

BCV at a glance 2016



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Key figures

(in CHF millions)	2016	2015	Change as %
Total assets	44 085	43 418	2
Total income	967	1 026	-6
Operating profit	383	399	-4
Net profit	310	336	-8
Assets under management	85 382	87 972	-3

Ratios

Cost/income ratio ¹⁾	59.4%	57.2%
ROE	9.1%	10.1%
Tier 1 capital ratio	16.8%	17.6%
Total capital ratio	16.9%	17.7%

¹⁾ Excluding goodwill amortization and write-downs

2016 highlights

We continued to post solid results despite the ongoing negative-interest-rate environment and lackluster financial markets

- Volumes were up slightly in most core businesses, helped by the resilience of the Vaud economy.
- However, total revenues were pulled down to CHF 967m due to persistently negative interest rates, lackluster financial markets and a realignment of our cross-border wealth management activities on a select group of countries.
- Operating profit came in at a solid CHF 383m thanks to firm cost control, lower depreciation and amortization, and a decrease in other provisions.
- At CHF 310m, net profit was down 8% from the 2015 figure, which had been pushed up by non-recurring items, but net profit was nevertheless higher than in 2013 and 2014.

BCV's credit ratings were reaffirmed, underscoring our financial solidity

- For the fifth year running, Standard & Poor's reaffirmed our long-term rating of AA and a stable outlook.
- Moody's also reaffirmed the Aa2 rating it had assigned to BCV in 2015, with a stable outlook.
- BCV thus remains one of the best rated banks in the world without an explicit government guarantee.

We continued to improve our key processes as part of *stratégie2018*

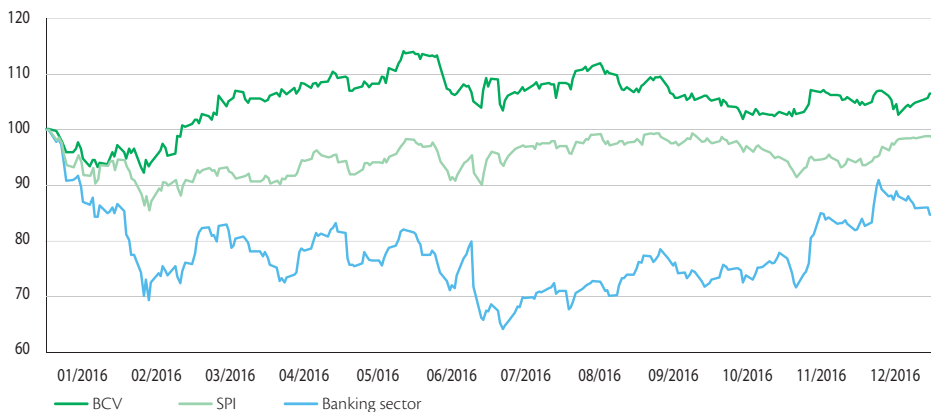
- We carried out several initiatives aimed at improving the customer experience: we cut down on the time it takes to process mortgage applications, introduced a system that lets customers renew their mortgages online, and rolled out a fully online investment solution.
- We took a stake in the new company TWINT S.A., which merges Swiss mobile payment systems Paymit and TWINT.

Our shareholders received CHF 33 per share

- We paid an ordinary dividend of CHF 23 per share, up from CHF 22 in 2015, and distributed CHF 10 per share out of paid-in reserves, thus returning a total CHF 284m to our shareholders.
- This payout, together with the appreciation in our share price, equates to a total return of +6.5% – once again one of the best among banking stocks listed on the SIX Swiss Exchange.

