

BCV at a glance 2017



BCV at a glance

Key figures

(in CHF millions)	2017	2016	Change as %
Total assets	45 415	44 085	+3
Total income	967	967	0
Operating profit	387	383	+1
Net profit	320	310	+3
Assets under management	86 490	85 382	+1

Ratios

Cost/income ratio ¹	58.3%	59.4%
ROE	9.4%	9.1%
Tier 1 capital ratio ²	17.1%	17.5%
Total capital ratio ²	17.3%	17.6%

¹⁾ Excluding goodwill amortization and write-downs

²⁾ In accordance with FINMA Circular 2016/1, "Disclosure - banks"

2017 highlights

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

- Volumes continued to expand, and gross revenues edged up 1.5%.
- Operating profit increased 1% to CHF 387m, driven by firm cost control, lower depreciation and amortization, and a decrease in other provisions.
- Net profit came in at CHF 320m (+3%), consistent with previous years.

New members were appointed to the Executive Board and Board of Directors

- The Vaud Cantonal Government appointed Jacques de Watteville to succeed Olivier Steimer as the Chairman of BCV's Board of Directors starting on 1 January 2018.
- Two new members joined BCV's Executive Board: Christian Meixenberger as head of the Business Support Division and Andreas Diemant as head of the Corporate Banking Division.

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

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

We added more new services and features to our digital banking line-up

- Customers can now open an account or take out a mortgage loan entirely online.
- We rolled out our BCV TWINT app – a digital wallet for making in-store and online purchases in Switzerland and transferring money to friends.

We paid out CHF 284m to our shareholders

- BCV paid an ordinary dividend of CHF 23 per share 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 19.1% in 2017.

We extended our distribution policy for another five years beginning with the 2018 reporting period

- In light of the planned reduction in Vaud Canton's corporate tax rates, the Bank intends to pay an ordinary dividend of CHF 34–38, barring significant changes in the economic or regulatory environment or in the Bank's situation.

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

	2013	2014	2015	2016	2017
Number of shares outstanding (in thousands)	8 606	8 606	8 606	8 606	8 606
Period-end share price (in CHF)	486.50	539.00	636.50	645.00	735.00
Share price high/low (unadjusted, in CHF) - high	559.50	541.00	640.00	694.00	764.50
- low	445.00	472.75	510.50	582.00	644.00
Dividend per share (in CHF)	22.0	22.0	23.0	23.0	23.0 ¹⁾
Dividend yield ² (as %)	4.5	4.1	3.6	3.6	3.1
Total payout ³ (in CHF)	32.0	32.0	33.0	33.0	33.0 ¹⁾
Total payout yield ² (as %)	6.6	5.9	5.2	5.1	4.5

¹⁾ Dividend to be proposed at the Shareholders' Meeting on 26 April 2018

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

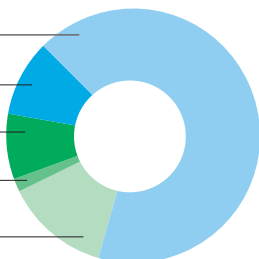
Registered shares owned by the Canton of Vaud 67%

