member of the CHUV (Lausanne University Hospital) Foundation Board, Lausanne
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	• None
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 Viseca 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 2020)	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 Martin Dion 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 2020, 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 compensation system at BCV aims to promote individual and team performance, skills development, and professionalism, and to attract and retain the talent the Bank needs to ensure its long-term success.

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. All BCV shares allocated for annual performance-based compensation, long-term performance-based compensation, and the employee share-ownership plan are acquired by the Bank on the Swiss stock exchange

	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.

at market price. No new shares are issued, so there is no shareholder dilution.

Detailed compensation figures can be found in the tables on pages 184–185.

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 contractually defined, and the amount is included in the overall Board of Directors fixed-compensation amount (see page 184).

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

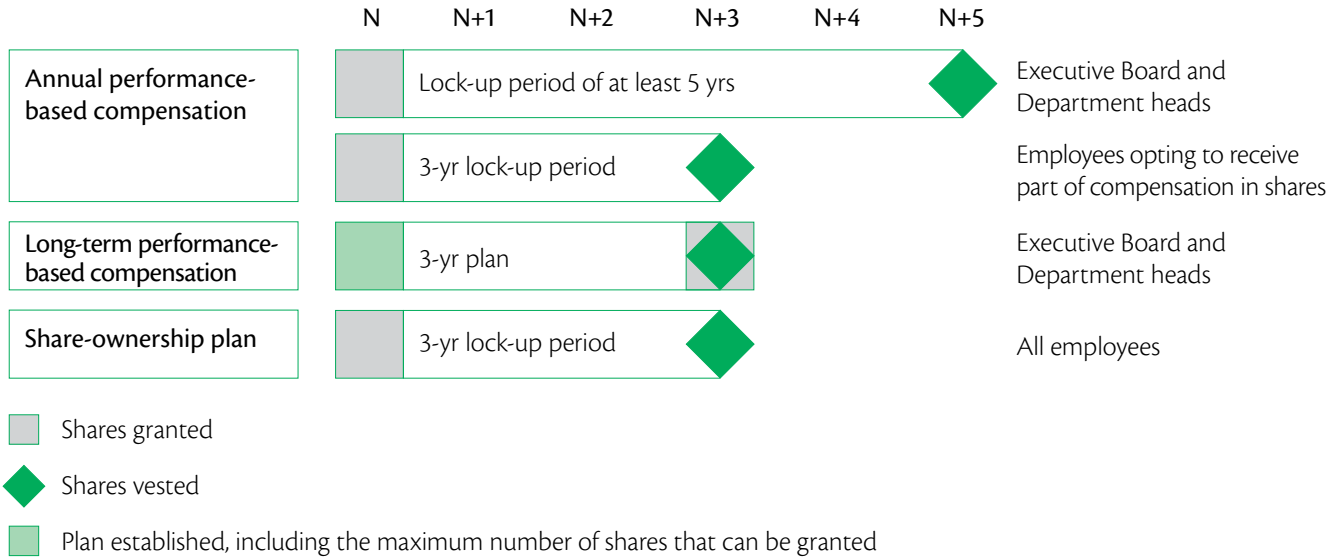
Executive Board

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, 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 185.

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

BCV share grants, lock-up periods, and vesting



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. 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%.

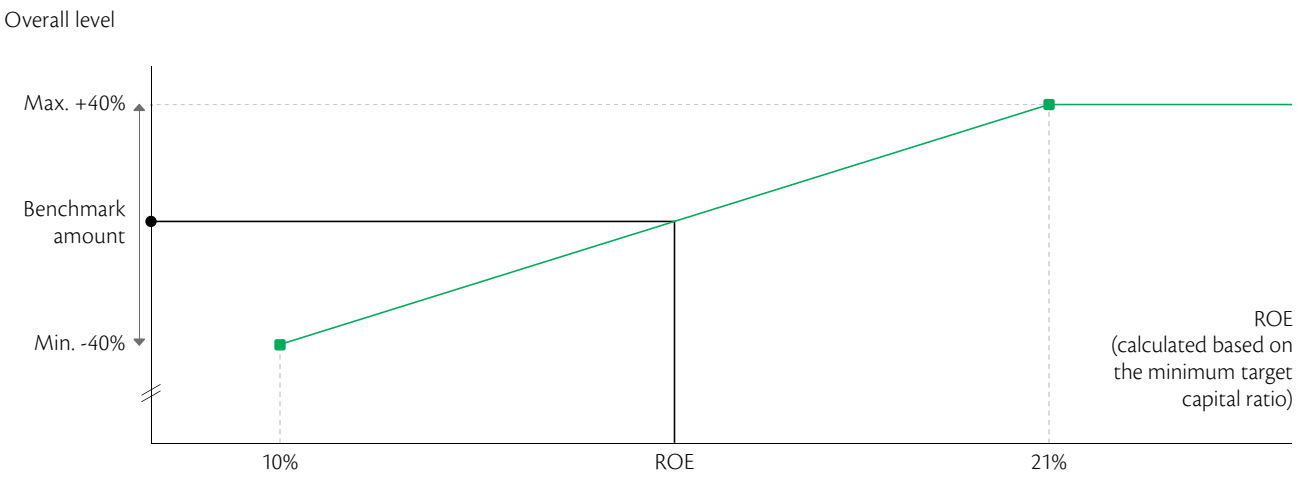
Once defined, the overall level is broken down by division, by the CEO, based on each division's results.

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.

For the 2020 financial year, these shares will be allocated at the closing price on 10 May 2021, 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 68.7% for the 2020 financial year.

Annual performance-based compensation - Financial performance



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 2018–2020 plan, which ended on 31 December 2020, was based on the Bank's actual cumulative economic profit and the following strategic and qualitative objectives:

- Growing the Bank's customer base in line with population growth in Vaud
- Evolving the Bank's digital banking/multichannel services in line with its position as a "smart follower"
- Implementing our "Smile" system of measuring service quality; continuously improving service quality indicators
- Meeting objectives on business successions (based on numbers of successions handled and amounts involved)
- Achieving greater gender equality in management positions
- Successfully completing the Bank's workplace IT migration project.

Economic profit reached 102% 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	2014 to 2016	2017	3,612	521.00	1,881,852	2,372	690.50	1,637,866
2015	2015 to 2017	2018	2,735	548.50	1,500,148	1,786	796.00	1,421,656
2016	2016 to 2018	2019	1,832	654.00	1,198,128	1,374	797.00	1,095,078
2017	2017 to 2019	2020	1,832	690.50	1,200,089	1,519	810.00	1,230,390
2018	2018 to 2020	2021	1,504	796.00	1,197,184	15,040	95.00	1,428,800

For the plan ending on 31 December 2020, 1,504 shares (pre-stock-split) were set aside for the members of the Executive Board, corresponding to a value of CHF 1,197,184 on the date on which the Board of Directors made its decision. After assessing the degree to which the objectives were achieved, 15,040 (post-stock-split) shares were distributed, equal to 100% of the total number approved at the 2018 Annual Shareholders' Meeting.

A new three-year plan, for which 14,800 shares have been set aside, began in 2020.

Employee share ownership
Executive Board members have the right to subscribe at most 1,000 (post-stock-split) 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 2020 financial year, these shares will be allocated at the closing price on 18 March 2021. 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 100 to 1,000 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 2021 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 2021 and 2022 Meetings. There will also be votes on the 2020 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 2021. 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 182).

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[(i)], 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 Financial Market Infrastructure Act (FMIA). (…) 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 30,000 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 45 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 2020 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[(i)], 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[(i)].

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 30 April 2020, Christophe Wilhelm, a Lausanne-based attorney, was elected to be the Independent Proxy until the end of the next Meeting, scheduled for 29 April 2021. 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 2020 financial year. At the Annual Shareholders' Meeting on 30 April 2020, BCV shareholders approved the Board's recommendation to appoint KPMG SA as the Bank's external auditor for 2020. 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 1,782,903 for the 2020 financial year.

Fees invoiced by KPMG SA in Switzerland and abroad for financial and statutory audits of other BCV Group companies were CHF 422,359 for the 2020 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 2,205,262 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 189,768 for the parent company.

Total additional fees for the 2020 reporting period invoiced by KPMG SA in Switzerland and abroad for all BCV Group companies therefore amounted to CHF 189,768.

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 2020, 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 late March/early 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/15/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

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2021 corporate calendar

29 April	Annual Shareholders' Meeting
3 May	Ex-dividend date[1]
4 May	Dividend record date[1]
5 May	Dividend payment[1]
19 August	2021 half-year results

[1] Ordinary dividend of CHF 3.60 per share, subject to approval at the Annual Shareholders' Meeting.

Amaya and Ignacio Rodriguez
Owners, Café des Artisans

"The loan helped us cover our overhead and pay our suppliers in the spring, but it also came in handy later in the year."

The Covid-19 pandemic has been difficult for many small and medium-sized enterprises, which have been forced to adapt – often on the fly. In March 2020, the Swiss Federal Council set up a program to provide CHF 40bn in government-backed bridge loans to businesses experiencing financial difficulties due to the pandemic. We worked actively with the government to develop and implement that program, granting more than 6,000 Covid-19 loans for a total of over CHF 700m.

The bridge-loan program allowed businesses to get much-needed cash. "It wasn't an easy decision for us. We'd never had to take out a loan before, but we had no choice," says Amaya Rodriguez, the co-owner of the Café des Artisans in Lausanne. "We moved quickly: we made our request at 8am and got the money at 4pm that same day. The loan helped us cover our overhead and pay our suppliers in the spring, but it also came in handy later in the year. We were able to reopen in the summer, and thanks to our loyal customers, we built back up our cash reserves. That turned out to be crucial for us in November and early 2021."

Amaya Rodriguez
At her restaurant

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Financial Statements

Report on the Consolidated Financial Statements

Balance sheet growth

1. Assets

Total assets expanded 10% (+CHF 4.8bn) year on year, amounting to CHF 53.2bn at 31 December 2020.

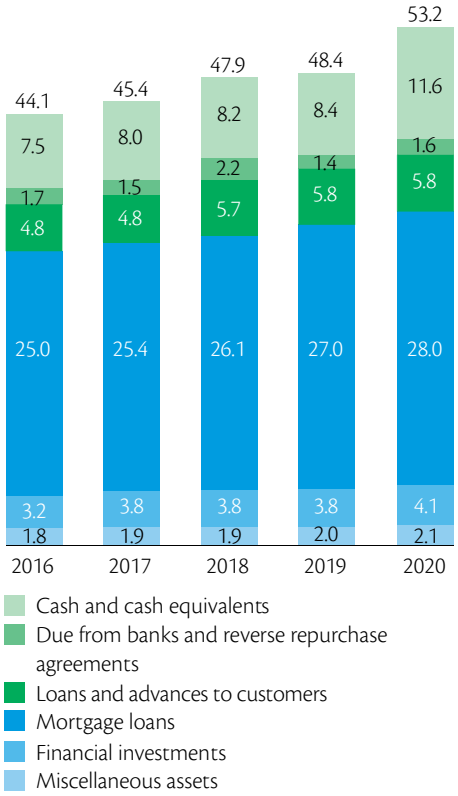
Cash and cash equivalents, which consist primarily of deposits held with the Swiss National Bank, increased 38% (+CHF 3.2bn) to CHF 11.6bn.

Amounts due from banks and reverse repurchase agreements rose 11% (+CHF 158m) to CHF 1.6bn.

Total loans outstanding were up 3% (+CHF 1.1bn) to CHF 33.8bn: mortgage lending grew 4% (+CHF 1.0bn) to CHF 28.0bn, while other loans were up 1% (+CHF 60m) to CHF 5.8bn.

Assets

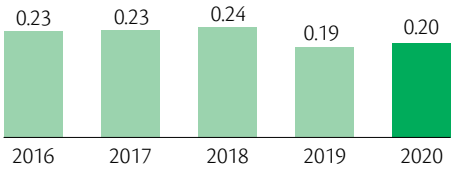
in CHF billions



Total impaired loans were stable at CHF 204m. 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 49.6bn at 31 December 2020, a year-on-year increase of 11% (+CHF 4.8bn).

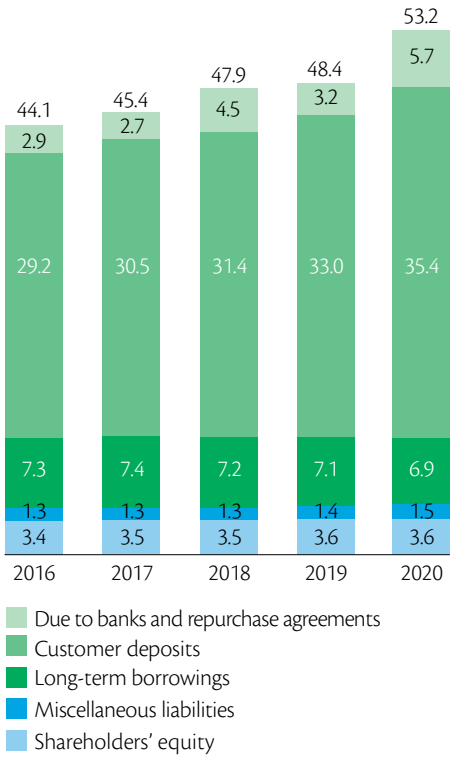
Amounts due to banks and repurchase agreements rose 79% (+CHF 2.5bn) to CHF 5.7bn.

Customer deposits were up 7% (+CHF 2.4bn) to CHF 35.4bn.

Long-term borrowings declined 3% (–CHF 183m) to CHF 6.9bn.

Liabilities and shareholders' equity

in CHF billions



Solid financial position

3. Shareholders' equity

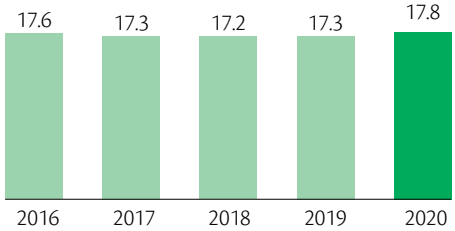
The Bank's CHF 331m in net profit for the year, less the CHF 310m payout approved at the Annual Shareholders' Meeting in April 2020, added CHF 21m to shareholders' equity. Shareholders' equity was reduced by CHF 35m in new provisions for inherent credit risk in non-impaired loans, drawn from the Bank's reserves for general banking risks. In 2020, total shareholders' equity decreased by CHF 11m to CHF 3.6bn.

At year-end, the CET1 ratio was at a comfortable level of 17.7% and the total capital ratio was 17.8%. These ratios, calculated according to the Internal Ratings-Based (IRB) approach, attest to the Bank's financial solidity.

The leverage ratio stood at 5.8% at 31 December 2020, markedly above the regulatory requirement of 3%.

Capital ratio[1]

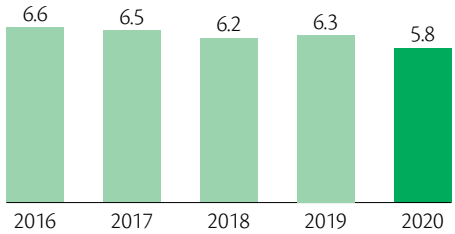
total capital as a %



[1] To facilitate like-for-like comparison, the ratio for 2016 has been recalculated without subtracting the countercyclical buffer from regulatory capital, in accordance with FINMA Circular 2016/1 "Disclosure – banks"

Leverage ratio

as a %

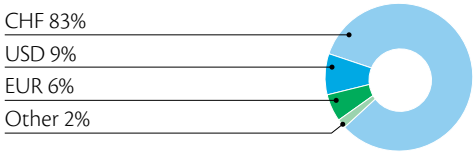


Continued new fund inflows

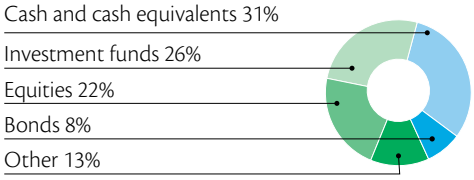
4. Assets under management

The Group's assets under management rose 5% to CHF 103.2bn. Net new money totaled CHF 4.5bn, comprising CHF 2.7bn from personal banking customers and Vaud SMEs as well as CHF 1.8bn from large-corporate and institutional clients.