The BCV share

Total shareholder return¹



¹⁾ Stockmarket performance over the period plus dividends and capital distributions

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

	2012	2013	2014	2015	2015
Number of shares outstanding (in thousands)	8 606	8 606	8 606	8 606	8 606
Period-end share price (in CHF)	484.75	486.50	539.00	636.50	645.00
Share price high/low (unadjusted, in CHF) - high	519.00	559.50	541.00	640.00	694.00
- low	441.50	445.00	472.75	510.50	582.00
Dividend per share (in CHF)	22.0	22.0	22.0	23.0	23.0 ¹⁾
Dividend yield ²⁾ (in %)	4.5	4.5	4.1	3.6	3.6
Total payout ³⁾ (in CHF)	32.0	32.0	32.0	33.0	33.0 ¹⁾
Total payout yield ²⁾ (in %)	6.6	6.6	5.9	5.2	5.1

¹⁾ Dividend to be proposed at the Shareholders' Meeting on 27 April 2017

²⁾ Relative to the period-end share price

³⁾ Total amount distributed to shareholders in the form of an ordinary dividend together with a distribution out of paid-in reserves

Share ownership structure

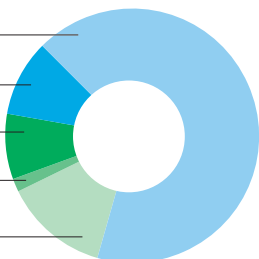
Registered shares owned by the Canton of Vaud 67%

Registered shares owned by private shareholders 9%

Registered shares owned by institutional shareholders 8%

Registered shares owned by BCV employees 1%

Unregistered shares 15%



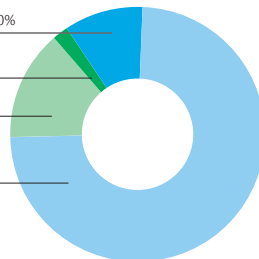
Share ownership by geographical zone

Registered shares owned by non-Vaud Swiss shareholders 10%

Registered shares owned by foreign shareholders 1%

Unregistered shares 15%

Registered shares owned by Vaud shareholders 74%



Consolidated balance sheet

(in CHF millions)	31 / 12 / 16	31 / 12 / 15	Change absolute	Change as %
Cash and cash equivalents	7 496	6 861	635	9
Due from banks	1 373	1 810	- 437	- 24
Reverse repurchase agreements	306	280	26	9
Loans and advances to customers	4 812	4 935	- 123	- 2
Mortgage loans	25 037	24 522	515	2
Trading portfolio assets	153	155	- 2	- 1
Positive mark-to-market values of derivative financial instruments	281	343	- 62	- 18
Other financial assets at fair value	630	581	49	8
Financial investments	3 234	3 140	94	3
Accrued income and prepaid expenses	107	106	1	1
Non-consolidated holdings	70	48	22	46
Tangible fixed assets	517	558	- 41	- 7
Intangible assets	16	23	- 7	- 31
Other assets	54	56	- 2	- 4
Assets	44 085	43 418	667	2
Total subordinated assets	0	0	0	0
<i>of which subject to mandatory conversion and/or conditional write-off</i>	0	0	0	0
Due to banks	1 070	1 224	- 154	- 13
Repurchase agreements	1 791	1 738	53	3
Customer deposits	29 245	28 877	368	1
Negative mark-to-market values of derivative financial instruments	244	331	- 87	- 26
Other financial liabilities at fair value	771	666	105	16
Medium-term notes	21	40	- 19	- 46
Bonds and mortgage-backed bonds	7 267	6 873	394	6
Accrued expenses and deferred income	184	219	- 35	- 16
Other liabilities	56	35	21	61
Provisions	16	18	- 2	- 10
Liabilities	40 666	40 021	645	2
Reserves for general banking risks	701	704	- 3	- 0
Share capital	86	86	0	0
Capital reserve	207	292	- 85	- 29
Retained earnings	2 137	1 999	138	7
Currency translation reserve	- 2	- 2	- 0	1
Treasury shares	- 19	- 18	- 1	6
Minority interests in equity	0	0	0	0
Net profit	310	336	- 27	- 8
<i>of which minority interests</i>	0	0	0	0
Shareholders' equity	3 420	3 397	22	1
Total liabilities and shareholders' equity	44 085	43 418	667	2
Total subordinated liabilities	0	0	0	0
<i>of which subject to mandatory conversion and/or conditional write-off</i>	0	0	0	0

