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

53% 47%

Personal banking advisors

34 High school graduate trainees

13 University interns

34 Apprentices

41% 59%

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.

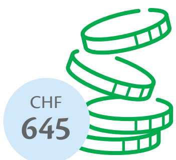
2020 Sustainability Report

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

Contents

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.

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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BANQVE 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%.

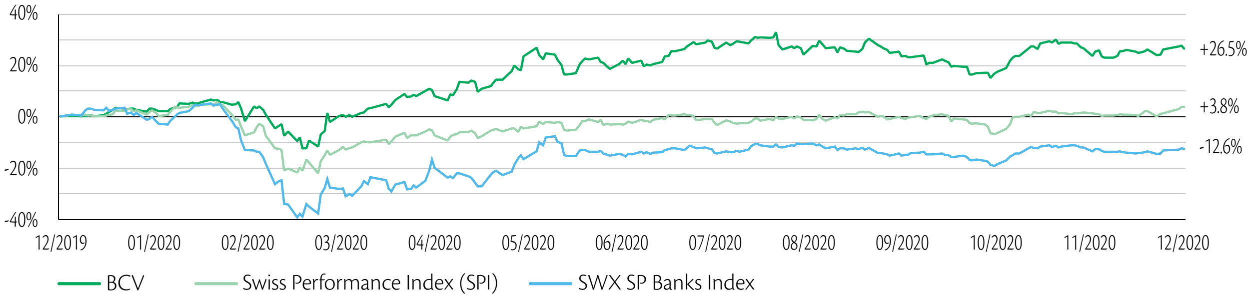
Despite the turbulence, 2020 was a positive and eventful year for the BCV share. After a sharp correction in March alongside the broader market, the stock recouped its losses and ended the year up 21.9%. That share-price appreciation, coupled with the dividend paid out to shareholders in May, brought 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	Standard & Poor's	
Par value:	CHF 1	Long-term credit rating:	AA / stable
Swiss security number:	53 175 175	Short-term credit rating:	A-1+
ISIN code:	CH0531751755	Moody's	
Ticker symbols:	Bloomberg: BCVN	Long-term credit rating:	Aa2 / stable
	Telekurs: BCVN	Short-term credit rating	Prime-1
	Reuters: BCVN.S		

Total shareholder return[1]

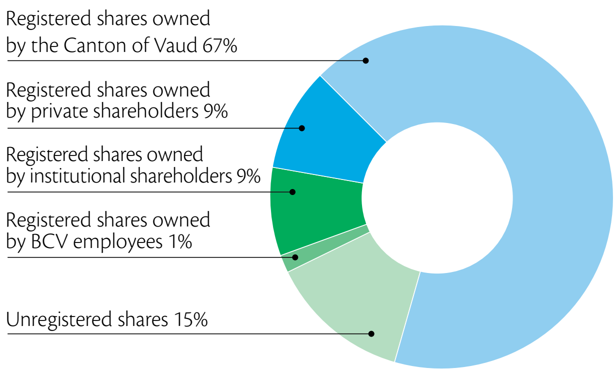


[1] Stock-market performance over the period plus dividends and capital distributions

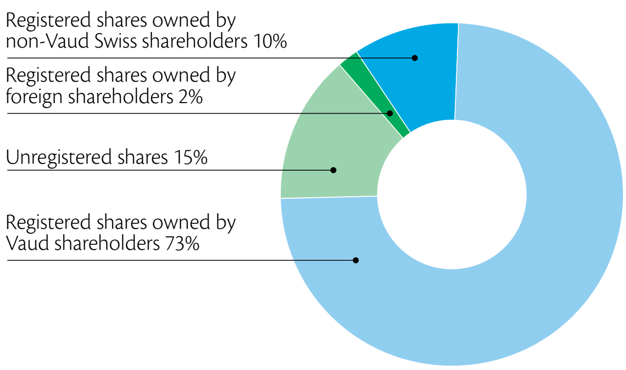
		2016	2017	2018	2019	2020[1]
Number of shares outstanding (in thousands)		8,606	8,606	8,606	8,606	86,061
Period-end share price (in CHF)		645.00	735.00	741.00	790.00	96.30
Share price high / low (unadjusted, in CHF)	– high	694.00	764.50	823.00	820.00	101.40
	– low	582.00	644.00	688.00	708.00	67.50
EPS[2] (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.