Assets under management by currency

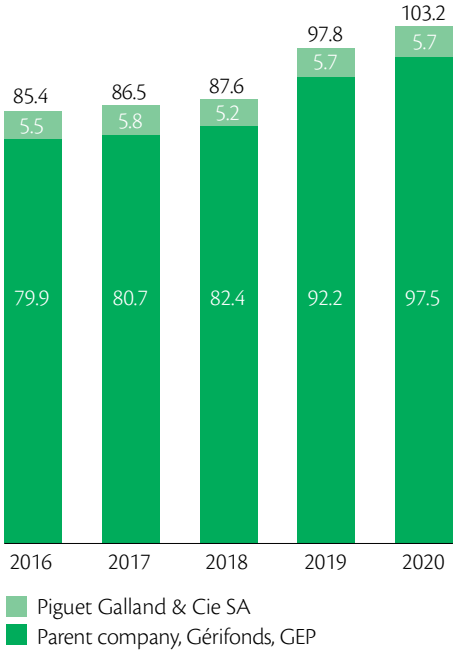


Assets under management by investment type



Assets under management

in CHF billions



Revenues down in negative-interest-rate environment

5. Revenues

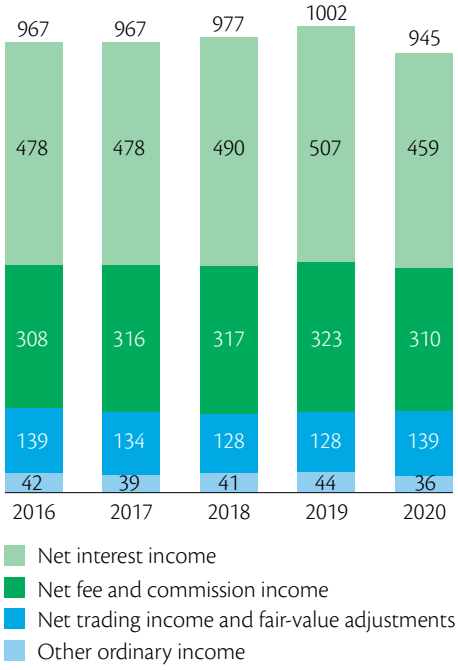
Total revenues were down 6% year on year to CHF 945m.

The various revenue streams contributed as follows:

- In the continued negative-interest-rate environment and with the Bank's voluntary reduction in Trade Finance exposure, net interest income before loan impairment charges was down 5% (–CHF 22m) to CHF 474m. Net interest income fell 9% to CHF 459m due to loan impairment charges recognized on isolated cases of defaulting companies during the period.

Revenues

in CHF millions

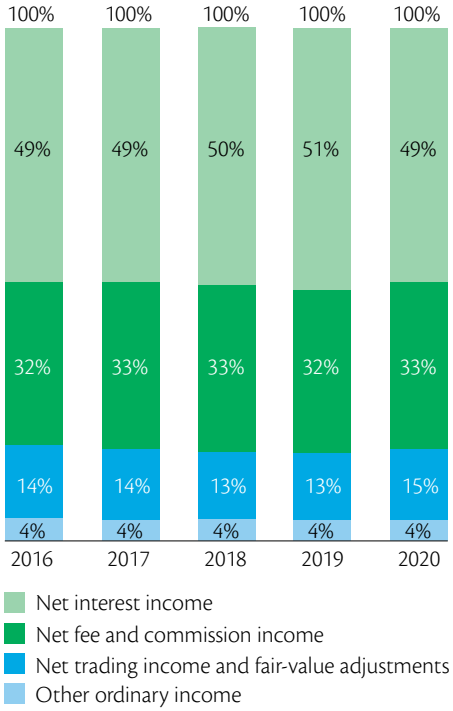


- Fee and commission income was down 4% to CHF 310m.
- Net trading income rose 9% to CHF 139m, bolstered by the heightened forex-market volatility.
- Other ordinary income fell 18% (–CHF 8m) to CHF 36m.

The contribution from each revenue stream was stable, with around half of total revenues coming from net interest income.

Revenues

breakdown as a %



Continued firm cost control

6. Operating expenses, depreciation, and amortization

Total operating expenses and depreciation and amortization fell 2% (–CHF 9m) to CHF 567m.

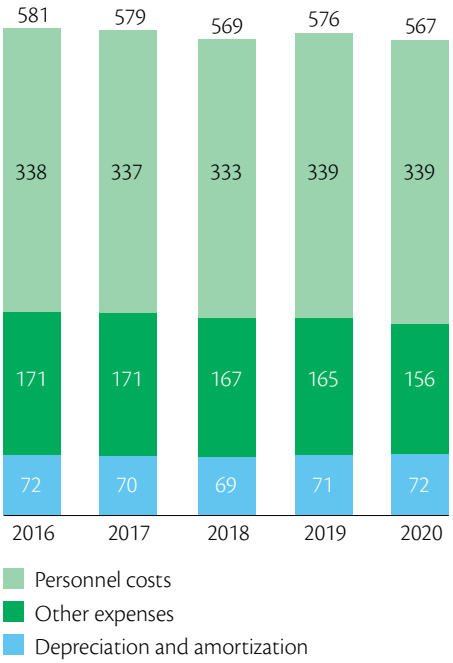
Personnel costs held steady at CHF 339m and other operating expenses were down 5% (–CHF 9m) to CHF 156m.

Depreciation and amortization of fixed assets grew 1% (+CHF 1m) to CHF 72m.

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), went from 57.7% to 58.7%.

Operating expenses, depreciation, and amortization

in CHF millions



Operating profit and net profit down but nevertheless solid

7. Operating profit

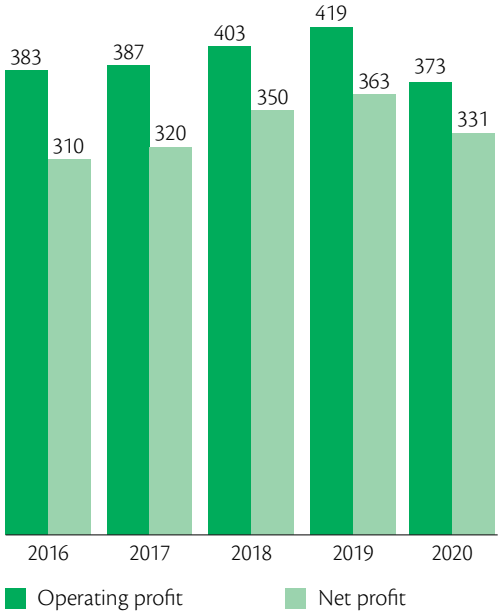
As a result of the Covid-19 pandemic and the negative-interest-rate environment, operating profit was down 11% to CHF 373m.

8. Net profit

Net profit fell 9% (–CHF 32m) year on year, from CHF 363m to CHF 331m.

Operating and net profit

in CHF millions



Financial Statements

Consolidated Financial Statements

1. Balance sheet (in CHF millions)

	Notes	31 / 12 / 20	31 / 12 / 19	Change absolute	Change as %
Cash and cash equivalents		11 550	8 384	3 166	38
Due from banks		1 347	1 186	161	14
Reverse repurchase agreements	10.1	236	239	– 3	– 1
Loans and advances to customers	10.2	5 812	5 752	60	1
Mortgage loans	10.2	28 037	27 016	1 021	4
Trading portfolio assets	10.3	312	277	35	13
Positive mark-to-market values of derivative financial instruments	10.4	321	273	48	18
Other financial assets at fair value	10.3	886	784	102	13
Financial investments	10.5/10.7	4 084	3 811	273	7
Accrued income and prepaid expenses		87	85	1	2
Non-consolidated holdings	10.6/10.7	69	69	0	0
Tangible fixed assets	10.8	412	433	– 21	– 5
Intangible assets	10.9	2	5	– 3	– 63
Other assets	10.10	31	36	– 5	– 13
Assets	10.20/10.21/10.22/10.24	**53 186**	**48 352**	**4 834**	**10**
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		2 948	1 703	1 244	73
Repurchase agreements	10.1	2 781	1 502	1 279	85
Customer deposits		35 424	33 048	2 377	7
Trading portfolio liabilities	10.3	1	2	– 0	– 27
Negative mark-to-market values of derivative financial instruments	10.4	329	213	116	54
Other financial liabilities at fair value	10.3/10.14	969	918	52	6
Medium-term notes		2	3	– 1	– 43
Bonds and mortgage-backed bonds	10.14/10.15	6 911	7 094	– 183	– 3
Accrued expenses and deferred income		145	154	– 9	– 6
Other liabilities	10.10	75	114	– 38	– 34
Provisions	10.16	27	16	12	73
Liabilities	10.20	**49 612**	**44 766**	**4 846**	**11**
Reserves for general banking risks	10.16	666	701	– 35	– 5
Share capital		86	86	0	0
Capital reserve		36	35	0	1
Retained earnings		2 472	2 419	53	2
Currency translation reserve		– 2	– 2	– 0	– 1
Own shares		– 15	– 18	2	14
Minority interests in equity		0	0	– 0	– 0
Net profit		331	363	– 32	– 9
of which minority interests		*0*	*0*	*0*	*9*
Shareholders' equity		**3 574**	**3 586**	**– 11**	**– 0**
Total liabilities and shareholders' equity	10.21/10.24	**53 186**	**48 352**	**4 834**	**10**
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 / 20	31 / 12 / 19	Change absolute	Change as %
Contingent liabilities	10.2/11.1	1 754	1 789	– 34	– 2
Irrevocable commitments	10.2	1 440	1 301	139	11
Commitments relating to calls on shares and other equity securities	10.2	178	177	0	0
Confirmed credits	10.2/11.2	46	46	– 0	– 1

2. Income statement (in CHF millions)

	Notes	2020	2019	Change absolute	Change as %
Interest and discount income		511.2	570.3	– 59.1	– 10
Interest and dividend income from financial investments		22.6	27.9	– 5.3	– 19
Interest expense		– 59.4	– 101.4	– 42.0	– 41
Net interest income before loan impairment charges/reversals	12.1	**474.4**	**496.9**	**– 22.4**	**– 5**
Loan impairment charges/reversals		– 15.1	9.8	24.9	253
Net interest income after loan impairment charges/reversals (NII)		**459.4**	**506.7**	**– 47.3**	**– 9**
Fees and commissions on securities and investment transactions	12.2	266.6	259.4	7.2	3
Fees and commissions on lending operations		36.2	44.5	– 8.3	– 19
Fees and commissions on other services	12.3	63.0	73.6	– 10.6	– 14
Fee and commission expense		– 55.5	– 54.6	0.9	2
Net fee and commission income		**310.2**	**322.9**	**– 12.7**	**– 4**
Net trading income and fair-value adjustments	12.4	**139.2**	**128.1**	**11.0**	**9**
Gains/losses on disposals of financial investments		2.0	0.5	1.5	294
Income from equity investments		6.5	13.7	– 7.2	– 52
of which other non-consolidated holdings		*6.5*	*13.7*	*– 7.2*	*– 52*
Real-estate income		7.1	7.5	– 0.4	– 6
Miscellaneous ordinary income		21.2	22.9	– 1.7	– 7
Miscellaneous ordinary expenses		– 0.4	– 0.3	0.1	27
Other ordinary income		**36.4**	**44.3**	**– 7.9**	**– 18**
Total income from ordinary banking operations		**945.2**	**1 002.0**	**– 56.8**	**– 6**
Personnel costs	12.5	– 339.2	– 339.3	– 0.1	– 0
Other operating expenses	12.6	– 156.2	– 165.2	– 9.0	– 5
Operating expenses		**– 495.4**	**– 504.5**	**– 9.1**	**– 2**
Depreciation and amortization of fixed assets and impairment on equity investments	12.7	– 72.1	– 71.3	0.7	1
Other provisions and losses	12.8	– 5.0	– 7.2	– 2.2	– 31
Operating profit	12.12	**372.7**	**418.9**	**– 46.2**	**– 11**
Extraordinary income	12.9	4.8	0.7	4.1	n/a
Extraordinary expenses	12.10	– 0.1	– 0.2	– 0.2	– 68
Taxes	12.11	– 46.7	– 56.6	– 9.9	– 17
Net profit		**330.8**	**362.9**	**– 32.1**	**– 9**
Minority interests		– 0.0	– 0.0	0.0	9
Net profit attributable to BCV shareholders		**330.8**	**362.9**	**– 32.1**	**– 9**

3. Cash flow statement (in CHF millions)

	Notes	2020 Source of funds	2020 Use of funds	2020 Net cash inflow / outflow	2019 Source of funds	2019 Use of funds	2019 Net cash inflow / outflow
Net profit for the year		331			363		
Change in reserves for general banking risks			35				
Depreciation and amortization of fixed assets and impairment on equity investments	12.7	72			71		
Provisions and other impairment charges/reversals	10.16	8	5		6	0	
Loan impairment charges/reversals	10.16	34	19		12	22	
Accrued income and prepaid expenses			1			6	
Accrued expenses and deferred income			9			2	
Extraordinary income: disposals of tangible fixed assets			4				
Dividend for the previous year			310			301	
Cash flow from operations		**446**	**384**	**61**	**452**	**331**	**121**
Distribution drawn from paid-in reserves							
Own shares		20	17		24	22	
Change in scope of consolidation, minority interests, and currency translation differences							
Cash flow from equity transactions		**20**	**17**	**3**	**24**	**22**	**2**
Non-consolidated holdings	10.6		0		1		
Real estate	10.8	10	1			2	
Computer programs	10.8		44			47	
Other tangible fixed assets	10.8		9			7	
Intangible assets	10.9						
Cash flow from investments		**10**	**53**	**– 43**	**1**	**56**	**– 55**
Cash flow from banking operations							
Due to banks							
Customer deposits		0					
Medium-term notes			1			4	
Long-term borrowings	10.15	743	926		1 176	1 325	
Other liabilities			15		35		
Due from banks							
Loans and advances to customers			625			80	
Mortgage loans			1 026			937	
Financial investments		459			339		
Other receivables		5			7		
Medium- and long-term operations (over 1 year)		**1 207**	**2 593**	**– 1 386**	**1 556**	**2 347**	**– 791**
Due to banks		1 244				952	
Repurchase agreements		1 279				307	
Customer deposits		2 376			1 673		
Trading portfolio liabilities			0		1		
Negative mark-to-market values of derivative financial instruments		116				23	
Other financial liabilities at fair value		52			152		
Due from banks			165		735		
Reverse repurchase agreements		3			75		
Loans and advances to customers		544			12		
Trading portfolio assets			35		57		
Positive mark-to-market values of derivative financial instruments			48			5	
Other financial assets at fair value			102			163	
Financial investments			732			383	
Short-term operations		**5 613**	**1 082**	**4 531**	**2 704**	**1 833**	**871**
Cash and cash equivalents			**3 166**	**– 3 166**		**149**	**– 149**
Total		**7 296**	**7 296**	**0**	**4 738**	**4 738**	**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 2018	**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**
2019 dividend								– 310	– 310
Retained earnings			53					– 53	0
Purchases of own shares (at cost)						– 18			– 18
Disposals of own shares (at cost)						20			20
Gain on disposals of own shares and dividends		0							0
Effect of exchange-rate differences					– 0				– 0
Provisions for inherent credit risk				– 35					– 35
Changes in scope and/or minority interests			– 0						– 0
Net profit for the year							0	331	331
Status at 31 December 2020	86	36	2 472	666	– 2	– 15	0	331	3 574

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 / 20	31 / 12 / 19
Group	1909	1921
of which parent company	1720	1729

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, the FINMA Accounting Ordinance (FINMA-AO) of 31 October 2019, and the Swiss accounting rules for banks, securities firms, financial groups, and financial conglomerates of 31 October 2019 (FINMA Circular 2020/1). 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 recognized and inherent 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

In keeping with the transitional provisions of FINMA-AO, on 31 December 2020 the Group created new provisions for credit risk, pursuant to Article 25 FINMA-AO, and new credit-risk provisions for off-balance-sheet transactions, pursuant to Article 28.6 FINMA-AO.