Consolidated income statement

(in CHF millions)	2016	2015	Change absolute	Change as %
Interest and discount income	599.0	628.7	-29.7	-5
Interest and dividend income from financial investments	40.3	47.4	-7.1	-15
Interest expense	-156.7	-186.9	-30.2	-16
Net interest income before loan impairment charges/reversals	482.5	489.2	-6.7	-1
Loan impairment charges/reversals	-4.7	0.9	-5.6	n/a
Net interest income after loan impairment charges/reversals (NII)	477.8	490.1	-12.3	-3
Fees and commissions on securities and investment transactions	241.5	263.3	-21.8	-8
Fees and commissions on lending operations	42.2	42.7	-0.5	-1
Fees and commissions on other services	75.2	80.9	-5.7	-7
Fee and commission expense	-51.0	-54.6	-3.6	-7
Net fee and commission income	307.9	332.3	-24.4	-7
Net trading income and fair-value adjustments	139.2	150.5	-11.3	-7
Gains/losses on disposals of financial investments	6.4	11.4	-5.0	-44
Income from equity investments	5.5	15.3	-9.8	-64
<i>of which other non-consolidated holdings</i>	5.5	15.3	-9.8	-64
Real-estate income	11.0	10.7	0.3	3
Miscellaneous ordinary income	21.6	22.1	-0.5	-2
Miscellaneous ordinary expenses	-2.3	-6.8	-4.5	-66
Other ordinary income	42.1	52.7	-10.6	-20
Total income from ordinary banking operations	967.1	1025.6	-58.5	-6
Personnel costs	-338.0	-337.2	0.8	0
Other operating expenses	-170.7	-177.0	-6.3	-4
Operating expenses	-508.7	-514.2	-5.5	-1
Depreciation and amortization of fixed assets and impairment on equity investments	-72.4	-75.6	-3.2	-4
Other provisions and losses	-2.7	-37.1	-34.4	-93
Operating profit	383.4	398.7	-15.3	-4
Extraordinary income	6.7	28.6	-21.9	-76
Extraordinary expenses	0.0	0.0	0.0	n/a
Change in reserves for general banking risks	3.0	0.0	3.0	n/a
Taxes	-83.5	-91.0	-7.5	-8
Net profit	309.6	336.3	-26.7	-8
Minority interests	0.0	0.0	0.0	0
Net profit attributable to BCV shareholders	309.6	336.3	-26.7	-8

Overview of BCV

Our legal status

Banque Cantonale Vaudoise (BCV) 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'Épargne Cantonale Vaudoise, a savings institution managed by the Bank.

Our core businesses

With revenues of CHF 967m in 2016 and total assets of CHF 44.1bn, we rank among Switzerland's top six banks by assets. BCV is the country's second-largest cantonal bank and the largest bank in Vaud, with a network of more than 60 staffed branches and more than 230 ATMs throughout the Canton. The Bank's organization 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 1,943 full-time-equivalent employees at 31 December 2016. At that date, in addition to the parent company, BCV Group comprised a private bank, Piguet, Galland & Cie SA, and two fund management firms, Gërifonds SA and GEP SA (Société pour la gestion de placements collectifs).

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 law 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 strategy

The *BCVPlus* strategy begun in 2008 was based on the business model of a universal bank with solid local roots. The success of this strategy led the Board of Directors and Executive Board in 2014 to maintain this model as the best way to ensure profitable growth going forward.

The new strategic phase – *stratégie2018* – follows on from our previous strategy and aims primarily to continue developing all of the Bank's business lines and improving internal processes. A moderate risk profile and active approach to equity capital management remain central to this strategy.

For the business lines, we are targeting:

- At-or-above market-rate growth in the retail banking and SME segments;
- Above-market growth in onshore private banking;
- Pursuit of niche growth drivers in asset management, structured products and trade finance;
- Continued development of our other business lines.