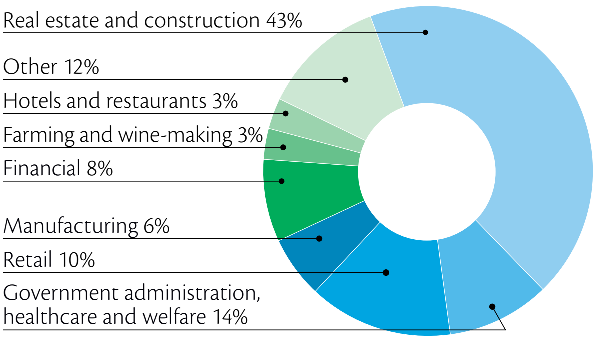
6. Playing an active role in the community.

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

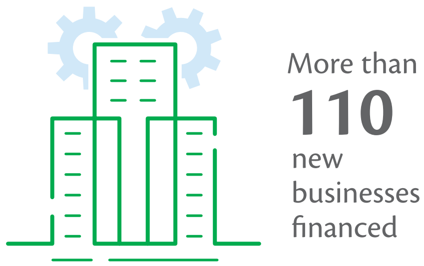
That role was especially important in 2020 with the outbreak of the Covid-19 epidemic. In March, we introduced special measures to protect our customers and employees, while continuing to provide our full range of banking products and services to the people and businesses of Vaud. We rearranged our branches 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.



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

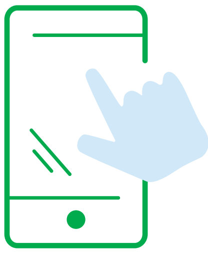
Our clients are also increasingly taking advantage of the 24/7 access provided by our online banking services through our website, bcv.ch, and our online banking platform accessible via BCV-net on a computer or BCV Mobile on a smartphone or tablet. We regularly add new features to our digital-banking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

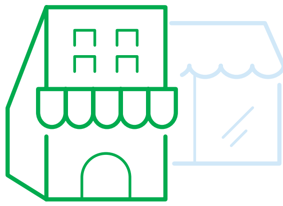
We provide 1 of 3
mortgage loans in Vaud

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.

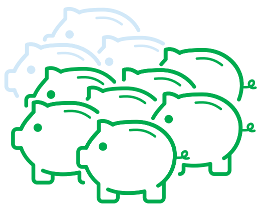


1 of 2 Vaud small businesses
banks with BCV

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

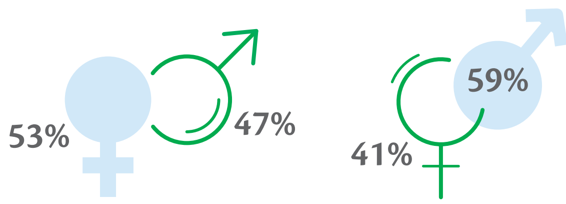
BCV is one of Vaud's leading employers and the largest employer in the Canton's banking sector. We consider our dynamic human resources policy to be crucial to both our mission and our strategy. Alongside missions and objectives, skills development is a key employee performance factor. We encourage training 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.

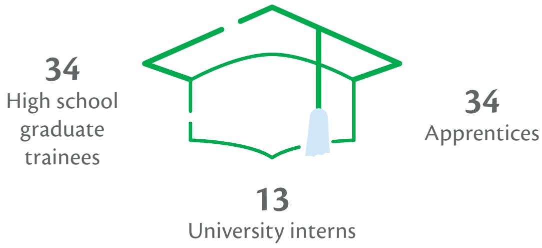


Personal banking advisors   Staff

BCV regularly commissions a third-party polling service to conduct an anonymous survey of all staff members in order to obtain their opinions on working conditions, workplace relations, satisfaction with supervisors and, more generally, to determine employee buy-in and commitment. 84% of employees took part in the 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."


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.