The full amount of the additional provisions was recognized on the balance sheet at 31 December 2020 by drawing CHF 35m from the reserves for general banking risks. The approach used by the Group is described in detail in note 7.2 below.

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		2020		2019
in CHF	Close	Average	Close	Average
Euro	1.0816	1.0718	1.0870	1.1123
U.S. dollar	0.8840		0.9684	

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 the FINMA Accounting Ordinance (FINMA-AO) 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 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 credit-risk exposure at the time that the counterparty defaults. Loss given default is determined for each credit-risk exposure 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 non-impaired credit-risk exposure (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 and off-balance-sheet exposures

A loan or off-balance-sheet exposure 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 and non-impaired credit-risk exposures.

Provisions for non-impaired credit-risk exposures are determined individually by counterparty and meet the requirement to set aside provisions for inherent credit risks (Articles 25 and 28 FINMA-AO).

Provisions for non-impaired credit-risk exposures that have not been identified as high-risk are determined based on the 12-month expected loss (see note 7.2.3 above). These provisions are set aside for all bank and client loans, with the exception of derivatives contracts and securities lending and borrowing transactions, which have a low expected loss.

Provisions for non-impaired credit-risk exposures that have been identified as high-risk are determined based on the expected loss at maturity. Heightened credit risks are identified for counterparties that are "reputed to be in financial difficulty" (RD). A counterparty is classified as RD 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.

Provisions for impaired credit-risk exposures, as defined in note 7.2.5, are determined individually by counterparty, pursuant to Article 24 FINMA-AO. 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).

As an exception, in the event of a major crisis, provisions for inherent credit risks can be used to cover impaired loans. However, once the crisis has ended, those provisions must be gradually built up again over a five-year period.

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

The Bank's operations and business volumes in 2020 were impacted by the Covid-19 pandemic and measures introduced by the Swiss government starting on 16 March 2020. BCV implemented specific policies to safeguard its customers and employees and ensure that the Bank could continue to run smoothly. Over the year, growth in business volumes slowed. Net interest income, fees and commissions on lending operations, and fees and commissions on other services (e.g., ATMs and credit cards) were down. On the other hand, income from forex trading increased significantly. Provisions were set aside on a limited number of impaired loans, primarily in the Trade Finance and SME businesses. BCV Group earnings were down overall but nevertheless trended along the same lines as in prior years.

Other ongoing 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 4 March 2021, 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 / 20	31 / 12 / 19
Book value of claims arising from cash collateral pledged in connection with securities borrowing or reverse repurchase agreements[1]	236	239
Book value of liabilities arising from cash collateral received in connection with securities lending or repurchase agreements[1]	2 781	1 502
Book value of securities held for own account, lent or transferred as collateral in connection with securities borrowing or repurchase agreements	2 756	1 644
of which those that can be sold or repledged without restriction	*2 756*	*1 644*
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	255	264
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	2 473	2 870	5 914
Mortgages		28 050			28 050
Residential real estate		*22 596*			*22 596*
Office and business premises		*1 303*			*1 303*
Commercial and industrial property		*900*			*900*
Other		*3 250*			*3 250*
Loans (before impairment charges/reversals)	31 / 12 / 20	28 621	2 473	2 870	33 964
	31 / 12 / 19	27 594	1 925	3 337	32 856
Loans (after impairment charges/reversals)	31 / 12 / 20	28 607	2 473	2 769	33 849
	31 / 12 / 19	27 586	1 925	3 258	32 768
Contingent liabilities		3	385	1 367	1 754
Irrevocable commitments		379	95	966	1 440
Commitments relating to calls on shares and other equity securities				178	178
Confirmed credits				46	46
Off-balance-sheet transactions	31 / 12 / 20	382	480	2 556	3 418
	31 / 12 / 19	380	376	2 558	3 313

		Gross receivables	Realization value of risk mitigants	Net receivables	Individual impairment charge/reversal
Impaired loans and off-balance-sheet commitments	31 / 12 / 20	204	– 91	113	94
	31 / 12 / 19	193	– 97	96	88
Change (absolute)		11	– 6	17	7
Change (as %)		6	– 6	18	7

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

Assets	31 / 12 / 20	31 / 12 / 19
Debt securities	158	164
of which listed	*158*	*164*
Equity securities	4	2
Commodities and precious metals	151	111
Trading portfolio assets	**312**	**277**
Debt securities	76	58
Structured products	1	1
Other	809	725
Other financial assets at fair value	**886**	**784**
Total	**1 198**	**1 061**
of which determined using a valuation model	*0*	*0*
of which securities eligible for repurchase agreements in accordance with liquidity regulations	*76*	*70*

Liabilities	31 / 12 / 20	31 / 12 / 19
Debt securities	0	1
of which listed	*0*	*1*
Equity securities	1	1
Other trading portfolio liabilities	0	0
Trading portfolio liabilities	**1**	**2**
Debt securities	0	0
Structured products	969	918
Other financial liabilities at fair value	**969**	**918**
Total	**970**	**919**
of which determined using a valuation model	*34*	*83*

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		11	19	598	174	118	7 319
Futures				107			
Options (OTC)		0	0	74			
Interest-rate instruments		**11**	**19**	**779**	**174**	**118**	**7 319**
Forward contracts and swaps		360	429	32 329			
Options (OTC)		49	43	2 138			
Foreign currencies and precious metals		**409**	**472**	**34 468**	**0**	**0**	**0**
Futures				10			
Options (OTC)		44	38	197			
Options (exchange traded)		1		10			
Equity securities and indices		**45**	**38**	**216**	**0**	**0**	**0**
Futures				0			
Other		**0**	**0**	**0**	**0**	**0**	**0**
Total	31 / 12 / 20	466	529	35 463	174	118	7 319
of which determined using a valuation model		*94*	*81*	–	–	–	–
	31 / 12 / 19	**306**	**305**	**36 031**	**183**	**124**	**6 349**
of which determined using a valuation model		*57*	*49*	–	–	–	–

		Positive mark-to-market value	Negative mark-to-market value	Value of underlying asset
Breakdown				
Trading instruments		466	529	35 463
Hedging instruments		174	118	7 319
Total before netting agreements	31 / 12 / 20	639	647	42 782
	31 / 12 / 19	**489**	**429**	**42 380**
Total after netting agreements	31 / 12 / 20	321	329	42 782
	31 / 12 / 19	**273**	**213**	**42 380**
Change	absolute	48	116	402
	as %	18	54	1

Breakdown by counterparty

	Central clearing houses	Banks and securities dealers	Other clients
Positive mark-to-market value (after netting agreements)	92	136	94

10.5 Financial investments (in CHF millions)

	31 / 12 / 20		31 / 12 / 19	
	Book value	Fair value	Book value	Fair value
Debt securities	4 003	4 114	3 728	3 841
of which securities intended to be held until maturity	*3 997*	*4 107*	*3 721*	*3 833*
of which securities available for sale	*6*	*7*	*8*	*8*
Equity securities	28	75	28	79
of which significant holdings (minimum of 10% of capital or voting rights)	*4*	*4*	*4*	*4*
Available-for-sale real estate and goods acquired in connection with lending operations	53	57	55	60
Financial investments	**4 084**	**4 246**	**3 811**	**3 980**
of which securities eligible for repurchase agreements in accordance with liquidity regulations	*3 983*	–	*3 710*	–

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	3 838	6	9	1		149	4 003

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 2019	Changes in allocation or scope	Additions	Disposals	Impairment charges/ reversals	Book value at year-end 2020	Market value 2020
Holdings accounted for using the equity method	–		–					–	–
Other equity holdings, unlisted	74	– 5	69		0		– 0	69	–
Non-consolidated holdings	**74**	**– 5**	**69**	**0**	**0**	**0**	**– 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 / 20 % 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-2019.

No companies are accounted for using the equity method.

Main non-consolidated holdings

Company name and headquarters	Main business		Capital	31 / 12 / 20 % of share capital held	% of voting rights held	% of stake held directly /indirectly
			in millions	as %	as %	as %
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	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
Viseca Holding Ltd, Zurich, formely Aduno Holding Ltd, Zurich	Purchase, sale, and management of equity holdings	CHF	25.0	4.8	4.8	4.8 / 0

No changes were made to the main non-consolidated holdings in 2020.

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-2019, 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 / 20		
			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
			2019					2020
Group premises	416	– 186	230	1	1	– 0	– 10	222
Other real estate	167	– 76	90	– 1	0	– 5	– 4	81
Furniture and fixtures	37	– 19	18	– 0	5		– 5	18
Computer programs	148	– 62	86	0	44		– 46	84
Other tangible fixed assets	195	– 187	8	0	3		– 4	8
Tangible fixed assets	**963**	**– 530**	**433**	**0**	**53**	**– 6**	**– 68**	**412**

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
			2019					2020
Goodwill	**47**	**– 41**	**5**				**– 3**	**2**

10.10 Other assets and liabilities (in CHF millions)

	31 / 12 / 20		31 / 12 / 19	
	Other assets	Other liabilities	Other assets	Other liabilities
Offset accounts	0	53	0	54
Indirect taxes	18	7	19	9
Coupons/coupons and securities due	0	1	0	1
Settlement accounts	5	7	4	41
Miscellaneous assets and liabilities	8	8	12	9
Other assets and liabilities	**31**	**75**	**36**	**114**

10.11 Assets pledged or assigned as collateral for own liabilities, and assets with reservation of title (in CHF millions)

	31 / 12 / 20		31 / 12 / 19	
	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	161		188	
Mortgages pledged or assigned to Central Mortgage-Bond Institution of Swiss Cantonal Banks	8 236	5 387	8 148	5 335
Other	347	339	289	281
Total assets pledged or assigned	**8 744**	**5 726**	**8 625**	**5 616**
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 / 20	31 / 12 / 19
Customer deposits	248	217
Other liabilities	0	0
Total	**248**	**217**

BCV's own occupational pension funds held no BCV shares at 31 December 2020.

10.13 Economic situation of own occupational pension funds (in CHF millions)

There were no employer contribution reserves at end-2020 or end-2019.

Economic benefit/liability and pension expenses	Surplus / deficit	Economic benefit/liability			Contributions adjusted for the period	Pension expenses included in "Personnel costs"	
	31 / 12 / 20	31 / 12 / 20	31 / 12 / 19	Change	2020	2020	2019
Employer-financed pension funds: "Fonds de prévoyance en faveur du personnel de la BCV"[1]	52.1	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	35.9	35.9	36.1
Pension funds with surpluses: "Fondation de prévoyance complémentaire en faveur de l'encadrement supérieur de la BCV"	0.7	0	0	0	1.5	1.5	1.5
Total	**52.8**	**0**	**0**	**0**	**37.4**	**37.4**	**37.7**

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 2020.

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	4	– 0	3
Equity securities		–	939	689	– 34	1 594
Foreign currencies		–	29	11	0	40
Commodities and precious metals		–	1	0	0	1
Total	31 / 12 / 20	–	969	703	– 34	1 639
	31 / 12 / 19	–	918	750	– 12	1 656

All structured products issued by BCV comprise own debt securities.

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 / 20 Amount outstanding	31 / 12 / 19
1.625%	2011	125	30.11.2026	32	93	
1.500%	2014	135	28.03.2024	6	129	
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]		**860**		**39**	**821**	**1 009**
of which subordinated bonds		*0*		*0*	*0*	*0*
Structured products issued by BCV Lausanne or the Guernesey branch (value of the host instrument)					703	750
Central mortgage-bond Institution of Swiss Cantonal Banks					5 387	5 335
Bonds and mortgage-backed bonds					**6 911**	**7 094**

[1] None of these issues can be called in for redemption before the maturity date

Long-term borrowings by maturity 31 / 12 / 20

	2021	2022	2023	2024	2025	2026-2039	Total	Average rate
Bond issues				129	150	543	821	0.9%
Structured products	493	157	27	12	14		703	– 0.4%
Central mortgage-bond Institution of Swiss Cantonal Banks	474	189	425	434	338	3 527	5 387	1.0%
Total	**967**	**346**	**452**	**575**	**502**	**4 070**	**6 911**	

	Status at year-end 2019	New issues	Redemptions	Net change in own securities	Status at year-end 2020
Bond issues	1 009		– 200	12	821
Structured products	750	506	– 542	– 11	703
Central mortgage-bond Institution of Swiss Cantonal Banks	5 335	236	– 184		5 387
Total	**7 094**	**742**	**– 926**	**1**	**6 911**

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
	2019							2020
Provisions for deferred taxes	1						– 0	1
Provisions for credit risk	6	0	12	0	0	7	– 4	20
of which provisions under Art. 28.1 FINMA-AO	*6*		*– 1*			*7*	*– 4*	*6*
of which provisions for inherent credit risk			*13*					*13*
of which provisions for latent credit risk								*0*
Other provisions	9	– 4		– 0	1	2	– 1	6
Total provisions	**16**	**– 4**	**12**	**– 0**	**1**	**8**	**– 5**	**27**
Reserves for general banking risks[1]	**701**		**– 35**			**0**		**666**
Provisions for credit risk and country risk	**88**	**– 16**	**23**		**8**	**34**	**– 19**	**118**
of which provisions for impaired loans	*83*	*– 16*	*– 2*		*8*	*34*	*– 19*	*88*
of which provisions for inherent credit risk			*30*					*30*
of which provisions for latent risks	*5*		*– 5*					*0*

[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

	2020		2019	
	Shares (in units)[1]	Value (in CHF)	Shares (in units)[1]	Value (in CHF)
Members of the Board of Directors	0	0	0	0
Executive Board members	26 884	1 905 992	3 531	2 362 572
Other employees	171 584	8 506 475	26 024	10 644 799
Total	**198 468**	**10 412 467**	**29 555**	**13 007 371**

1) After obtaining approval at the Annual Shareholders' Meeting on 30 April 2020, BCV carried out a 10-for-1 stock split on 28 May 2020

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 10 May 2021, rounded up to the nearest whole number.

Other employees will receive their shares at the end of April 2021. The number of shares allocated will be calculated based on the closing market price on 18 March 2021, rounded up to the nearest whole number. These employees have until 31 March 2021 to decide on the proportion they wish to receive in the form of shares. As their decision was not known at the time this report was published, the number of shares taken into account in the above table corresponds to the maximum possible number of shares.

The market prices used to calculate the number of shares will be those on 18 March 2021 and 10 May 2021, so they were not known at the time of writing. As a result, the maximum possible number of shares was calculated based on the closing market price on 4 March 2021, 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 2020 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 12–24 March 2020.
- The subscription price was set at CHF 610 per share, and the market price used was CHF 731 (closing price on 12 March, the first day of the subscription period).

