2011 Annual Report

BCV

BCV at a glance

Key figures (in CHF millions)

	2011	2010	Change as %
Total assets	37 903	35 585	7
Total income	1 017	996	2
Operating profit	486	480	1
Net profit	301	314	– 4
Assets under management	77 097	75 849	2
Ratios			
Cost / income ratio[1]	60%	59%	
ROE	9.3%	9.8%	
BIS capital adequacy ratios			
Tier 1 capital ratio	16.8%	17.6%	
Total capital ratio	16.8%	17.6%	

1) Excluding goodwill amortization and write-downs.

2011 highlights

BCV turned in strong 2011 financial results:

- Business volumes continued to rise on the back of a dynamic local economy.
- Revenues increased 2%, surpassing the CHF 1bn mark.
- Net profit came in at CHF 301m.

BCV was upgraded by both S&P and Moody's:

- Standard & Poor's raised our long-term credit rating by one notch, making BCV one of only a handful of banks not backed by a formal government guarantee to be rated AA (stable).
- Moody's raised our Bank Financial Strength Rating to the long-term equivalent of A3 from Baa1.

BCVPlus continued apace, with a number of concrete achievements, including:

- We successfully integrated Piguet Galland & Cie SA within the set timeframe.
- Our representative office in Zurich dedicated to institutional asset management became fully operational.
- We made numerous customer service improvements, such as the launch of our BCV Mobile app for smartphones and tablets, and our new youth savings account, which offers a preferential interest rate and is aimed at helping our younger customers get used to managing their savings.

We continued to deliver attractive returns to our shareholders:

- We paid out CHF 22 per share in the form of an ordinary dividend and a further CHF 10 per share out of paid-in reserves, thus returning a total of more than CHF 275m to our shareholders.

Key figures – 5-year overview

in CHF millions	2007	2008	2009	2010	2011
Balance sheet at 31 December					
Total assets	35 337	35 239	35 733	35 585	37 903
Advances to customers	22 479	22 834	24 312	25 501	27 965
Customer deposits and bonds	27 490	28 134	29 517	29 323	31 300
Shareholders' equity	3 225	3 178	3 222	3 271	3 301
Assets under management	84 349	66 766	76 209	75 849	77 097
Income statement					
Total income	1 088	928	976	996	1 017
Operating expenses	559	505	506	516	531
Operating profit	529	423	470	480	486
Depreciation and write-offs	85	77	79	78	84
Value adjustments, provisions and losses	10	16	18	5	20
Net profit	477	358	301	314	301
Headcount					
Full-time equivalents	2 045	1 914	1 939	1 986	2 042
Ratios					
Shareholders' equity / total assets	9.1%	9.0%	9.0%	9.2%	8.7%
FINMA capital adequacy ratio	179%	180%	176%	175%	165%
BIS Tier 1 capital ratio	16.3%	16.4%	17.8%	17.6%	16.8%
BIS Total capital ratio	16.3%	16.2%	17.8%	17.6%	16.8%
Operating profit / average shareholders' equity	15.5%	13.1%	14.7%	14.9%	14.9%
Cost / income ratio[1]	59.0%	62.6%	59.8%	59.5%	60.1%
Operating profit per employee (in CHF thousands)	244.7	217.1	244.4	245.0	237.3
ROE	14.3%	11.2%	9.5%	9.8%	9.3%
Credit ratings					
Standard & Poor's					
Long term	A+ / stable	AA– / stable	AA– / stable	AA– / positive	AA / stable
Short term	A-1	A-1+	A-1+	A-1+	A-1+
Moody's					
Long term	A1 / stable	A1 / stable	A1 / stable	A1 / stable	A1 / stable
Short term	Prime-1	Prime-1	Prime-1	Prime-1	Prime-1

1) Excluding goodwill amortization and write-downs.

A community bank

We believe that our relationship with our home region is about more than just banking. As the Canton's community bank, we have a deep connection to all aspects of life in Vaud. That's why BCV supports over 800 local cultural, sporting and social events and initiatives. Whether it's a rustic concert setting or a modern sports stadium, the tiniest village street or the grandest historic sites of Vaud, we know it's not just in our branches that relationships are forged.