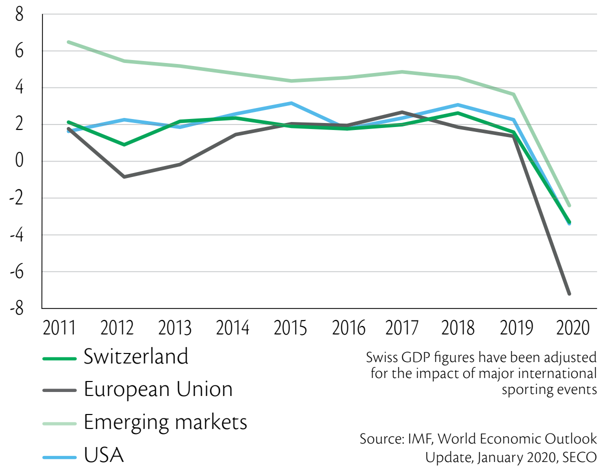
Global economy locked down

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 %

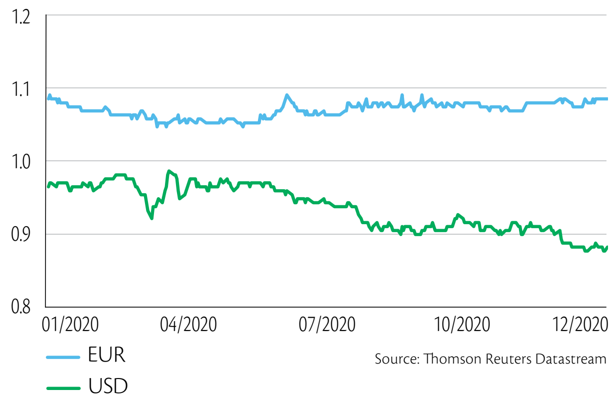


Swiss GDP figures have been adjusted for the impact of major international sporting events

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

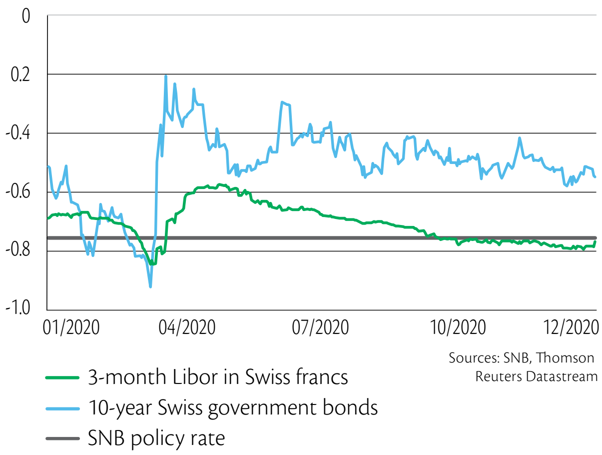
2020 was a year of contrasts for stock markets. The main indices rose for the first two months of the year, continuing their 2019 trajectory, but then dove between 30% and 40% between the end of February and the end of March as lockdowns and border closures were announced. Over the following three quarters, 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

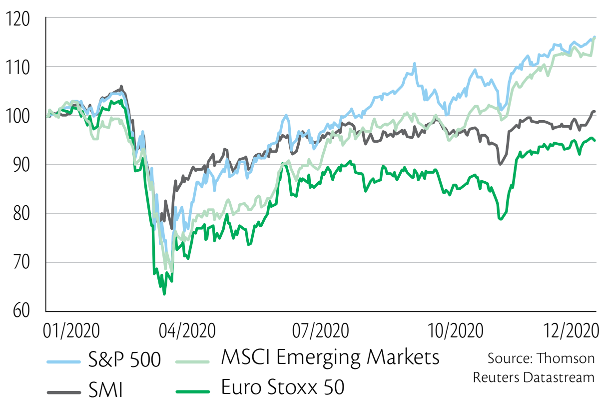
Interest rates

as %



Stock-market indices in local currency terms

base of 100 at 31 December 2019



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.