The amounts (number of shares and value) shown in the table above correspond to the number of shares subscribed multiplied by CHF 121, which is the difference between the market price of CHF 731 and the subscription price of CHF 610.

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 taken into account in the table on the previous page correspond to the expense recorded in 2020 for the various plans in progress.

Free shares

The Bank awards two BCV shares (or 20 BCV shares following the 10-for-1 stock split on 28 May 2020) 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.

10.18 Receivables and commitments with respect to related parties (in CHF millions)

	31 / 12 / 20		31 / 12 / 19	
	Receivable	Commitment	Receivable	Commitment
Significant shareholder	8	3 859	8	3 705
Affiliated companies	206	245	172	391
Governing bodies	37	13	33	11

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 2020[1]		**86 061 900**	**246 720**
of which shares reserved for long-term performance-based compensation			*128 000*
Purchases	82		215 831
Sales	77		– 263 539
Status at 31 December 2020		86 061 900	199 012
of which shares reserved for long-term performance-based compensation			*116 600*

[1] After obtaining approval at the Annual Shareholders' Meeting on 30 April 2020, BCV carried out a 10-for-1 stock split on 28 May 2020. To facilitate like-for-like comparison, the initial status and subsequent purchases and sales of shares were adjusted to take account of the stock split

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		11 550							11 550
Due from banks		1 056		220	71				1 347
Reverse repurchase agreements			201	35					236
Loans and advances to customers		48	1 234	1 432	589	1 441	1 069		5 812
Mortgage loans		699	323	2 890	2 905	12 442	8 777		28 037
Trading portfolio assets		312							312
Positive mark-to-market values of derivative financial instruments		321							321
Other financial assets at fair value		886							886
Financial investments		946		99	420	1 590	977	53	4 084
Current assets	31 / 12 / 20	15 818	1 758	4 675	3 985	15 473	10 824	53	52 585
	31 / 12 / 19	**11 732**	**2 234**	**5 042**	**3 005**	**15 725**	**9 930**	**55**	**47 723**
Due to banks		619	640	1 682	6				2 948
Repurchase agreements				2 226	555				2 781
Customer deposits		18 715	14 794	1 471	379	45	20		35 424
Trading portfolio liabilities		1							1
Negative mark-to-market values of derivative financial instruments		329							329
Other financial liabilities at fair value		969							969
Medium-term notes				0	0	2			2
Bonds and mortgage-backed bonds				133	834	1 875	4 070		6 911
Borrowed funds	31 / 12 / 20	20 633	15 434	5 512	1 775	1 922	4 090		49 365
	31 / 12 / 19	**13 951**	**20 176**	**2 932**	**910**	**2 169**	**4 344**		**44 483**

10.21 Breakdown of assets and liabilities by Swiss and foreign domicile (in CHF millions)

	31 / 12 / 20		31 / 12 / 19	
	Swiss	Foreign	Swiss	Foreign
Cash and cash equivalents	11 550		8 383	2
Due from banks	779	568	674	512
Reverse repurchase agreements	35	201		239
Loans and advances to customers	5 306	506	5 050	703
Mortgage loans	28 037		27 015	0
Trading portfolio assets	292	21	254	23
Positive mark-to-market values of derivative financial instruments	159	162	129	144
Other financial assets at fair value	247	638	286	498
Financial investments	2 829	1 255	2 599	1 212
Accrued income and prepaid expenses	84	2	83	2
Non-consolidated holdings	69	1	69	1
Tangible fixed assets	412	0	433	0
Intangible assets	2		5	
Other assets	31	0	35	0
Assets	**49 832**	**3 354**	**45 015**	**3 336**
Total as %	**94**	**6**	**93**	**7**
Due to banks	1 329	1 619	821	882
Repurchase agreements	2 566	214	1 229	273
Customer deposits	32 945	2 479	31 092	1 955
Trading portfolio liabilities	1		2	0
Negative mark-to-market values of derivative financial instruments	110	219	112	101
Other financial liabilities at fair value	849	121	795	123
Medium-term notes	2		3	
Bonds and mortgage-backed bonds	6 744	167	6 948	146
Accrued expenses and deferred income	143	2	152	2
Other liabilities	74	1	114	
Provisions	27		16	
Reserves for general banking risks	666		701	
Share capital	86		86	
Capital reserve	36		35	
Retained earnings	2 472		2 419	
Currency translation reserve	– 2		– 2	
Own shares	– 15		– 18	
Minority interests in equity	0		0	
Net profit	331		363	
Total liabilities and shareholders' equity	**48 364**	**4 822**	**44 869**	**3 483**
Total as %	**91**	**9**	**93**	**7**

10.22 Breakdown of assets by country/country group based on domicile (in CHF millions)

	31 / 12 / 20		31 / 12 / 19	
	Absolute value	as % of total	Absolute value	as % of total
Europe	2 568	5	2 528	5
France	*694*	*1*	*650*	*1*
Germany	*471*	*1*	*376*	*1*
United Kingdom	*390*	*1*	*461*	*1*
Luxembourg	*332*	*1*	*341*	*1*
Netherlands	*195*	*0*	*171*	*0*
Austria	*88*	*0*	*130*	*0*
Other	*399*	*1*	*399*	*1*
Asia	280	1	410	1
Latin America, the Caribbean	117	0	74	0
United States, Canada	249	0	134	0
Other	140	0	190	0
Foreign assets	**3 354**	**6**	**3 336**	**7**
Switzerland	49 832	94	45 015	93
Assets	**53 186**	**100**	**48 352**	**100**

10.23 Breakdown of assets by solvency of the country group in which the risk is domiciled (in CHF millions)

		31 / 12 / 20		31 / 12 / 19	
Internal country rating	Standard & Poor's rating	Absolute value	as % of total	Absolute value	as % of total
1&2	AAA to AA-	2 998	87	2 919	83
3	A+ to A-	141	4	214	6
4	BBB+ to BBB-	39	1	57	2
5	BB+ to BB-	47	1	12	0
6	B+ to B-	164	5	281	8
7	CCC+ to C	10	0	23	1
Not rated	Not rated	39	1	27	1
Foreign exposure		**3 437**	**100**	**3 533**	**100**

10.24 Breakdown of assets and liabilities by currency (in CHF millions)

		CHF	EUR	USD	Other	Total
Cash and cash equivalents		11 514	32	2	2	11 550
Due from banks		616	227	347	157	1 347
Reverse repurchase agreements		35	108	93		236
Loans and advances to customers		4 474	543	780	16	5 812
Mortgage loans		28 017	19			28 037
Trading portfolio assets		162			151	312
Positive mark-to-market values of derivative financial instruments		299	1	23	– 1	321
Other financial assets at fair value		254	183	302	147	886
Financial investments		3 245	838	0	0	4 084
Accrued income and prepaid expenses		77	9	1	0	87
Non-consolidated holdings		69		1		69
Tangible fixed assets		412	0			412
Intangible assets		2				2
Other assets		28	1	1	1	31
Positions carried as assets		**49 204**	**1 962**	**1 550**	**471**	**53 186**
Delivery claims arising from spot and forward transactions and options		10 056	8 388	14 269	3 355	36 068
Assets	31 / 12 / 20	59 259	10 350	15 819	3 826	89 254
	31 / 12 / 19	**53 821**	**8 904**	**15 001**	**3 978**	**81 704**
Due to banks		1 457	365	926	200	2 948
Repurchase agreements			671	2 044	66	2 781
Customer deposits		30 887	1 992	2 010	536	35 424
Trading portfolio liabilities		1				1
Negative mark-to-market values of derivative financial instruments		273	38	18	– 1	329
Other financial liabilities at fair value		499	184	285	1	969
Medium-term notes		2				2
Bonds and mortgage-backed bonds		6 755	91	64	1	6 911
Accrued expenses and deferred income		137	4	4	0	145
Other liabilities		22	14	36	3	75
Provisions		20	1	6	0	27
Reserves for general banking risks		666				666
Share capital		86				86
Capital reserve		36				36
Retained earnings		2 472				2 472
Currency translation reserve		– 2				– 2
Own shares		– 15				– 15
Minority interests in equity		0				0
Net profit		331				331
Positions carried as liabilities		**43 627**	**3 360**	**5 392**	**807**	**53 186**
Delivery commitments arising from spot and forward transactions and options		15 294	7 235	10 689	2 907	36 125
Total liabilities and shareholders' equity	31 / 12 / 20	58 921	10 595	16 080	3 714	89 311
	31 / 12 / 19	**53 737**	**8 974**	**15 111**	**3 867**	**81 689**
Net position by currency	31 / 12 / 20	338	– 245	– 262	112	– 57
	31 / 12 / 19	**83**	**– 70**	**– 110**	**112**	**15**

11. Notes to off-balance-sheet transactions

11.1 Contingent liabilities
Contingent receivables (in CHF millions)

	31 / 12 / 20	31 / 12 / 19	Change absolute	Change as %
Irrevocable and similar guarantees	1 229	1 133	96	8
Other guarantees	525	656	– 131	– 20
Contingent liabilities	**1 754**	**1 789**	**– 34**	**– 2**
Contingent receivables	**0**	**0**	**0**	**0**

11.2 Confirmed credits (in CHF millions)

	31 / 12 / 20	31 / 12 / 19	Change absolute	Change as %
Commitments arising from deferred payments	**46**	**46**	**– 0**	**– 1**

11.3 Fiduciary transactions (in CHF millions)

	31 / 12 / 20	31 / 12 / 19	Change absolute	Change as %
Fiduciary investments with third parties	360	540	– 179	– 33
Fiduciary loans	0	1	– 1	– 100
Fiduciary transactions	**360**	**541**	**– 180**	**– 33**

11.4 Assets under management (in CHF millions)

Breakdown	31 / 12 / 20	31 / 12 / 19	Change absolute	Change as %
Assets held by collective investment vehicles under own management	26 969	26 022	946	4
Assets under discretionary management agreements	18 229	17 305	924	5
Other assets under management	57 961	54 513	3 449	6
Total assets under management (incl. double-counted)	**103 159**	**97 840**	**5 319**	**5**
of which double-counted	*10 671*	*10 047*	*624*	*6*

Change	31 / 12 / 20	31 / 12 / 19	Change absolute	Change as %
Initial total assets under management (incl. double-counted)	**97 840**	**87 620**	**10 220**	**12**
Net fund inflows/outflows	4 489	3 833	656	17
Changes in prices, interest, dividends and exchange rates	2 086	6 388	– 4 301	– 67
Other changes[1]	– 1 256	0	– 1 256	
Final total assets under management (incl. double-counted)	**103 159**	**97 840**	**5 319**	**5**

[1] Transfer of Swisscanto assets following the 2015 sale of BCV's stake in Swisscanto to ZKB

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 Refinancing of trading positions and negative interest (in CHF millions)

	2020	2019	Change absolute	Change as %
Banks and reverse repurchase agreements	– 3.2	0.4	– 3.6	n/a
Customers	510.1	558.4	– 48.3	– 9
Interest and dividends on financial investments	22.6	27.9	– 5.3	– 19
Other interest income	4.3	11.5	– 7.2	– 63
Total interest income	**533.8**	**598.2**	**– 64.4**	**– 11**
Banks and repurchase agreements	2.3	20.4	– 18.1	– 89
Customers	– 20.4	– 5.6	– 14.8	– 263
Medium-term notes and bonds	59.5	73.3	– 13.8	– 19
Other interest expense	18.0	13.3	4.7	36
Total interest expense	**59.4**	**101.4**	**– 42.0**	**– 41**
Net interest income before loan impairment charges/reversals	**474.4**	**496.9**	**– 22.4**	**– 5**

Negative interest paid by the Bank on its assets is deducted from interest and discount income. This negative interest totaled CHF 5.5m in 2020, against CHF 5.1m in 2019, 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 45.5m in 2020, against CHF 42.6m in 2019, 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)

	2020	2019	Change absolute	Change as %
Securities administration	42.0	42.5	– 0.6	– 1
Brokerage	36.5	33.4	3.1	9
Income from new issues	8.8	10.2	– 1.4	– 14
Management fees	61.5	56.3	5.2	9
Investment-fund operations	113.7	113.7	– 0.0	– 0
Other	4.1	3.2	0.9	27
Total	**266.6**	**259.4**	**7.2**	**3**

12.3 Fees and commissions on other services (in CHF millions)

	2020	2019	Change absolute	Change as %
Payment cards, ATMs, transfers and checks	16.7	22.6	– 5.9	– 26
Administrative services for institutional clients, and statements	18.2	18.3	– 0.1	– 0
Account management fees	18.6	20.8	– 2.2	– 10
Document collection fees and bancassurance	4.8	7.0	– 2.2	– 32
Safe rentals, numbered accounts and mail holding services	4.7	4.9	– 0.3	– 5
Total	**63.0**	**73.6**	**– 10.6**	**– 14**

12.4 Net trading income and fair-value adjustments (in CHF millions)

Breakdown by business sector	2020	2019	Change absolute	Change as %
Retail Banking	14.4	17.1	– 2.7	– 16
Corporate Banking	9.2	9.8	– 0.6	– 6
Wealth Management	18.9	20.7	– 1.8	– 9
Trading	50.0	46.0	4.0	9
Corporate Center	46.7	34.6	12.1	35
Total	**139.2**	**128.1**	**11.0**	**9**
Trading income and fair-value adjustments				
Fixed-income instruments (including funds)	1.3	2.1	– 0.9	– 42
Equity securities (including funds)	20.4	20.6	– 0.3	– 1
Currencies and precious metals	124.9	111.6	13.3	12
Total trading income and fair-value adjustments	**146.5**	**134.4**	**12.1**	**9**
of which fair-value adjustments	*20.0*	*20.3*	*– 0.3*	*– 2*
of which fair-value adjustments on assets	*162.3*	*192.7*	*– 30.4*	*– 16*
of which fair-value adjustments on liabilities	*– 142.3*	*– 172.4*	*– 30.1*	*– 17*
Trading fee expense	– 7.4	– 6.3	1.1	17
Net trading income and fair-value adjustments	**139.2**	**128.1**	**11.0**	**9**

12.5 Personnel costs (in CHF millions)

	2020	2019	Change absolute	Change as %
Fixed and variable compensation	259.5	259.3	0.1	0
of which charges related to share-based compensation and other variable compensation (including the portion paid in cash)	*36.3*	*39.1*	*– 2.8*	*– 7*
Employee benefits	27.1	26.6	0.5	2
Contributions to staff pension funds	37.4	37.7	– 0.3	– 1
Other personnel expenses	15.2	15.7	– 0.4	– 3
Total	**339.2**	**339.3**	**– 0.1**	**– 0**

12.6 Other operating expenses (in CHF millions)

	2020	2019	Change absolute	Change as %
Premises	23.1	22.3	0.8	4
IT	69.5	72.8	– 3.3	– 5
Machinery, furniture, vehicles, etc.	2.6	3.2	– 0.6	– 20
Office supplies	1.3	1.2	0.1	4
Telecommunications and shipping	6.1	6.2	– 0.1	– 2
Marketing and communications, gifts and subscriptions	14.2	18.3	– 4.1	– 22
Financial information	14.4	14.1	0.3	2
Auditor fees	2.4	2.5	– 0.1	– 3
of which for financial and prudential audits	*2.2*	*2.2*	*– 0.0*	*– 2*
of which for other services	*0.2*	*0.2*	*– 0.0*	*– 18*
Other professional fees	4.5	4.4	0.2	4
Payment transactions	10.6	10.4	0.2	2
Issuing fees	0.8	1.1	– 0.3	– 25
Miscellaneous operating expenses	6.7	8.7	– 2.0	– 23
of which charges for the guarantee by the Canton of Vaud[1]	*0.3*	*0.3*	*– 0.0*	*– 8*
Total	**156.2**	**165.2**	**– 9.0**	**– 5**