Registered shares owned by private shareholders 9%

Registered shares owned by institutional shareholders 8%

Registered shares owned by BCV employees 1%

Unregistered shares 15%



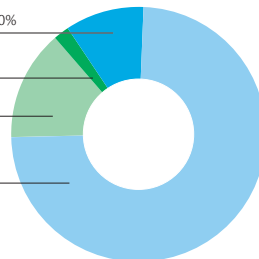
Share ownership by geographical zone

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 / 17	31 / 12 / 16	Change absolute	Change as %
Cash and cash equivalents	8 044	7 496	549	7
Due from banks	1 013	1 373	- 360	- 26
Reverse repurchase agreements	499	306	194	63
Loans and advances to customers	4 826	4 812	14	0
Mortgage loans	25 407	25 037	370	1
Trading portfolio assets	186	153	33	21
Positive mark-to-market values of derivative financial instruments	282	281	1	0
Other financial assets at fair value	653	630	23	4
Financial investments	3 753	3 234	519	16
Accrued income and prepaid expenses	91	107	- 15	- 14
Non-consolidated holdings	70	70	0	0
Tangible fixed assets	519	517	2	0
Intangible assets	12	16	- 3	- 22
Other assets	57	54	3	6
Assets	45 415	44 085	1 329	3
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	1 398	1 070	328	31
Repurchase agreements	1 350	1 791	- 442	- 25
Customer deposits	30 512	29 245	1 267	4
Negative mark-to-market values of derivative financial instruments	205	244	- 40	- 16
Other financial liabilities at fair value	812	771	41	5
Medium-term notes	15	21	- 7	- 31
Bonds and mortgage-backed bonds	7 392	7 267	125	2
Accrued expenses and deferred income	172	184	- 11	- 6
Other liabilities	87	56	30	54
Provisions	15	16	- 1	- 7
Liabilities	41 958	40 666	1 292	3
Reserves for general banking risks	701	701	0	0
Share capital	86	86	0	0
Capital reserve	121	207	- 86	- 41
Retained earnings	2 249	2 137	112	5
Currency translation reserve	- 1	- 2	0	- 10
Own shares	- 19	- 19	0	- 2
Minority interests in equity	0	0	- 0	- 6
Net profit	320	310	11	3
<i>of which minority interests</i>	0	0	- 0	0
Shareholders' equity	3 457	3 420	37	1
Total liabilities and shareholders' equity	45 415	44 085	1 329	3
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)	2017	2016	Change absolute	Change as %
Interest and discount income	576.4	599.0	-22.6	-4
Interest and dividend income from financial investments	34.7	40.3	-5.6	-14
Interest expense	-113.3	-156.7	-43.4	-28
Net interest income before loan impairment charges/reversals	497.8	482.5	15.2	3
Loan impairment charges/reversals	-20.2	-4.7	15.4	327
Net interest income after loan impairment charges/reversals (NII)	477.6	477.8	-0.2	-0
Fees and commissions on securities and investment transactions	250.3	241.5	8.8	4
Fees and commissions on lending operations	44.6	42.2	2.4	6
Fees and commissions on other services	71.8	75.2	-3.5	-5
Fee and commission expense	-50.3	-51.0	-0.7	-1
Net fee and commission income	316.4	307.9	8.5	3
Net trading income and fair-value adjustments	133.9	139.2	-5.4	-4
Gains/losses on disposals of financial investments	2.5	6.4	-3.9	-61
Income from equity investments	6.2	5.5	0.7	13
<i>of which other non-consolidated holdings</i>	6.2	5.5	0.7	13
Real-estate income	10.9	11.0	-0.1	-1
Miscellaneous ordinary income	20.0	21.6	-1.5	-7
Miscellaneous ordinary expenses	-0.9	-2.3	-1.4	-61
Other ordinary income	38.7	42.1	-3.4	-8
Total income from ordinary banking operations	966.6	967.1	-0.5	-0
Personnel costs	-337.0	-338.0	-0.9	-0
Other operating expenses	-171.4	-170.7	0.7	0
Operating expenses	-508.4	-508.7	-0.3	-0
Depreciation and amortization of fixed assets and impairment on equity investments	-70.4	-72.4	-2.0	-3
Other provisions and losses	-1.2	-2.7	-1.4	-54
Operating profit	386.5	383.4	3.2	1
Extraordinary income	16.8	6.7	10.1	150
Extraordinary expenses	-0.0	0.0	0.0	n/a
Change in reserves for general banking risks	0.0	3.0	-3.0	n/a
Taxes	-83.1	-83.5	-0.4	-0
Net profit	320.3	309.6	10.6	3
Minority interests	-0.0	-0.0	-0.0	0
Net profit attributable to BCV shareholders	320.2	309.6	10.6	3

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 2017 and total assets of CHF 45.4bn, 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 1,922 full-time-equivalent employees at 31 December 2017. At that date, in addition to the parent company, BCV Group comprised a private bank, Piguet, Galland & Cie SA, and two fund management firms, Gêrifonds 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 are also working to improve our internal processes and sharpen our focus on the customer experience. This involves:

- 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 Common Equity Tier 1 (CET1). These targets will be reached over a period of several years.

In line with the approach adopted over the last decade, BCV has extended its distribution policy for another five years beginning with the 2018 reporting period. In light of the planned reduction in Vaud Canton's corporate tax rates, the Bank intends to pay an ordinary dividend of CHF 34–38, barring significant changes in the economic or regulatory environment or in the Bank's situation.

Key figures – 5-year overview

Balance sheet ¹ (in CHF millions)	2013	2014	2015	2016	2017
Total assets	40 177	41 819	43 418	44 085	45 415
Advances to customers	28 729	29 720	29 457	29 849	30 233
Customer deposits	27 557	28 532	28 877	29 245	30 512
Shareholders' equity	3 322	3 341	3 397	3 420	3 457

Assets under management (in CHF millions)

Assets under management	83 850	86 382	87 972	85 382	86 490
<i>cash and cash equivalents</i>	24 469	24 547	24 900	26 009	26 977
<i>investment funds</i>	18 120	20 064	21 164	19 812	21 807
<i>shares</i>	20 831	22 223	22 891	21 588	19 871
<i>bonds</i>	15 207	14 182	13 156	11 029	9 764
<i>other</i>	5 223	5 366	5 861	6 945	8 071

Headcount

Full-time equivalents	1 987	1 946	1 947	1 943	1 922
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Income statement¹ (in CHF millions)

Total income	999	1 010	1 026	967	967
Operating expenses	520	518	514	509	508
Depreciation and amortization of fixed assets and impairment on equity investments	86	80	76	72	70
Other provisions and losses	41	34	37	3	1
Operating profit	353	379	399	383	387
Net profit	280	296	336	310	320

Liquidity and capital ratios²

Liquidity Coverage Ratio (LCR)	n/a	105%	111%	113%	121%
Leverage Ratio	n/a	6.8%	6.7%	6.6%	6.5%
Tier 1 capital ratio ³	18.1%	17.7%	18.3%	17.5%	17.1%
Total capital ratio ³	18.2%	17.9%	18.4%	17.6%	17.3%

Income ratios

Operating profit/average shareholders' equity	10.8%	11.5%	12.0%	11.4%	11.4%
Cost/income ratio ⁴	60.6%	59.6%	57.2%	59.4%	58.3%
Operating profit per employee (in CHF thousands)	180.5	192.2	205.5	197.1	201.6
ROE	8.5%	9.0%	10.1%	9.1%	9.4%

Credit ratings

Standard & Poor's

Long term	AA / stable	AA / stable	AA / stable	AA / stable	AA / stable
Short term	A-1+	A-1+	A-1+	A-1+	A-1+

Moody's

Long term	A1 / stable	A1 / stable	Aa2 / 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⁾ 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.

³⁾ In accordance with FINMA Circular 2016/1, "Disclosure - banks"

⁴⁾ Excluding goodwill amortization and write-downs



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