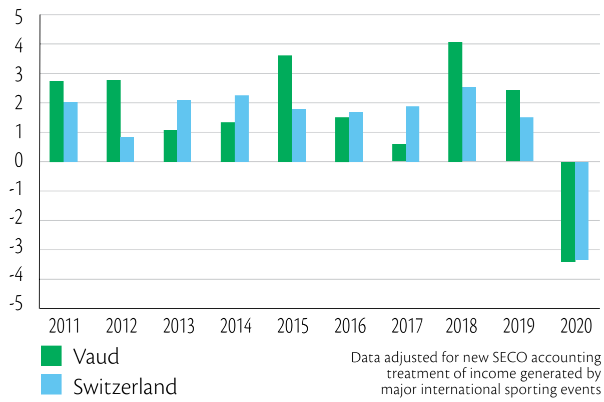
Inflation remained low around the world. In Switzerland, inflation turned negative again, falling from +0.4% in 2019 to –0.7% in 2020, due to lower prices for petroleum products and medicines. Prices rose 0.3% in the eurozone and 1.4% in the US.

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 %



Year-over-year change in real terms

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

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 km^2	41,285 km^2
Population (end-2020)[1]	815,300 residents	8,671,480 residents
Population density	254 residents/km^2	210 residents/km^2
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

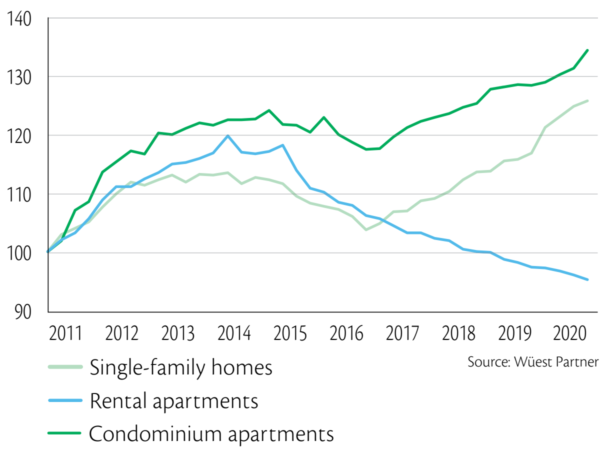
The Vaud real-estate market proved impervious to Covid-19. Prices of owner-occupied housing continued the upward trend that started in 2017. On average across the Canton, prices of single-family homes rose 7.6% year on year and apartment prices were 4.7% higher, according to Wüest Partner figures. Although 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

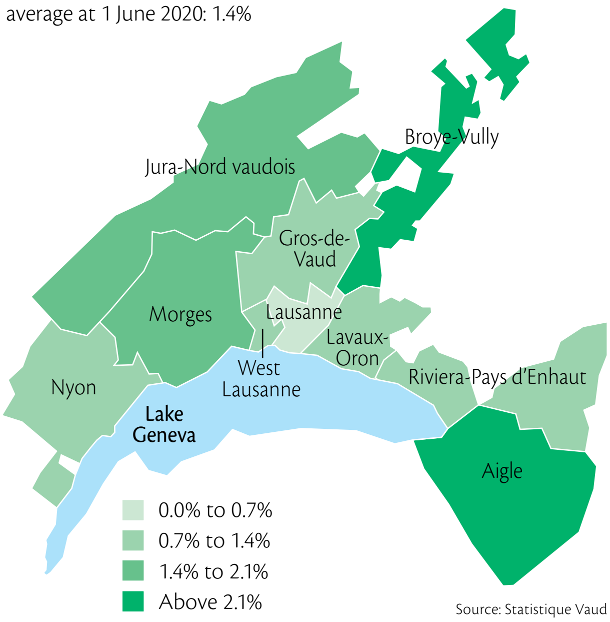
indices, base of 100 in Q1 2011



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

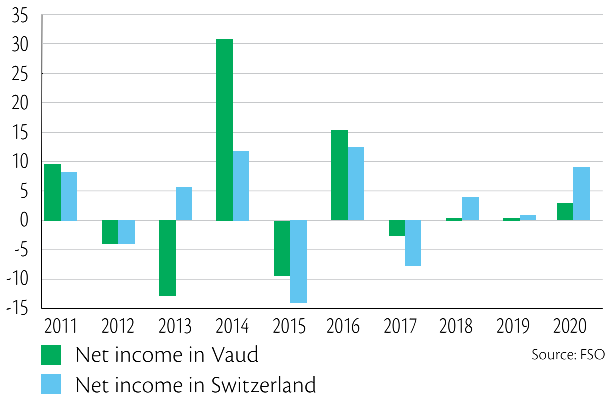
2021 should bring a partial economic recovery. In particular, the start of vaccine rollouts in many countries offers the prospect of bringing the Covid-19 situation more under control and reducing the most restrictive protective measures, if not eliminating them completely. However, a degree of caution 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