[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)

	2020	2019	Change absolute	Change as %
Real estate	18.6	19.4	– 0.8	– 4
Computer programs	46.1	44.8	1.4	3
Other investments	3.6	3.8	– 0.1	– 3
Holdings	0.3	0.0	0.3	n/a
Goodwill	3.4	3.4	0.0	0
Total	**72.1**	**71.3**	**0.7**	**1**

12.8 Other provisions and losses (in CHF millions)

	2020	2019	Change absolute	Change as %
Provisions for credit risk	2.1	4.4	– 2.3	– 52
Miscellaneous provisions	1.3	1.7	– 0.4	– 25
Miscellaneous losses	1.6	1.1	0.5	44
Total	**5.0**	**7.2**	**– 2.2**	**– 31**

12.9 Extraordinary income (in CHF millions)

	2020	2019	Change absolute	Change as %
Disposals of equity holdings	0.0	0.2	– 0.2	– 100
Disposals of tangible fixed assets	4.2	0.0	4.2	n/a
Other extraordinary income	0.7	0.6	0.1	12
Total	**4.8**	**0.7**	**4.1**	**550**

12.10 Extraordinary expenses (in CHF millions)

	2020	2019	Change absolute	Change as %
Miscellaneous extraordinary expenses	0.1	0.2	– 0.2	– 72
Total	**0.1**	**0.2**	**– 0.2**	**– 72**

12.11 Taxes (in CHF millions)

	2020	2019	Change absolute	Change as %
Direct federal tax	24.1	29.2	– 5.1	– 17
Cantonal and municipal taxes	22.2	27.1	– 4.8	– 18
Foreign taxes	0.4	0.3	0.0	9
Deferred taxes	– 0.0	– 0.0	– 0.0	– 0
Total	**46.7**	**56.6**	**– 9.9**	**– 17**
Weighted average tax rate, based on operating profit	13%	13%		

Tax breakdown by country	2020		2019	
	Absolute value	As % of total	Absolute value	As % of total
Switzerland	46.3	99.2	56.2	99.4
Luxembourg	0.4	0.8	0.3	0.6
Total	**46.7**	**100.0**	**56.6**	**100.0**

12.12 Breakdown of operating profit by Swiss and foreign origin (in CHF millions)

	2020		2019	
	Swiss	Foreign	Swiss	Foreign
Net interest income	459.7	– 0.4	506.7	0.0
Net fee and commission income	295.3	14.9	307.5	15.4
Net trading income	137.5	1.6	127.1	1.1
Other ordinary income	36.4	– 0.0	44.3	0.0
Total income from ordinary banking operations	**929.1**	**16.1**	**985.5**	**16.5**
Personnel costs	338.3	0.9	338.3	1.0
Other operating expenses	154.7	1.5	163.7	1.5
Operating expenses	**493.0**	**2.4**	**502.0**	**2.5**
Depreciation and amortization of fixed assets and impairment on equity investments	72.1	0.0	71.3	0.0
Other provisions and losses	5.0		7.2	
Operating profit	**359.0**	**13.7**	**404.9**	**14.0**

12.13 Earnings per share

	2020[1]	2019[2]
Net profit attributable to BCV Group shareholders (CHF millions)	330.8	362.9
Average number of shares in issue during the period (in units)	86 061 900	86 061 900
Average number of own shares held during the period (in units)	– 238 822	– 295 860
Average number of outstanding shares during the period (in units)	85 823 078	85 766 040
Basic earnings per share (CHF)	3.85	4.23

1) After obtaining approval at the Annual Shareholders' Meeting on 30 April 2020, BCV carried out a 10-for-1 stock split on 28 May 2020
2) To facilitate like-for-like comparison, the initial status and subsequent purchases and sales of shares were adjusted to take account of the stock split

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 / 20	31 / 12 / 19
Common Equity Tier 1 (CET1) capital	**3 251**	**3 220**
Instruments and reserves	3 279	3 294
Regulatory adjustments	– 28	– 73
Additional Tier 1 (AT1) capital	**0**	**0**
Instruments	0	0
Regulatory adjustments	0	0
Tier 2 (T2) capital	**22**	**23**
Compulsory reserves in equities and general provisions	21	23
Regulatory adjustments	1	0
Total eligible capital	**3 274**	**3 244**
Risk-weighted assets		
Credit risk	15 858	16 226
Non-counterparty-related assets	542	567
Market risk	234	232
Operational risk	1 743	1 761
BIS required capital	**18 378**	**18 786**
BIS ratios		
CET1 ratio	17.7%	17.1%
T1 ratio	17.7%	17.1%
Total capital ratio	17.8%	17.3%
Leverage Ratio	5.8%	6.3%
Liquidity ratios		
Liquidity Coverage Ratio (LCR)	136%	129%
Net Stable Funding Ratio (NSFR)[1]	124%	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 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.

Customer business volumes and revenues in foreign

currencies are booked to the relevant client-facing business sector using exchange rates set at the start of the year; any subsequent foreign-currency translation differences (see note 6.7) are booked to the Corporate Center.

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.

13.2.2 Customer business volumes by sector

(in CHF millions)

	Retail Banking		Corporate Banking	
	2020	2019	2020	2019
Loans and advances to customers[1]	113	88	5 008	4 720
Mortgage loans	8 639	8 296	10 589	10 116
Total customer loans	**8 752**	**8 384**	**15 597**	**14 836**
Customer deposits[1]	**9 988**	**9 074**	**11 505**	**10 106**
Off-balance-sheet commitments	**87**	**81**	**2 878**	**2 667**
Assets under management (including double-counted)	**12 061**	**10 821**	**15 567**	**13 893**

13.2.3 Results by business sector (in CHF millions)

Net interest income before loan impairment charges/reversals	115.4	112.0	224.7	231.7
Loan impairment charges/reversals[2]	– 3.4	– 3.5	– 30.8	– 33.0
Net interest income after loan impairment charges/reversals	111.9	108.5	193.9	198.7
Net fee and commission income	42.5	46.9	43.4	51.9
Net trading income	14.4	17.1	9.2	9.8
Other income	1.1	1.2	3.8	4.3
Revenues	**170.0**	**173.7**	**250.4**	**264.7**
Personnel costs	– 43.6	– 43.7	– 31.7	– 31.8
Operating expenses	– 35.6	– 36.5	– 10.8	– 10.8
Depreciation, amortization and write-offs	– 13.6	– 14.9	– 1.7	– 1.8
Interdivisional billing	– 40.9	– 40.3	– 58.4	– 59.3
Other provisions and loses	– 1.1	– 1.0	– 5.6	– 6.9
Operating profit	**35.1**	**37.2**	**142.2**	**154.1**
Extraordinary income and expenses	0.0	0.0	0.0	0.0
Taxes[3] and minority interests	– 4.8	– 5.1	– 19.6	– 21.3
Net profit	**30.3**	**32.1**	**122.5**	**132.9**

13.2.4 Indicators

Average shareholders' equity (in CHF millions)[4]	271	277	1 284	1 325
ROE (%)	11.2	11.6	9.5	10.0
Cost/income ratio (%)[5]	77.1	76.5	36.5	34.8
Average headcount	353	352	190	188

2019 figures were adjusted to facilitate like-for-like comparison.

1) Customer business volumes and revenues in foreign currencies are booked to the relevant client-facing business sector using exchange rates set at the start of the year; any subsequent foreign-currency translation differences (see section 6.7) are booked to the Corporate Center
2) 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
3) Taxes are calculated per business sector according to the tax rates in effect
4) Equity is allocated to the business sectors at 13.0%; surplus equity is booked to the Corporate Center
5) 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	
2020	2019	2020	2019	2020	2019	2020	2019
724	703	– 0	– 0	– 33	241	5 812	5 752
8 013	7 781	0	0	796	822	28 037	27 016
8 736	**8 485**	**– 0**	**– 0**	**763**	**1 064**	**33 849**	**32 768**
13 215	**13 358**	**0**	**5**	**716**	**505**	**35 424**	**33 048**
80	**71**	**– 0**	**10**	**373**	**485**	**3 418**	**3 313**
74 708	**72 741**	**0**	**0**	**823**	**385**	**103 159**	**97 840**
119.0	121.8	4.0	3.6	11.3	27.7	474.4	496.9
– 3.5	– 2.7	0.0	0.0	22.6	49.0	– 15.1	9.8
115.5	119.1	4.0	3.6	34.0	76.7	459.4	506.7
222.8	220.9	0.7	0.5	0.7	2.8	310.2	322.9
18.9	20.7	50.0	46.0	46.7	34.6	139.2	128.1
1.4	1.9	0.0	0.0	30.0	36.8	36.4	44.3
358.7	**362.6**	**54.7**	**50.1**	**111.3**	**150.8**	**945.2**	**1 002.0**
– 102.6	– 102.8	– 12.9	– 13.1	– 148.4	– 147.8	– 339.2	– 339.3
– 37.4	– 38.4	– 7.1	– 7.9	– 65.3	– 71.6	– 156.2	– 165.2
– 14.7	– 14.6	– 2.1	– 1.7	– 40.0	– 38.3	– 72.1	– 71.3
– 66.0	– 66.4	– 4.6	– 4.9	169.9	170.8	0.0	0.0
– 1.1	– 1.6	– 0.9	– 0.7	3.7	3.1	– 5.0	– 7.2
137.1	**138.7**	**27.2**	**21.9**	**31.2**	**66.9**	**372.7**	**418.9**
– 0.0	0.0	0.0	0.0	4.8	0.5	4.8	0.5
– 19.7	– 20.3	– 3.7	– 3.0	1.3	– 6.8	– 46.7	– 56.6
117.3	**118.4**	**23.4**	**18.9**	**37.3**	**60.6**	**330.8**	**362.9**
352	357	68	65	1 569	1 482	3 545	3 506
33.3	33.2	34.2	29.2	0	0	9.3	10.4
59.9	59.9	48.8	54.9	0	0	58.7	57.7
496	499	52	55	812	817	1 903	1 910

13.3 Consolidated income statement – 5-year overview (in CHF millions)

	2016	2017	2018	2019	2020
Interest and discount income	599.0	576.4	573.1	570.3	511.2
Interest and dividend income from financial investments	40.3	34.7	31.0	27.9	22.6
Interest expense	– 156.7	– 113.3	– 108.0	– 101.4	– 59.4
Net interest income before loan impairment charges/reversals	**482.5**	**497.8**	**496.1**	**496.9**	**474.4**
Loan impairment charges/reversals	– 4.7	– 20.2	– 5.9	9.8	– 15.1
Net interest income after loan impairment charges/reversals (NII)	**477.8**	**477.6**	**490.1**	**506.7**	**459.4**
Fees and commissions on securities and investment transactions	241.5	250.3	250.2	259.4	266.6
Fees and commissions on lending operations	42.2	44.6	46.1	44.5	36.2
Fees and commissions on other services	75.2	71.8	72.6	73.6	63.0
Fee and commission expense	– 51.0	– 50.3	– 51.7	– 54.6	– 55.5
Net fee and commission income	**307.9**	**316.4**	**317.2**	**322.9**	**310.2**
Net trading income and fair-value adjustments	**139.2**	**133.9**	**128.1**	**128.1**	**139.2**
Gains/losses on disposals of financial investments	6.4	2.5	2.1	0.5	2.0
Income from equity investments	5.5	6.2	11.9	13.7	6.5
of which other non-consolidated holdings	*5.5*	*6.2*	*11.9*	*13.7*	*6.5*
Real-estate income	11.0	10.9	7.5	7.5	7.1
Miscellaneous ordinary income	21.6	20.0	20.0	22.9	21.2
Miscellaneous ordinary expenses	– 2.3	– 0.9	– 0.3	– 0.3	– 0.4
Other ordinary income	**42.1**	**38.7**	**41.1**	**44.3**	**36.4**
Total income from ordinary banking operations	**967.1**	**966.6**	**976.5**	**1 002.0**	**945.2**
Personnel costs	– 338.0	– 337.0	– 332.7	– 339.3	– 339.2
Other operating expenses	– 170.7	– 171.4	– 167.5	– 165.2	– 156.2
Operating expenses	**– 508.7**	**– 508.4**	**– 500.2**	**– 504.5**	**– 495.4**
Depreciation and amortization of fixed assets and impairment on equity investments	– 72.4	– 70.4	– 68.8	– 71.3	– 72.1
Other provisions and losses	– 2.7	– 1.2	– 4.7	– 7.2	– 5.0
Operating profit	**383.4**	**386.5**	**402.9**	**418.9**	**372.7**
Extraordinary income	6.7	16.8	34.9	0.7	4.8
Extraordinary expenses	– 0.0	– 0.0	– 0.0	– 0.2	– 0.1
Change in reserves for general banking risks	3.0	0.0	0.0	0.0	0.0
Taxes	– 83.5	– 83.1	– 88.1	– 56.6	– 46.7
Net profit	**309.6**	**320.3**	**349.7**	**362.9**	**330.8**
Minority interests	– 0.0	– 0.0	– 0.0	– 0.0	– 0.0
Net profit attributable to BCV Group shareholders	**309.6**	**320.2**	**349.7**	**362.9**	**330.8**

13.4 Consolidated balance sheet – 5-year overview (in CHF millions)

	31 / 12 / 16	31 / 12 / 17	31 / 12 / 18	31 / 12 / 19	31 / 12 / 20
Cash and cash equivalents	7 496	8 044	8 235	8 384	11 550
Due from banks	1 373	1 013	1 921	1 186	1 347
Reverse repurchase agreements	306	499	314	239	236
Loans and advances to customers	4 812	4 826	5 677	5 752	5 812
Mortgage loans	25 037	25 407	26 079	27 016	28 037
Trading portfolio assets	153	186	334	277	312
Positive mark-to-market values of derivative financial instruments	281	282	268	273	321
Other financial assets at fair value	630	653	621	784	886
Financial investments	3 234	3 753	3 767	3 811	4 084
Accrued income and prepaid expenses	107	91	80	85	87
Non-consolidated holdings	70	70	70	69	69
Tangible fixed assets	517	519	445	433	412
Intangible assets	16	12	9	5	2
Other assets	54	57	42	36	31
Assets	**44 085**	**45 415**	**47 863**	**48 352**	**53 186**
Due to banks	1 070	1 398	2 655	1 703	2 948
Repurchase agreements	1 791	1 350	1 809	1 502	2 781
Customer deposits	29 245	30 512	31 375	33 048	35 424
Trading portfolio liabilities	0	0	0	2	1
Negative mark-to-market values of derivative financial instruments	244	205	236	213	329
Other financial liabilities at fair value	771	812	766	918	969
Medium-term notes	21	15	7	3	2
Bonds and mortgage-backed bonds	7 267	7 392	7 244	7 094	6 911
Accrued expenses and deferred income	184	172	156	154	145
Other liabilities	56	87	77	114	75
Provisions	16	15	15	16	27
Liabilities	**40 666**	**41 958**	**44 341**	**44 766**	**49 612**
Reserves for general banking risks	701	701	701	701	666
Share capital	86	86	86	86	86
Capital reserve	207	121	35	35	36
Retained earnings	2 137	2 249	2 371	2 419	2 472
Currency translation reserve	– 2	– 1	– 1	– 2	– 2
Own shares	– 19	– 19	– 20	– 18	– 15
Minority interests in equity	0	0	0	0	0
Net profit	310	320	350	363	331
Shareholders' equity	**3 420**	**3 457**	**3 522**	**3 586**	**3 574**
Total liabilities and shareholders' equity	**44 085**	**45 415**	**47 863**	**48 352**	**53 186**