This year's annual report features photos of several events that took place across the Canton last year. These photos reflect our appreciation for the people involved in these events and the way they bring the people of Vaud together.

Contents

Letter from the Chairman and the CEO

Strong results and solid progress on strategy

2011 was a good year for BCV. We delivered strong results and continued to develop our business across all segments. Thanks to our strategic positioning as a universal bank with solid local roots, last year's financial-market turbulence had only a limited impact on our business. In addition, the Swiss economy and that of Vaud Canton proved relatively resilient to the global economic downturn and the rise in the Swiss franc.

Customer savings deposits rose by 7% to CHF 11.6bn, and mortgage lending grew by 9% to CHF 22.1bn. These results attest to our favorable market position, our healthy finances, and our solid customer franchise.

However, we have not been left totally unscathed by recent market trends. The growth in our business volumes was not fully reflected in our earnings: the continuing low-interest-rate environment, declines in the market values of assets under management and the cautious investment approach adopted by clients all weighed on revenues. However, these factors were offset by the consolidation of Banque Franck Galland & Cie SA, which pushed total revenues above the CHF 1bn mark, with a 2% increase to CHF 1.017bn.

Costs remained under control. The slight increase in total operating expenses was mainly due to the consolidation of Banque Franck Galland & Cie SA. Operating profit

Olivier Steimer
Chairman of the Board of Directors

Pascal Kiener
CEO

increased by 1% to CHF 486m, while net profit fell by 4% to CHF 301m. This stable performance in a mixed and contrasting environment confirms the strength of our business model.

S&P upgrade to AA

Our solid foundations won recognition in 2011 from both Standard & Poor's and Moody's. In early December, Standard & Poor's upgraded BCV's long-term credit rating by one notch, making BCV one of only a handful of banks not backed by a formal government guarantee to be rated AA (stable). In addition, Moody's raised BCV's Bank Financial Strength Rating to the long-term equivalent of A3 from Baa1 in October.

Other achievements in 2011 included the merger of Banque Franck Galland & Cie SA and Banque Piguet & Cie SA to form Piguet Galland & Cie SA. The integration moved ahead as scheduled, and the two banks' workforces have now been combined. Clients were comfortable with the changeover to the new bank, which is a major wealth manager in French-speaking Switzerland.

BCVPlus continues apace

We continued to deploy our BCVPlus strategy, completing a number of new projects. Our Zurich representative office, which is dedicated to institutional asset management in German-speaking Switzerland, became fully operational. In customer relations, we stepped up training of client advisors and extended the use of customer satisfaction surveys. The 5,000 individual and business customers who took part in our 2011 surveys were very satisfied with our services, and their comments pointed us to areas where we can still improve. We also fine-tuned our employee performance management system last year. These are just some of the many new projects that are moving BCV forward every day as part of BCVPlus. But one other new project merits mention. The successful launch of our new Young Savers Account shows that we are striking the right note among the young people of Vaud.

Finally, in recent years we have been making progress on a number of initiatives that are designed to proactively respond to changes in the banking industry, particularly regulatory changes.

Distribution policy maintained

For the third consecutive year, we maintained the distribution policy announced in 2008. In 2011, we paid an ordinary dividend of CHF 22 per share and a special distribution of CHF 10 per share out of paid-in reserves. The total payout to shareholders for the 2010 financial year was CHF 275m, including CHF 185m to the Canton of Vaud, our majority shareholder. This figure, combined with CHF 66m in cantonal and local taxes, adds up to a total of CHF 251m paid to the Canton last year. Despite returning large amounts of money to shareholders in the last few years, BCV has maintained a high level of equity capital, with over CHF 3bn at end-2011. This means that BCV already meets all new capital requirements.

Although the difficult stockmarket environment meant that BCV's total shareholder return for 2011 was –0.6%, the share nevertheless outperformed the SIX Swiss Exchange's SMI and SP Banks indexes.