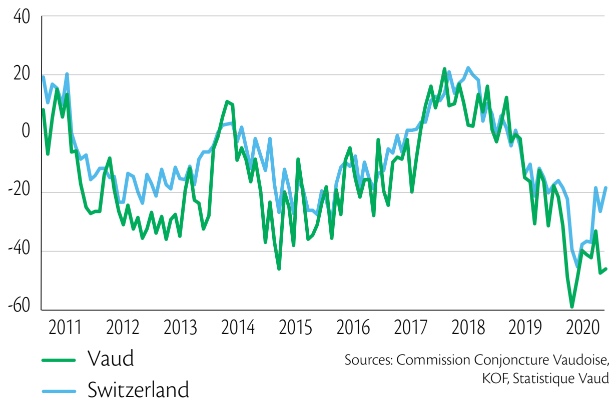
After a mixed 2019, the end-2020 survey by the Commission Conjoncture Vaudoise (CCV) showed that Vaud manufacturers felt the full force of the pandemic. A sharp fall in order intake in the second quarter left order books depleted. Almost half of manufacturing companies regarded business conditions as 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

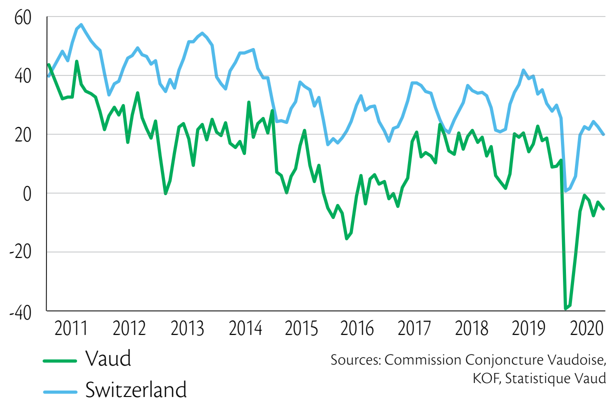
net positive responses



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

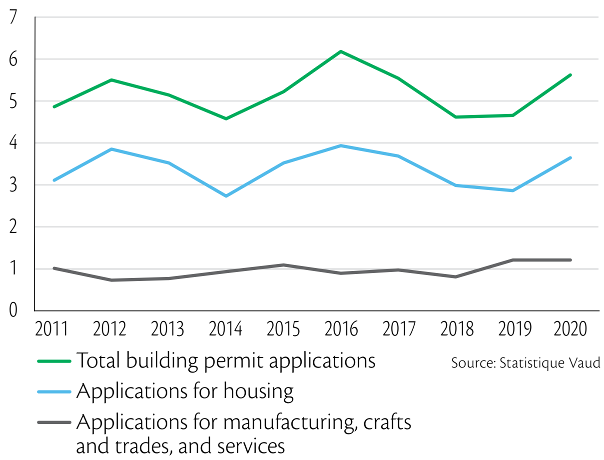
Retailers were badly affected by the closure of non-food stores in the spring, and by the protective measures subsequently introduced. The situation increased the appeal of online shopping, which continued to grow rapidly in 2020. Despite stable demand in food retail and a decline in Swiss consumers 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