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 2020, 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 115 to 156) give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with accounting rules for banks, 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 which are impaired or presenting increased risks

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 which are impaired or presenting increased risks

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 2020. The valuation of a counterparty's default risk relies largely on the use of rating methods developed by the bank. The valuation of the loans which are impaired or presenting increased risks 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 which do not present increased risks, 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 increased 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 impaired or presenting increased 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 which are impaired or presenting increased risks, refer to the following notes to the consolidated financial statements of Banque Cantonale Vaudoise as at 31 December 2020:

— Note 7.2 "Credit risk" (p. 127 to 129 of the Annual Report)

— Note 10.2 "Risk mitigants for loans and off-balance-sheet transactions, impaired loans" (p. 133 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, 8 March 2021

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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 / 20	31 / 12 / 19	Change absolute	Change as %
Cash and cash equivalents		11 226	8 125	3 101	38
Due from banks		1 438	1 249	189	15
Reverse repurchase agreements	5.1	236	239	– 3	– 1
Loans and advances to customers	5.2	5 620	5 571	49	1
Mortgage loans	5.2	27 508	26 506	1 003	4
Trading portfolio assets	5.3	312	277	35	13
Positive mark-to-market values of derivative financial instruments	5.4	320	275	46	17
Other financial assets at fair value	5.3	885	784	102	13
Financial investments	5.5	4 060	3 790	270	7
Accrued income and prepaid expenses		82	81	1	1
Holdings		177	177	0	0
Tangible fixed assets		388	402	– 14	– 4
Other assets	5.6	26	30	– 5	– 16
Assets	5.18	**52 278**	**47 505**	**4 773**	**10**
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		2 985	1 734	1 251	72
Repurchase agreements	5.1	2 781	1 502	1 279	85
Customer deposits	5.19	34 513	32 207	2 306	7
Trading portfolio liabilities	5.3	1	2	– 0	– 27
Negative mark-to-market values of derivative financial instruments	5.4	321	209	111	53
Other financial liabilities at fair value	5.3/5.10	969	918	52	6
Medium-term notes		2	3	– 1	– 43
Bonds and mortgage-backed bonds		6 911	7 094	– 183	– 3
Accrued expenses and deferred income		131	140	– 9	– 6
Other liabilities	5.6	76	116	– 40	– 35
Provisions	5.11	23	9	14	162
Liabilities		**48 713**	**43 933**	**4 780**	**11**
Reserves for general banking risks	5.11	666	701	– 35	– 5
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	87	0	0
Optional retained earnings		2 399	2 337	62	3
Own shares		– 15	– 18	2	– 14
Profit for the year		335	372	– 37	– 10
Shareholders' equity		**3 565**	**3 572**	**– 7**	**– 0**
Total liabilities and shareholders' equity		**52 278**	**47 505**	**4 773**	**10**
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 / 20	31 / 12 / 19	Change absolute	Change as %
Contingent liabilities	5.2	1 759	1 793	– 35	– 2
Irrevocable commitments	5.2	1 429	1 292	137	11
Commitments relating to calls on shares and other equity securities	5.2	178	177	0	0
Confirmed credits	5.2	46	46	– 0	– 1

2. Income statement (in CHF millions)

	Notes	2020	2019	Change absolute	Change as %
Interest and discount income		502.1	561.0	– 58.9	– 10
Interest and dividend income from financial investments		22.5	27.7	– 5.2	– 19
Interest expense		– 57.5	– 99.0	– 41.6	– 42
Net interest income before loan impairment charges/reversals	7.1	**467.2**	**489.7**	**– 22.5**	**– 5**
Loan impairment charges/reversals		– 14.9	9.1	24.1	264
Net interest income after loan impairment charges/reversal (NII)		**452.2**	**498.8**	**– 46.6**	**– 9**
Fees and commissions on securities and investment transactions		177.2	170.1	7.1	4
Fees and commissions on lending operations		36.2	44.4	– 8.3	– 19
Fees and commissions on other services		59.6	70.0	– 10.3	– 15
Fee and commission expense		– 19.6	– 18.9	0.7	4
Net fee and commission income		**253.5**	**265.7**	**– 12.2**	**– 5**
Net trading income and fair-value adjustments	7.2	**128.7**	**116.4**	**12.3**	**11**
Gains/losses on disposals of financial investments		1.8	0.4	1.4	379
Income from equity investments		21.5	31.4	– 9.9	– 32
Real-estate income		6.8	7.0	– 0.2	– 3
Miscellaneous ordinary income		21.7	23.4	– 1.7	– 7
Miscellaneous ordinary expenses		– 0.4	– 0.4	0.0	5
Other ordinary income		**51.3**	**61.8**	**– 10.5**	**– 17**
Total income from ordinary banking operations		**885.8**	**942.8**	**– 57.0**	**– 6**
Personnel costs	7.3	– 299.1	– 299.0	0.1	0
Other operating expenses	7.4	– 140.0	– 148.4	– 8.4	– 6
Operating expenses		**– 439.1**	**– 447.4**	**– 8.3**	**– 2**
Depreciation and amortization of fixed assets and impairment on equity investments		– 64.9	– 64.0	0.9	1
Other provisions and losses	7.5	– 4.4	– 5.8	– 1.4	– 24
Operating profit		**377.4**	**425.6**	**– 48.1**	**– 11**
Extraordinary income	7.6	1.8	0.7	1.1	156
Extraordinary expenses	7.7	– 0.1	– 0.2	– 0.1	– 73
Taxes	7.8	– 44.0	– 53.8	– 9.8	– 18
Profit for the year		**335.2**	**372.3**	**– 37.1**	**– 10**
Appropriations	8				
Profit for the year		335.2	372.3		
Profit shown on the balance sheet		335.2	372.3		
Appropriation of profit					
- Allocation to optional retained earnings		25.4	62.4		
- Allocation to regulatory retained earnings		0.0	0.0		
- Distribution from distributable profit		309.8	309.8		

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 2018	**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**
Allocation to other reserves					62		– 62	0
2019 dividend							– 310	– 310
Purchases of own shares						– 18		– 18
Disposals of own shares						20		20
Gain on disposals of own shares and dividends			0					0
Provisions for inherent credit risk				– 35				– 35
Profit/loss for the year							335	335
Status at 31 December 2020	86	7	87	666	2 399	– 15	335	3 565

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, the FINMA Accounting Ordinance (FINMA-AO) of 31 October 2019, and the Swiss accounting rules for banks, securities firms, financial groups, and financial conglomerates of 31 October 2019 (FINMA Circular 2020/1). 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

In keeping with the transitional provisions of FINMA-AO, on 31 December 2020 the Bank created new provisions for credit risk, pursuant to Article 25 FINMA-AO, and new credit-risk provisions for off-balance-sheet transactions, pursuant to Article 28.6 FINMA-AO.
The full amount of the additional provisions was recognized on the balance sheet at 31 December 2020 by drawing CHF 35m from the reserves for general banking risks. The approach used by the Group is described in detail in note 7.2 to the consolidated financial statements.

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 4 March 2021, 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 / 20	31 / 12 / 19
Book value of claims arising from cash collateral pledged in connection with securities borrowing or reverse repurchase agreements[1]	236	239
Book value of liabilities arising from cash collateral received in connection with securities lending or repurchase agreements[1]	2 781	1 502
Book value of securities held for own account, lent or transferred as collateral in connection with securities borrowing or repurchase agreements	2 756	1 644
of which those that can be sold or repledged without restriction	*2 756*	*1 644*
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	255	264
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		564	2 297	2 856	5 716
Mortgages		27 522			27 522
Residential real estate		*22 078*			*22 078*
Office and business premises		*1 293*			*1 293*
Commercial and industrial property		*900*			*900*
Other		*3 250*			*3 250*
Loans (before impairment charges/reversals)	31 / 12 / 20	28 086	2 297	2 856	33 238
	31 / 12 / 19	27 077	1 758	3 325	32 160
Loans (after impairment charges/reversals)	31 / 12 / 20	28 072	2 297	2 760	33 129
	31 / 12 / 19	27 069	1 758	3 250	32 077
Contingent liabilities		10	382	1 367	1 759
Irrevocable commitments		371	95	963	1 429
Commitments relating to calls on shares and other equity securities				178	178
Confirmed credits				46	46
Off-balance-sheet transactions	31 / 12 / 20	380	477	2 554	3 411
	31 / 12 / 19	381	373	2 555	3 309

		Gross receivables	Realization value of risk mitigants	Net receivables	Individual impairment charge/reversal
Impaired loans and off-balance-sheet commitments	31 / 12 / 20	181	– 73	108	89
	31 / 12 / 19	183	– 92	91	83
Change (absolute)		– 3	– 19	16	6
Change (as %)		– 2	– 21	18	7

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

Assets	31 / 12 / 20	31 / 12 / 19
Debt securities	158	164
of which listed on a recognized stock exchange	*158*	*164*
Equity securities	4	2
Commodities and precious metals	151	111
Trading portfolio assets	**312**	**277**
Debt securities	76	58
Structured products	1	1
Other	809	725
Other financial assets at fair value	**885**	**784**
Total	**1 198**	**1 061**
of which determined using a valuation model	*0*	*0*
of which securities eligible for repurchase agreements in accordance with liquidity regulations	*76*	*70*

Liabilities	31 / 12 / 20	31 / 12 / 19
Debt securities	0	1
of which listed on a recognized stock exchange	*0*	*1*
Equity securities	1	1
Other trading portfolio liabilities	0	0
Trading portfolio liabilities	**1**	**2**
Debt securities	0	0
Structured products	969	918
Other financial liabilities at fair value	**969**	**918**
Total	**970**	**919**
of which determined using a valuation model	*34*	*83*

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		15	19	689	174	118	7 368
Futures				107			
Options (OTC)		0	0	74			
Interest-rate instruments		**15**	**19**	**870**	**174**	**118**	**7 368**
Forward contracts and swaps		364	430	32 691			
Options (OTC)		49	43	2 138			
Foreign currencies and precious metals		**413**	**473**	**34 829**	**0**	**0**	**0**
Futures				10			
Options (OTC)		44	38	197			
Options (exchange traded)		1		10			
Equity securities / indices		**45**	**38**	**216**	**0**	**0**	**0**
Futures				0			
Other		**0**	**0**	**0**	**0**	**0**	**0**
Total	31 / 12 / 20	474	530	35 916	174	118	7 368
of which determined using a valuation model		*94*	*81*	–	–	–	–
	31 / 12 / 19	**313**	**307**	**36 401**	**183**	**124**	**6 354**
of which determined using a valuation model		*57*	*49*	–	–	–	–

		Positive market-to-market value	Negative market-to-market value	Value of underlying asset
Breakdown				
Trading instruments		474	530	35 916
Hedging instruments		174	118	7 368
Total before netting agreements	31 / 12 / 20	647	648	43 284
	31 / 12 / 19	**496**	**431**	**42 755**
Total after netting agreements	31 / 12 / 20	320	321	43 284
	31 / 12 / 19	**275**	**209**	**42 755**
Change	absolute	46	111	529
	as %	17	53	1

Breakdown by counterparty

	Central clearing houses	Banks and securities dealers	Other clients
Positive mark-to-market value (after netting agreements)	92	136	93

5.5 Financial investments (in CHF millions)

	31 / 12 / 20		31 / 12 / 19	
	Book value	Fair value	Book value	Fair value
Debt securities	3 983	4 093	3 710	3 822
of which securities intended to be held until maturity	*3 983*	*4 093*	*3 710*	*3 822*
of which securities available for sale	*0*	*0*	*0*	*0*
Equity securities	25	71	25	76
of which significant holdings (minimum of 10% of capital or voting rights)	*4*	*4*	*4*	*4*
Available-for-sale real estate and goods acquired in connection with lending operations	53	57	55	60
Financial investments	**4 060**	**4 221**	**3 790**	**3 958**
including securities eligible for repurchase agreements in accordance with liquidity regulations	*3 983*	*–*	*3 710*	*–*

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	3 834					148	3 983

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 / 20		31 / 12 / 19	
	Other assets	Other liabilities	Other assets	Other liabilities
Offset accounts	0	56	0	58
Indirect taxes	18	6	19	8
Coupons/coupons and securities due	0	0	0	0
Settlement accounts	5	7	4	41
Miscellaneous assets and liabilities	3	6	7	7
Other assets and liabilities	**26**	**76**	**30**	**116**

5.7 Assets pledged or assigned as collateral for own liabilities, and assets with reservation of title (in CHF millions)

	31 / 12 / 20		31 / 12 / 19	
	Amount or book value of pledge	Real liability	Amount or book value of pledge	Real liability
Assets pledged or assigned to Swiss National Bank	161		188	
Mortgages pledged or assigned to Central mortgage-bond Institution of Swiss Cantonal Banks	8 236	5 387	8 148	5 335
Other	339	339	281	281
Total assets pledged or assigned	**8 735**	**5 726**	**8 616**	**5 616**
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 / 20	31 / 12 / 19
Customer deposits	248	217

BCV's own occupational pension funds held no BCV shares at 31 December 2020.

5.9 Economic situation of own occupational pension funds (in CHF millions)

There were no employer contribution reserves at end-2020 or end-2019.

Economic benefit/liability and pension expenses	Surplus / deficit	Economic benefit/liability			Contributions adjusted for the period	Pension expenses included in "Personnel costs"	
	31 / 12 / 20	31 / 12 / 20	31 / 12 / 19	Change	2020	2020	2019
Employer-financed pension funds: "Fonds de prévoyance en faveur du personnel de la BCV"[1]	52.1	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	31.6	31.6	31.8
Pension funds with surpluses: "Fondation de prévoyance complémentaire en faveur de l'encadrement supérieur de la BCV"	0.7	0	0	0	1.2	1.2	1.2
Total	**52.8**	**0**	**0**	**0**	**32.8**	**32.8**	**33.0**

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 2020.

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	4	– 0	3
Equity securities		–	939	689	– 34	1 594
Foreign currencies		–	29	11	0	40
Commodities and precious metals		–	1	0	0	1
Total	31 / 12 / 20	–	969	703	– 34	1 639
	31 / 12 / 19	–	918	750	– 12	1 656

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
	2019							2020
Provisions for credit risk	6	0	12	0	0	7	– 4	20
of which provisions under Art. 28.1 FINMA-AO	*6*		*– 1*			*7*	*– 4*	*6*
of which provisions for inherent credit risk			*13*					*13*
of which provisions for latent credit risk								*0*
Other provisions	3	– 0			0	1	– 0	4
Total provisions	**9**	**– 0**	**12**	**0**	**0**	**7**	**– 4**	**23**
Reserves for general banking risks[1]	**701**		**– 35**			**0**		**666**
Provisions for credit risk and country risk	**83**	**– 16**	**23**		**7**	**34**	**– 19**	**113**
of which provisions for impaired loans	*78*	*– 16*	*– 2*		*7*	*34*	*– 19*	*83*
of which provisions for inherent credit risk			*30*					*30*
of which provisions for latent risks	*5*		*– 5*					*0*

[1] Reserves for general banking risks are taxable

5.12 Share capital (in CHF millions)

		2020		2019	
		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[1]	CHF 1.00		CHF 10.00	
Status at 1 January		86 061 900	86	8 606 190	86
No movement		0	0	0	0
Status at 31 December		**86 061 900**	**86**	**8 606 190**	**86**
of which share capital qualifying for dividends			*86*		*86*

[1] After obtaining approval at the Annual Shareholders' Meeting on 30 April 2020, BCV carried out a 10-for-1 stock split on 28 May 2020

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

	2020		2019	
	Shares (in units)[1]	Value (in CHF)	Shares (in units)	Value (in CHF)
Members of the Board of Directors			0	0
Executive Board members	26 884	1 905 992	3 531	2 362 572
Other employees	168 934	8 453 791	25 333	10 545 428
Total	**195 818**	**10 359 783**	**28 864**	**12 908 000**

1) After obtaining approval at the Annual Shareholders' Meeting on 30 April 2020, BCV carried out a 10-for-1 stock split on 28 May 2020

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 10 May 2021, rounded up to the nearest whole number.