With *stratégie2018*, we will also work to improve our internal processes and sharpen our focus on the customer experience. This will involve:

- Improving customer-service quality through a series of targeted initiatives;
- Expanding multi-channel access to our products and services;
- Embarking on various projects to enhance our internal operations;
- Pressing ahead with our human resources strategy to continue developing our employees' skills sets.

BCV aims to achieve sustainable growth, with revenues and operating profit trending along the same lines as in recent years. We have set long-term targets of 12-13% for ROE, 57%-59% for the cost/income ratio, and 13% for Core Equity Tier 1 (CET1). These targets will be reached over a period of several years.

The Bank intends to pay an ordinary dividend of CHF 22-27 per share, as well as a special dividend of CHF 10 per share out of paid-in reserves. In early 2013, we announced that we planned to maintain this distribution level for the next five years, barring significant changes in the economic and regulatory environment or in the Bank's situation.

Key figures – 5-year overview

Balance sheet ¹ (in CHF millions)	2012	2013	2014	2015	2016
Total assets	39 483	40 177	41 819	43 418	44 085
Advances to customers	27 829	28 729	29 720	29 457	29 849
Customer deposits	26 544	27 557	28 532	28 877	29 245
Shareholders' equity	3 315	3 322	3 341	3 397	3 420

Assets under management ² (in CHF millions)	2012	2013	2014	2015	2016
Assets under management	79 129	83 850	86 382	87 972	85 382
<i>cash and cash equivalents</i>	23 369	24 469	24 547	24 900	26 009
<i>shares</i>	18 634	20 831	22 223	22 891	21 588
<i>investment funds</i>	17 156	18 120	20 064	21 164	19 812
<i>bonds</i>	15 713	15 207	14 182	13 156	11 029
<i>other</i>	4 257	5 223	5 366	5 861	6 945

Headcount	2012	2013	2014	2015	2016
Full-time equivalents	1 931	1 987	1 946	1 947	1 943

Income statement ¹ (in CHF millions)	2012	2013	2014	2015	2016
Total income	1 015	999	1 010	1 026	967
Operating expenses	525	520	518	514	509
Depreciation and amortization of fixed assets and impairment on equity investments	86	86	80	76	72
Other provisions and losses	3	41	34	37	3
Operating profit	401	353	379	399	383
Net profit	311	280	296	336	310

Ratios ³	2012	2013	2014	2015	2016
Liquidity Coverage Ratio (LCR)	n/a	n/a	105%	111%	113%
Leverage Ratio	n/a	n/a	6.8%	6.7%	6.6%
Tier 1 capital ratio ⁴	18.4%	17.8%	17.1%	17.6%	16.8%
Total capital ratio ⁴	18.4%	17.9%	17.2%	17.7%	16.9%

Income ratios	2012	2013	2014	2015	2016
Operating profit/average shareholders' equity	12.3%	10.8%	11.5%	12.0%	11.4%
Cost/income ratio ⁵	60.0%	60.6%	59.6%	57.2%	59.4%
Operating profit per employee (in CHF thousands)	203.2	180.5	192.2	205.5	197.1
ROE	9.5%	8.5%	9.0%	10.1%	9.1%

Credit ratings	2012	2013	2014	2015	2016
Standard & Poor's					
Long term	AA / negative	AA / stable	AA / stable	AA / stable	AA / stable
Short term	A-1+	A-1+	A-1+	A-1+	A-1+
Moody's					
Long term	A1 / stable	A1 / stable	A1 / stable	Aa2 / stable	Aa2 / stable
Short term	Prime-1	Prime-1	Prime-1	Prime-1	Prime-1

¹⁾ As of the 2015 financial year, the financial statements are presented in accordance with the new Swiss accounting rules for banks; the figures for the previous years have been adjusted to facilitate like-for-like comparison

²⁾ 2012 figures for assets under management were adjusted to exclude custody-only assets

³⁾ 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.

⁴⁾ Determined according to the Basel III approach since 1 January 2013

⁵⁾ Excluding goodwill amortization and write-downs



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