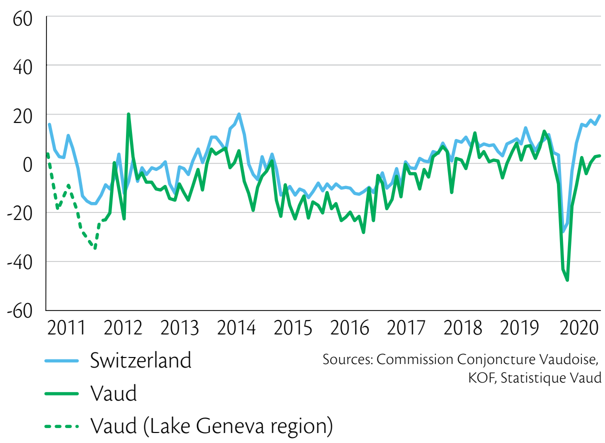
in CHF billions



Source: Statistique Vaud

Business sentiment in the retail sector

net positive responses



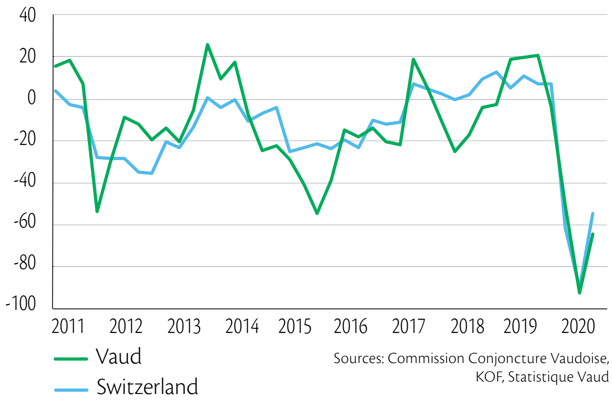
Sources: Commission Conjoncture Vaudoise, KOF, Statistique Vaud reduced the capacity of many restaurants and forced them to close temporarily. CCV surveys showed a high level of pessimism among hotel and restaurant managers.

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.

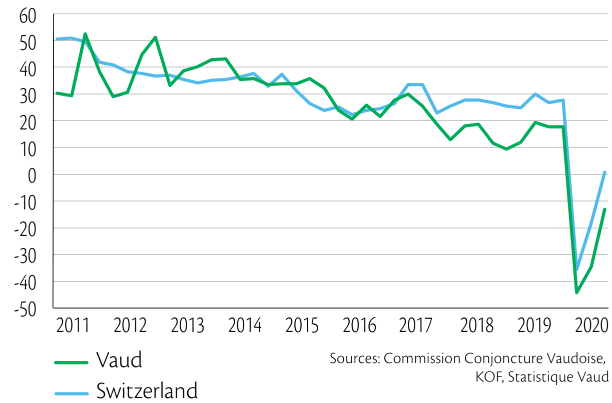
Sales index in the hotel and restaurant industry

net positive responses



Sales index in the services sector

net positive responses



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.

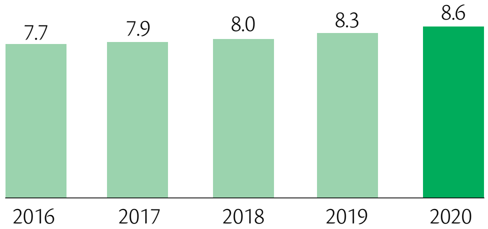
Objectives and outlook

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

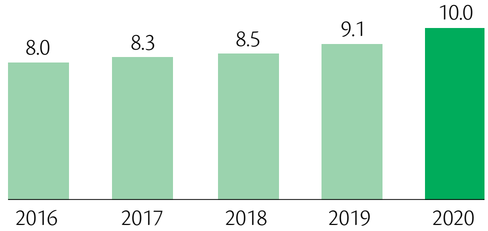
Mortgage loans

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.

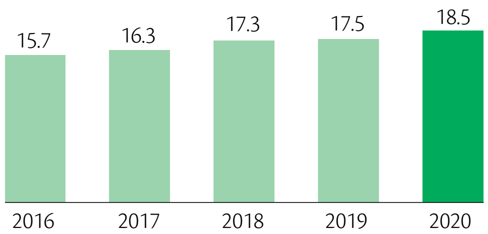
Objectives and outlook

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.

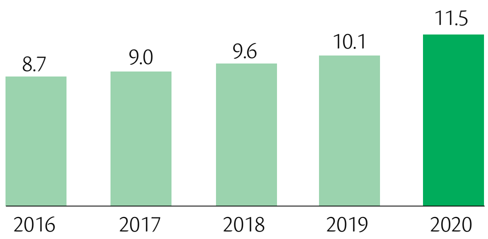
The Trade Finance and Large Corporates businesses will maintain their approach, based on maximizing profitability in line with the Bank's risk profile.

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.