Other employees will receive their shares at the end of April 2021. The number of shares allocated will be calculated based on the closing market price on 18 March 2021, rounded up to the nearest whole number. These employees have until 31 March 2021 to decide on the proportion they wish to receive in the form of shares. As their decision was not known at the time this report was published, the number of shares taken into account in the above table corresponds to the maximum possible number of shares.

The market prices used to calculate the number of shares will be those on 18 March 2021 and 10 May 2021, so they were not known at the time of writing. As a result, the maximum possible number of shares was calculated based on the closing market price on 4 March 2021, 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 2020 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 12–24 March 2020.
- The subscription price was set at CHF 610 per share, and the market price used was CHF 731 (closing price on 12 March, the first day of the subscription period).

The amounts (number of shares and value) shown in the table above correspond to the number of shares subscribed multiplied by CHF 121, which is the difference between the market price of CHF 731 and the subscription price of CHF 610.

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 taken into account in the table on the previous page correspond to the expense recorded in 2020 for the various plans in progress.

Free shares

The Bank awards two BCV shares (or 20 BCV shares following the 10-for-1 stock split on 28 May 2020) 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 / 20		31 / 12 / 19	
	Receivable	Commitment	Receivable	Commitment
Significant shareholder	5	3 859	6	3 705
Group companies	105	56	86	50
Affiliated companies	206	245	172	391
Governing bodies	35	8	32	7

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 (in CHF millions)

	31 / 12 / 20			31 / 12 / 19		
	Number of shares (in units)[1]	Total par value	Stake	Number of shares (in units)	Total par value	Stake
Voting rights						
Vaud Canton, direct interest	57 622 520	57.6	66.95%	5 762 252	57.6	66.95%

[1] After obtaining approval at the Annual Shareholders' Meeting on 30 April 2020, BCV carried out a 10-for-1 stock split on 28 May 2020

5.16 Own shares and breakdown of share capital

Number of shares (in units)	Average transaction price	Total	Own shares
Status at 31 December 2019[1]		**86 061 900**	**246 720**
of which shares reserved for long-term performance-based compensation			*128 000*
Purchases	82		215 831
Sales	77		– 263 539
Status at 31 December 2020		86 061 900	199 012
of which shares reserved for long-term performance-based compensation			*116 600*

1) After obtaining approval at the Annual Shareholders' Meeting on 30 April 2020, BCV carried out a 10-for-1 stock split on 28 May 2020. To facilitate like-for-like comparison, the initial status and subsequent purchases and sales of shares were adjusted to take account of the stock split

The breakdown of share capital is provided in note 5.12, page 179.

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 184-185)

Members of the Board of Directors

For 2020, the seven members of the Board of Directors in office at 31 December 2020 were accorded total compensation of CHF 1 351 670. Benefit expense resulting from compensation to the Board of Directors totaled CHF 143 709 (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 120 279.

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 2020, the eight members of the Executive Board in office in 2020 were accorded total compensation of CHF 7 603 138. This includes annual performance-based compensation for an aggregate amount of CHF 3 200 000, which is 11% lower than the amount paid in 2019, in line with the decline in the Bank's results.

This compensation will be submitted to shareholders for approval at the Shareholders' Meeting on 29 April 2021. If approved, this amount will be paid in May 2021 in two parts: CHF 2 354 000 in cash and the remaining CHF 846 000 in the form of shares locked up for between five and ten years. Benefit expense resulting from compensation to the Executive Board totaled CHF 1 206 121 for occupational pensions and CHF 797 910 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 2020

Members of the Board of Directors
Since 2018, the members of the Board of Directors receive their compensation entirely in cash.

Members of the Executive Board
For 2020, Executive Board members in office at 31 December 2020 will receive a number of locked-up BCV shares equivalent to 30% of their annual performance-based compensation (excluding the Executive Board member who left office on 31 December 2020, who will receive his full annual performance-based compensation in cash). The number of locked-up shares will be determined in accordance with the closing share price on 10 May 2021. They also subscribed to 550 locked-up shares under the employee share-ownership program that began prior to the stock split.

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 2020, such payments to the Bank amounted to CHF 392 244.

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 2020. Until 19 March 2020, the interest charged on short-term mortgage loans and on medium- and long-term fixed-rate loans was between 0.15% and 0.36% above market rates, depending on the term of the loan. Starting on 20 March 2020, these rates were between 0.15% and 0.40% 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 (or 1,000 post-split shares) that must be acquired before the end of their first term.

At 31 December 2020, directors and their close relations held a total of 46 390 BCV shares.

Members of the Executive Board
At 31 December 2020, Executive Board members and their close relations held 196 940 BCV shares.

Compensation of members of the Board of Directors for the 2020 financial year (in CHF)

	Jacques de Watteville	Jean-François Schwarz	Jack Clemons	Ingrid Deltenre	Eftychia Fischer-Iatrou	Fabienne Freymond Cantone	Peter Ochsner	Total	Average compen-sation
	Chairman	Vice Chairman starting 1 May	Member	Member	Member starting 1 May	Member	Member		Excluding Chairman
Fees	600 000	108 334	95 000	95 000	63 334	95 000	95 000	1 151 668	91 945
Committee-related compensation	0	13 334	20 000	16 667	13 334	10 000	40 000	113 335	18 889
Other	30 000	10 000	10 000	10 000	6 667	10 000	10 000	86 667	9 445
Total	**630 000**	**131 668**	**125 000**	**121 667**	**83 335**	**115 000**	**145 000**	**1 351 670**	**120 278**
Other benefits[1]	47 755	16 715	15 770	15 732	10 202	15 450	22 085	143 709	15 992

[1] 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 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	0	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 Bank does not contribute to the occupational pension funds of members of the Board of Directors

Compensation of members of the Executive Board for the 2020 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]		2 354 000		378 000
Annual performance-based compensation paid in shares[1, 2]		564 189		90 459
Shares acquired under employee share-ownership program[3]	550	2 069	0	
Stock options (BCV has no employee stock-option plan)	0		0	
Other		22 800		6 000
Total		**7 603 138**		**1 434 459**
Previous year		*7 946 069*		*1 495 185*
2018-2020 long-term performance-based compensation plan				
Shares allocated at CHF 95 per share[4]	15 040	1 428 800	1 880	178 600
Previous year	*1 519*	*1 230 390*	*217*	*175 770*
Total		**9 031 938**		**1 613 059**
Previous year		*9 176 459*		*1 670 955*
Occupational pension		1 206 121		211 437
Other benefits[5]		797 910		140 309
Previous year				
Occupational pension		*1 357 851*		*214 153*
Other benefits[5]		*787 106*		*140 999*

1) Subject to approval at the 2021 Annual Shareholders' Meeting
2) The number of shares will be calculated based on the market price on 10 May 2021, 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 610) and the market price on 12 March 2020 (CHF 731) at its discounted value
4) Market price on 4 March 2021
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 / 20 Drawn down
Board of Directors					
Jacques de Watteville	Chairman	0			
Jean-François Schwarz	Vice Chairman	11 450 000	11 450 000		10 800 000
Jack Clemons	Member	365 000	365 000		365 000
Ingrid Deltenre	Member	0			
Eftychia Fischer-Iatrou	Member				
Fabienne Freymond Cantone	Member	0			
Peter Ochsner	Member	0			
Total		**11 815 000**	**11 815 000**	**0**	**11 165 000**
Previous year		*11 415 000*	*11 415 000*	*0*	*11 065 000*
Executive Board					
Total		**27 190 000**	**27 190 000**	**0**	**25 766 000**
Previous year		*23 370 000*	*23 370 000*	*0*	*22 372 000*
Gérard Haeberli[1]	Member	10 564 000	10 564 000	0	10 029 000

[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 / 20 Shares (in units)[2]	31 / 12 / 19 Shares (in units)
Board of Directors			
Jacques de Watteville	Chairman	2 000	200
Jean-François Schwarz	Vice Chairman	36 910	3 691
Jack Clemons	Member	1 000	100
Ingrid Deltenre	Member	1 740	174
Eftychia Fischer-Iatrou[1]	Member	1 060	
Fabienne Freymond Cantone	Member	680	51
Peter Ochsner	Member	3 000	300
Total		**46 390**	**4 516**

[1] Not a member of the Board of Directors in 2019

Executive Board			
Pascal Kiener	CEO	36 460	3 215
Stefan Bichsel	Asset Management & Trading	45 000	5 000
Andreas Diemant	Corporate Banking	6 400	417
Gérard Haeberli	Private Banking	20 500	1 929
Christian Meixenberger	Business Support	6 300	336
Thomas W. Paulsen	CFO	12 220	1 143
Bertrand Sager	Credit Management	42 130	4 166
José François Sierdo	Retail Banking	27 930	2 339
Total		**196 940**	**18 545**

[2] After obtaining approval at the Annual Shareholders' Meeting on 30 April 2020, BCV carried out a 10-for-1 stock split on 28 May 2020

Members of the Board of Directors and Executive Board held no options at 31 December 2020.

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 2020 financial year

A former member of the Board of Directors received remuneration and expenses amounting to CHF 48,334.

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 market practice for the banking industry.

Retired Executive Board members continue to receive preferential terms that are in line with 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 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 / 20		31 / 12 / 19	
Internal country rating	Standard & Poor's rating	Absolute value	as % of total	Absolute value	as % of total
1&2	AAA to AA-	2 906	87	2 832	82
3	A+ to A-	140	4	213	6
4	BBB+ to BBB-	37	1	55	2
5	BB+ to BB-	46	1	10	0
6	B+ to B-	164	5	281	8
7	CCC+ to C	9	0	23	1
Not rated	Not rated	29	1	19	1
Foreign exposure		**3 332**	**100**	**3 433**	**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

	2020	2019
Capital on deposit at 1 January	**178.6**	**188.7**
Movements:		
Net payment surplus during the financial year	– 6.1	– 10.1
Capitalization of net interest at 31 December	0.0	0.0
Net change	– 6.1	– 10.1
Total capital on deposit at 31 December	**172.4**	**178.6**
of which guaranteed by the Canton of Vaud	*103.2*	*108.2*

	31 / 12 / 20	31 / 12 / 19	Change
Breakdown by type of service			
Registered savings books and accounts	127.4	129.9	– 2.5
Senior citizens' savings books and accounts	24.8	26.9	– 2.2
Bearer savings books	19.7	21.1	– 1.4
Youth savings books and accounts	0.6	0.7	– 0.1
Total	**172.4**	**178.6**	**– 6.1**

6. Notes to off-balance-sheet transactions

6.1 Fiduciary transactions (in CHF millions)

	31 / 12 / 20	31 / 12 / 19	Change absolute	Change as %
Fiduciary investments with third parties	227	368	– 141	– 38

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 Net interest income before loan impairment charges/reversals Refinancing of trading positions and negative interest (in CHF millions)

	2020	2019	Change absolute	Change as %
Banks and reverse repurchase agreements	– 3.6	0.1	– 3.7	n/a
Customers	501.4	549.4	– 47.9	– 9
Interest and dividends on financial investments	22.5	27.7	– 5.2	– 19
Other interest income	4.3	11.5	– 7.2	– 63
Total interest income	**524.6**	**588.7**	**– 64.1**	**– 11**
Banks and repurchase agreements	2.2	20.5	– 18.2	– 89
Customers	– 20.4	– 5.8	– 14.6	– 252
Medium-term notes and bonds	59.5	73.3	– 13.8	– 19
Other interest expense	16.1	11.0	5.1	46
Total interest expense	**57.5**	**99.0**	**– 41.6**	**– 42**
Net interest income before loan impairment charges/reversals	**467.2**	**489.7**	**– 22.5**	**– 5**

Negative interest paid by the Bank on its assets is deducted from interest and discount income. This negative interest totaled CHF 5.9m in 2020, against CHF 5.0m in 2019, 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 45.6m in 2020, against CHF 42.6m in 2019, 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	2020	2019	Change absolute	Change as %
Retail Banking	14.4	17.1	– 2.7	– 16
Corporate Banking	9.2	9.8	– 0.6	– 6
Wealth Management	9.2	9.6	– 0.5	– 5
Trading	50.0	46.0	4.0	9
Corporate Center	46.0	33.9	12.1	36
Total	**128.7**	**116.4**	**12.3**	**11**

Trading income and fair-value adjustments				
Fixed-income instruments (including funds)	1.3	2.1	– 0.9	– 42
Equity securities (including funds)	20.4	20.6	– 0.3	– 1
Currencies and precious metals	115.3	100.7	14.6	15
Total trading income and fair-value adjustments	**136.9**	**123.4**	**13.4**	**11**
of which fair-value adjustments	*20.0*	*20.3*	*– 0.3*	*– 2*
of which fair-value adjustments on assets	*162.3*	*192.7*	*– 30.4*	*– 16*
of which fair-value adjustments on liabilities	*– 142.3*	*– 172.4*	*– 30.1*	*– 17*
Trading fee expense	– 8.1	– 7.0	1.1	16
Net trading income and fair-value adjustments	**128.7**	**116.4**	**12.3**	**11**

7.3 Personnel costs (in CHF millions)

	2020	2019	Change absolute	Change as %
Fixed and variable compensation	229.2	228.6	0.6	0
of which charges related to share-based compensation and other variable compensation (including the portion paid in cash)	*31.9*	*34.3*	*– 2.3*	*– 7*
Employee benefits	23.8	23.3	0.4	2
Contributions to staff pension funds	32.8	33.0	– 0.3	– 1
Other personnel expenses	13.3	14.0	– 0.8	– 5
Total	**299.1**	**299.0**	**0.1**	**0**

7.4 Other operating expenses (in CHF millions)

	2020	2019	Change absolute	Change as %
Premises	19.6	18.8	0.8	4
IT	65.1	68.3	– 3.2	– 5
Machinery, furniture, vehicles, etc.	2.5	3.2	– 0.7	– 22
Office supplies	1.1	1.0	0.1	11
Telecommunications and shipping	5.8	5.9	– 0.0	– 1
Marketing and communications, gifts and subscriptions	12.9	16.9	– 4.0	– 24
Financial information	12.5	12.3	0.3	2
Auditor fees	2.0	2.0	– 0.1	– 4
of which for financial and prudential audits	*1.8*	*1.8*	*– 0.0*	*– 3*
of which for other services	*0.2*	*0.2*	*– 0.0*	*– 12*
Other professional fees	3.7	3.6	0.2	5
Payment transactions	10.6	10.4	0.2	2
Issuing fees	0.8	1.1	– 0.3	– 25
Miscellaneous operating expenses	3.3	4.9	– 1.6	– 32
of which charges for the guarantee by the Canton of Vaud[1]	*0.3*	*0.3*	*– 0.0*	*– 8*
Total	**140.0**	**148.4**	**– 8.4**	**– 6**

[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)

	2020	2019	Change absolute	Change as %
Provisions for credit risk	2.1	4.4	– 2.3	– 52
Miscellaneous provisions	0.7	0.3	0.4	113
Miscellaneous losses	1.6	1.1	0.5	50
Total	**4.4**	**5.8**	**– 1.4**	**– 24**

7.6 Extraordinary income (in CHF millions)

	2020	2019	Change absolute	Change as %
Disposals of equity holdings	0.0	0.2	– 0.2	– 100
Disposals of tangible fixed assets	1.2	0.0	1.2	n/a
Other extraordinary income	0.6	0.5	0.1	13
Total	**1.8**	**0.7**	**1.1**	**156**

7.7 Extraordinary expenses (in CHF millions)

	2020	2019	Change absolute	Change as %
Miscellaneous extraordinary expenses	0.1	0.2	– 0.1	– 73
Total	**0.1**	**0.2**	**– 0.1**	**– 73**

7.8 Taxes (in CHF millions)

	2020	2019	Change absolute	Change as %
Direct federal tax	23.0	28.2	– 5.3	– 19
Cantonal and municipal taxes	21.0	25.6	– 4.5	– 18
Total	**44.0**	**53.8**	**– 9.8**	**– 18**
Weighted average tax rate, based on operating profit	12%	13%		

8. Proposal by the Board of Directors

At the Annual Shareholders' Meeting to be held on 29 April 2021, the Board of Directors will recommend the following appropriation of profit and distributions:

The proposed allocation of available earnings of CHF 335.2m is as follows:

	Dividend in CHF per registered share	Number of shares (in units)	Appropriation (in CHF millions)
Payment of an ordinary dividend	3.60	86 061 900	309.8
Allocation to regulatory retained earnings			0.0
Allocation to optional retained earnings			25.4
			335.2

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 5 May 2021.

KPMG

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 2020, 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 168 to 193) for the year ended 31 December 2020 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 which are impaired or presenting increased risks

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 which are impaired or presenting increased risks

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 2020. The valuation of a counterparty's default risk relies largely on the use of rating methods developed by the bank. The valuation of the loans which are impaired or presenting increased risks 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 which do not present increased risks, 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 increased 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 impaired or presenting increased 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 2020:

— Note 7.2 "Credit risk" (p. 127 to 129 of the Annual Report)

— Note 5.2 "Risk mitigants for loans and off-balance-sheet transactions, impaired loans" (p. 173 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.

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 193) 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, 8 March 2021

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KPMG SA, Esplanade de Pont-Rouge 6, CH-1211 Genève 26

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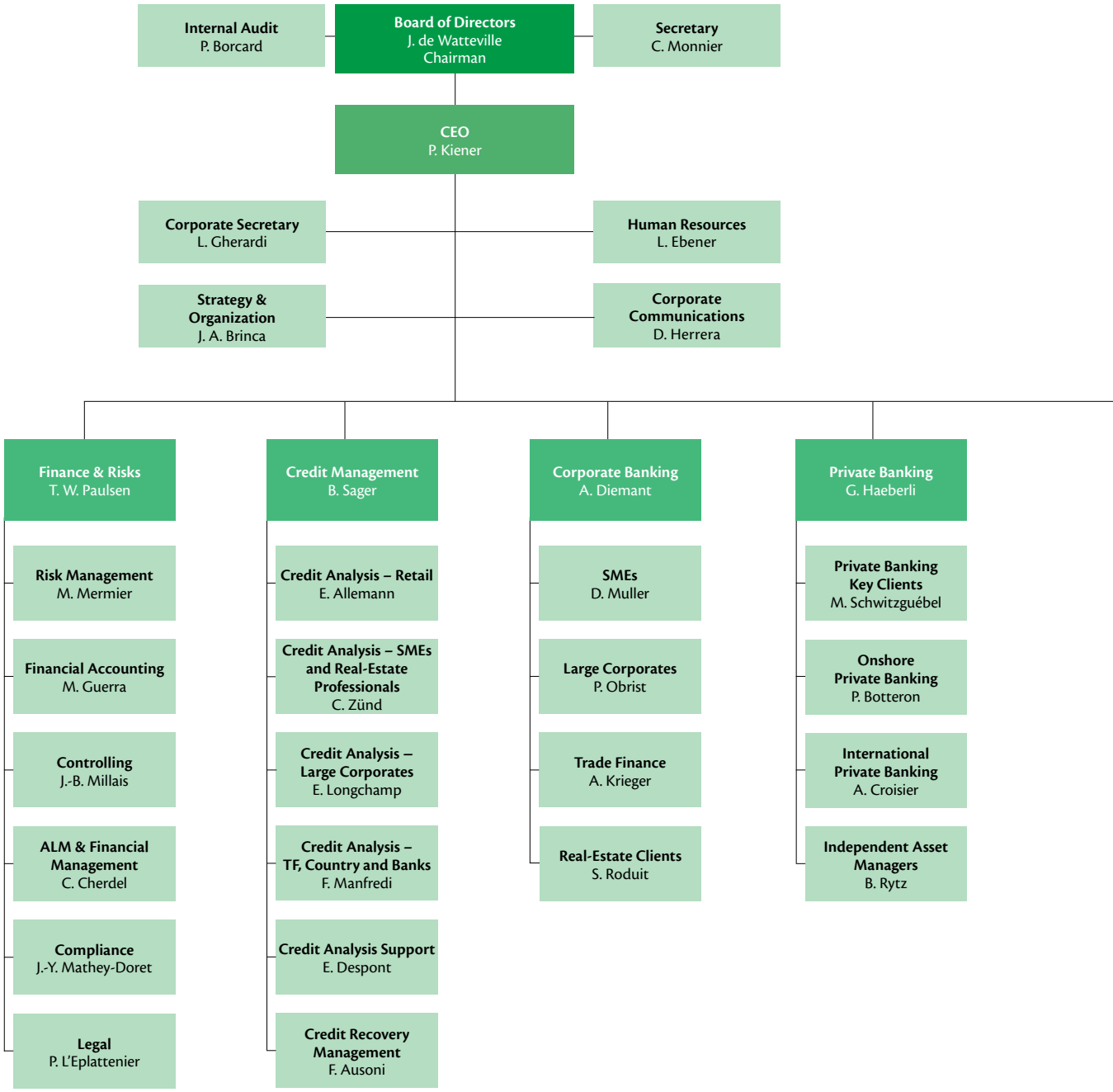
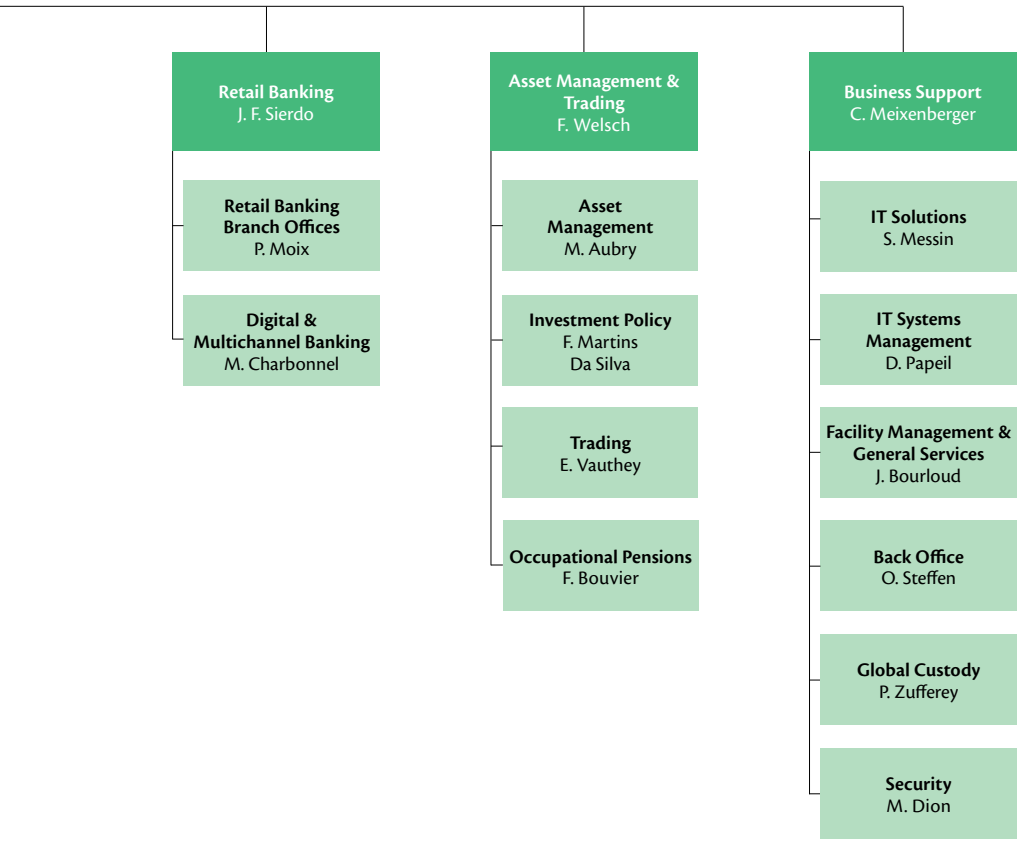
Organization Chart

As of 1 March 2021




Retail Banking
J. F. Sierdo
Retail Banking Branch Offices
P. Moix
Digital & Multichannel Banking
M. Charbonnel
Asset Management & Trading
F. Welsch
Asset Management
M. Aubry
Investment Policy
F. Martins Da Silva
Trading
E. Vauthey
Occupational Pensions
F. Bouvier
Business Support
C. Meixenberger
IT Solutions
S. Messin
IT Systems Management
D. Papeil
Facility Management & General Services
J. Bourloud
Back Office
O. Steffen
Global Custody
P. Zufferey
Security
M. Dion

Retail Network

As of 1 March 2021

Regional Managers

As of 1 March 2021

Broye region

Retail banking	Cristina Martinez
Private banking	Hubert Joye
SME	Julien Gander

Chablais region

Retail banking	Éric Barroud
Private banking	Vincent Mottier
SME	Sébastien Roduit, a.i

Gros-de-Vaud region

Retail banking	Aleksandar Radic
Private banking	Pierre-Yves Zimmermann
SME	Stéphane Binggeli

Lausanne region

Retail banking	Sébastien Launaz
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	Cédric Weissert
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-Marc Pichon

Riviera region

Retail banking	David Bressoud
Private banking	Christophe Millius
SME	Rachel Perroud

Branch Offices

As of 1 March 2021

Broye region

Avenches
Route de Lausanne 9
Case postale
1580 Avenches

Lucens
Avenue de la Gare 4 A
Case postale
1522 Lucens

Payerne
Rue du Temple 9
Case postale
1530 Payerne

Chablais region

Aigle
Rue du Collège 2
Case postale
1860 Aigle

Bex
Rue Centrale 5
Case postale
1880 Bex

Château-d'Œx
Grand-Rue 82
Case postale
1660 Château-d'Œx

Les Diablerets
Les Ormonts 7
Case postale
1865 Les Diablerets

Leysin
Place du Marché
Case postale
1854 Leysin

Villars
Avenue Centrale 119
Case postale
1884 Villars

Villeneuve
Grand-Rue 1
Case postale
1844 Villeneuve

Gros-de-Vaud region

Cheseaux-sur-Lausanne
Rue du Pâquis 1
Case postale
1033 Cheseaux-sur-Lausanne

Cugy
Centre commercial Migros
Route de Bottens 1
Case postale
1053 Cugy

Echallens
Place de la Gare 7
Case postale
1040 Echallens

Moudon
Rue du Temple 10
Case postale
1510 Moudon

Penthalaz
Place Centrale 3
Case postale
1305 Penthalaz

Romanel
Centre commercial Migros
en Félezin
Case postale
1032 Romanel-sur-Lausanne

Lausanne region

Bellevaux
Route Aloys-Fauquez 116
1018 Lausanne

Bergières
Avenue Bergières 42
Case postale
1000 Lausanne 22

Bussigny
Rue St-Germain 2 A
Case postale
1030 Bussigny

Chauderon
Place Chauderon 8
Case postale
1001 Lausanne

CHUV
Rue du Bugnon 46
Case postale
1011 Lausanne

Crissier
Centre MMM
Case postale
1023 Crissier

Écublens
Chemin du Croset 3
Case postale
1024 Écublens

Épalinges
Place de la Croix-Blanche 17
Case postale
1066 Épalinges

La Sallaz
Route d'Oron 2
Case postale
1000 Lausanne 10

Lausanne - Cour
Avenue de Cour 38 A
Case postale
1000 Lausanne 3

Lausanne - Gare
Place de la Gare 10
Case postale
1001 Lausanne

Ouchy
Avenue d'Ouchy 76
1006 Lausanne

Prilly
Route de Cossonay 21
Case postale
1008 Prilly

Renens
Rue du Midi 15
Case postale
1020 Renens

UNIL
Internef - Dorigny
Case postale
1015 Lausanne

Lausanne - St-François
Place St-François 14
Case postale
1001 Lausanne

Lavaux region

Chailly
Avenue de Chailly 10
Case postale
1000 Lausanne 12

Cully
Place de l'Hôtel de Ville 7
Case postale
1096 Cully

Lutry
Route de Lavaux 166
Case postale
1095 Lutry

Mézières
Rue du Théâtre 2
Case postale
1083 Mézières

Oron-la-Ville
Le Bourg 16
Case postale
1610 Oron-la-Ville

Pully
Rue de la Poste 8
Case postale
1009 Pully

Savigny
Place du Forum 2
Case postale
1073 Savigny

Morges region

Aubonne
Chemin du Mont-Blanc 2
Case postale
1170 Aubonne

Cossonay
Rue des Etangs 5
Case postale
1304 Cossonay-Ville

Denges
Route de Genève 107 B
Case postale
1026 Denges

Morges Hôtel-de-Ville
Place de l'Hôtel-de-Ville 2
Case postale
1110 Morges 1

St-Prex
Route de Rolle 2
Case postale
1162 St-Prex

Nord vaudois region

Chavornay
Route d'Yverdon 2
Case postale
1373 Chavornay

Grandson
Place du Château 8
Case postale
1422 Grandson

Le Sentier
Grand-Rue 36
Case postale
1347 Le Sentier

Orbe
Place du Marché 9
Case postale
1350 Orbe

Ste-Croix
Rue Neuve 2
Case postale
1450 Ste-Croix

Vallorbe
Rue de l'Horloge 1
Case postale
1337 Vallorbe

Yverdon-les-Bains
Rue des Remparts 17
Case postale
1401 Yverdon-les-Bains

Nyon region

Coppet
Rue Froide 1
Case postale
1296 Coppet

Gland
Avenue du Mont-Blanc 14 A
Case postale
1196 Gland

Nyon
Rue Perdtemps 6
Case postale
1260 Nyon 1

Rolle
Grand-Rue 60
Case postale
1180 Rolle

Signy
Centre Commercial
Rue des Fléchères 7 A
Case postale
1274 Signy-Centre

Riviera region

Blonay
Route du Village 7
Case postale
1807 Blonay

Chexbres
Grand-Rue
Case postale
1071 Chexbres

Clarens
Avenue Vinet 15
Case postale
1815 Clarens

La Tour-de-Peilz
Grand-Rue 38
Case postale
1814 La Tour-de-Peilz

Montreux
Grand-Rue 50
Case postale
1820 Montreux

Vevey - Gare
Place de la Gare
Case postale
1800 Vevey 1

Vevey - Nestlé
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Thanks
BCV would like to thank its employees as well as the various external service providers involved in preparing this document.

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This document is an English translation of the original French text entitled "Rapport annuel 2020." Only the French text is authoritative.

Printing
Imprimerie Baudat
L'Orient

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