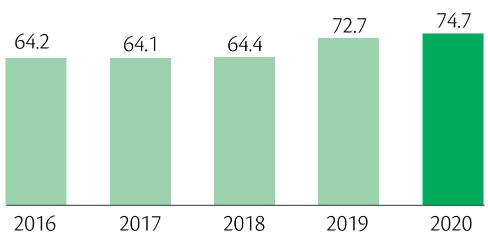
In institutional asset management, we aim to continue growing our business in Vaud and the rest of French-speaking Switzerland, as well as in the German-speaking part of the country through our representative office in Zurich. As a creator and distributor of investment products, Asset Management will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

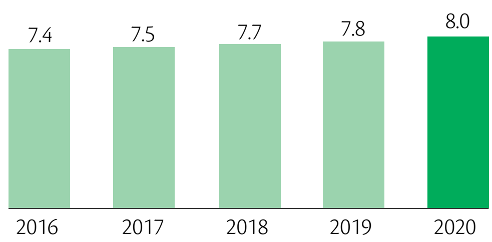
Assets under management

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.

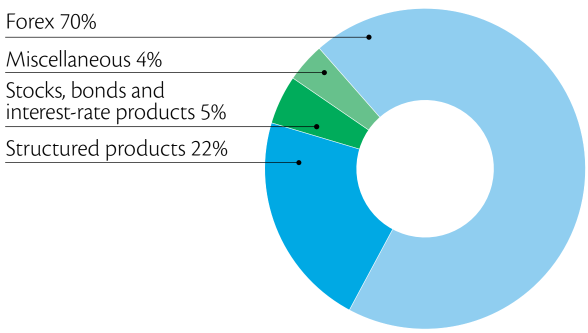
Objectives and outlook

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.

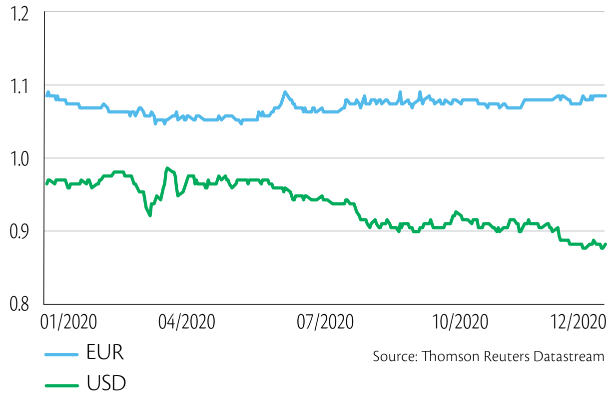
2020 financial data

Breakdown of trading income by market segment



Exchange rates

versus CHF



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.


Dernier Numéro Appelé
Ticket
Caisse / Conseil
Caisse / Conseil
2
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%).

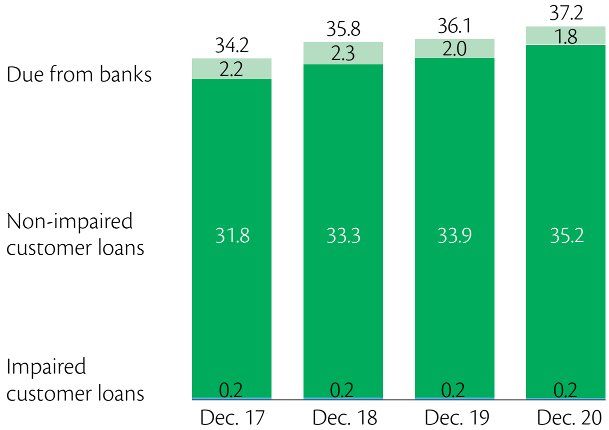
The 2020 breakdown by sector was generally stable compared with 2019, other than a relative reduction in Trade Finance exposure. Retail and private banking clients remained the largest sector in total non-impaired loan-book exposures, at 51% at end-2020.

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

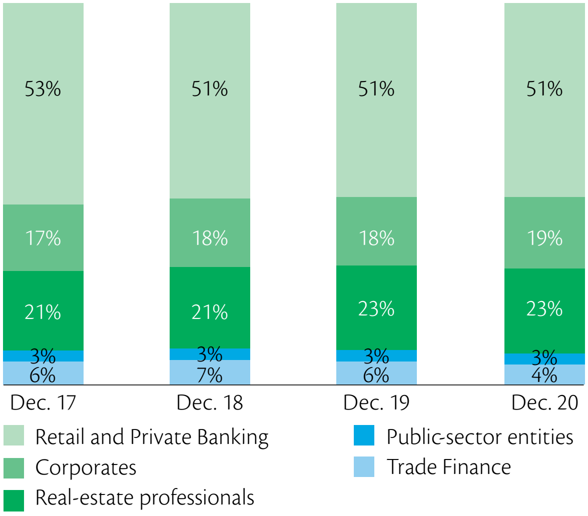
CHF billions, on and off balance sheet, for the parent company[1]



[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]

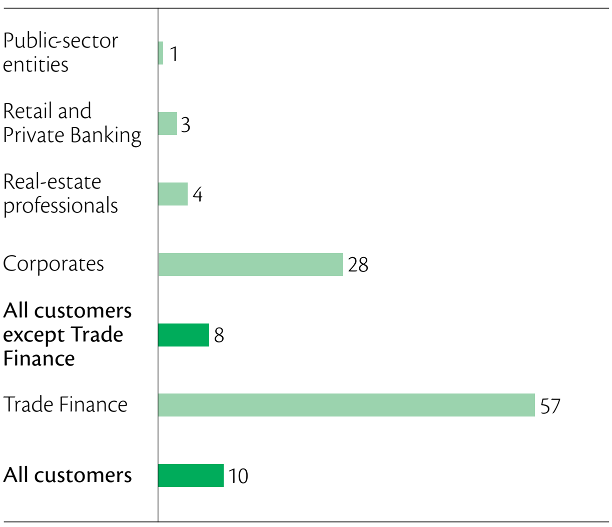
Client domicile	31/12/2019	31/12/2020
Vaud Canton	80%	80%
Rest of Switzerland	15%	16%
European Union + North America	1%	1%
Other	4%	3%

[1] Excluding financial investments

Expected loss rate

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

Customer segments



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

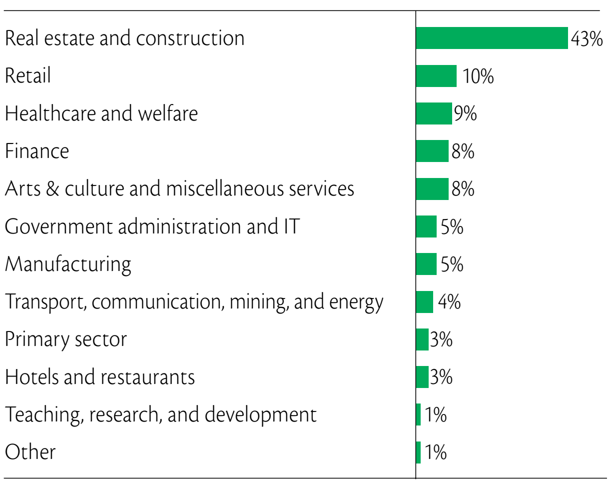
All trading activities are managed by the Trading Department within the Asset Management & Trading Division. The Trading Department carries out market transactions primarily in equities, fixed-income instruments, forex, and precious metals on behalf of clients. It has also acquired expertise in structured 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

Sector



[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:

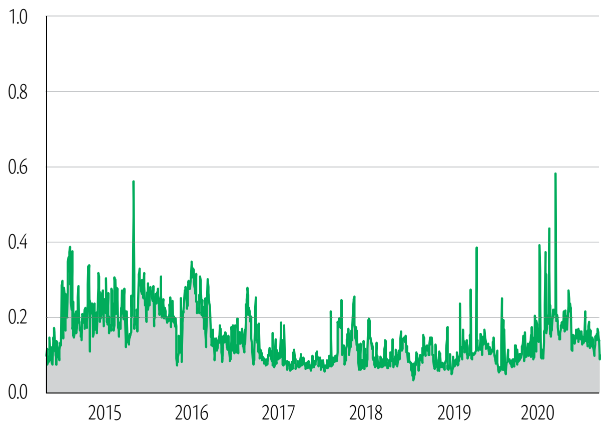
- Historical overnight value-at-risk (VaR) with a one-day time horizon and a confidence level of 99%
- Analysis of potential losses using static stress tests
- Sensitivity metrics such as delta, gamma, vega, theta, and rho.

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