Despite the lack of economic visibility going forward, the Board of Directors is confident in BCV's solid foundations, sound strategic position and long-term earnings capacity. In line with our distribution and capital-management strategy, we intend to propose an ordinary dividend of CHF 22 per share and a special distribution of CHF 10 per share out of paid-in reserves at the Annual Shareholders' Meeting on 3 May 2012. If approved, the total payout to shareholders in 2012 will again amount to CHF 275m.

On behalf of the Board of Directors and the Executive Board, we would like to thank all of BCV's stakeholders. We would particularly like to thank our shareholders and customers for their trust and loyalty, and our employees for their hard work and achievements in 2011. You are all making a vital contribution to BCV's ongoing sustainable growth.

Olivier Steimer   Pascal Kiener

Graines de Foot soccer tournament

On 28 May 2011, around 7,500 seven- to twelve-year-olds took part in the Graines de foot tournament organized by the Vaud Football Association. Over 600 teams came together at 22 locations across the Canton, united in their passion for the game. A winning combination of competition and fun has ensured this event's continued success since 2001.

Who we are
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'Epargne Cantonale Vaudoise, a savings institution managed by the Bank.

Our core businesses

With revenues exceeding CHF 1.0bn in 2011 and total assets of CHF 37.9bn, we rank among Switzerland's top five banks by assets. BCV is the country's second-largest cantonal bank and the largest bank in Vaud, with a network of 67 staffed branches and more than 210 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 2,042 full-time-equivalent employees at 31 December 2011. At that date, in addition to the parent company, BCV Group comprised a 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 2011 is described on page 121.

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 recent history

Since the Bank was founded in 1845, it has considerably expanded its business in the Canton, mainly through organic growth. 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. The result was a rise in total assets from approximately CHF 15bn at the beginning of the 1990s to over CHF 38bn in 2000.

In 2001 and 2002, substantial credit-risk provisions had to be created following an in-depth assessment of loan-book quality. This resulted in significant bottom-line losses in each of those two years, as well as a substantial decline in equity capital. Two recapitalizations, in 2002 and early 2003, were necessary to strengthen the Group's capital base. The Canton provided most of the funds raised on both occasions.

At the end of 2002, Management defined a two-phase strategy for BCV consisting of a strategic realignment on core businesses followed by a growth phase. Beginning in 2003, 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 our strategy, the CroisSens growth project. This project aimed to lay the foundations for sustainable growth and to increase business volumes by taking advantage of our unrivaled presence in our local market, the Canton of Vaud. This project included the reorganization of our local distribution structure into nine regions in order to strengthen ties with customers. All of this has helped us enhance our brand image in our home region and gain traction in our businesses.

In 2007 the Bank repurchased the final tranche of 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 to 50.12%. On 25 November 2008, however, the Cantonal Government announced that no shares would be sold before 2010. On 16 July 2010, it announced that it would not consider selling any shares before 2013.

On 8 February 2011, BCV Group acquired Banque Franck Galland & Cie SA. This bank was merged on 7 April 2011 with Banque Piguet & Cie SA, a BCV subsidiary since 1991. This merger created Piguet Galland & Cie SA, which is a major wealth manager in French-speaking Switzerland.

Our strategy

At the end of 2008, we modified our strategy in order to focus our efforts on our front lines and generate organic growth in core markets. Management decided that the best way to ensure profitable growth going forward is the business model of a universal bank with solid local roots. Through our strategy, BCVPlus, we intend to strengthen our position as a full-service bank in the Vaud region and be recognized as a leading financial institution in Switzerland, particularly for private banking and institutional asset management.

With BCVPlus, we are targeting:

- renewed impetus in retail banking, particularly mortgage lending, by improving front-line execution and overall sales-support efficiency while tapping into the potential inherent in our large client base;
- growth in private wealth management, primarily in Vaud, and institutional asset management both within Vaud Canton and elsewhere in Switzerland;
- a greater role for SME-related activities;
- enhanced volumes and profitability in the trade finance and large corporates business lines, in accordance with the Bank's risk profile;
- very limited risk-taking in trading activities, which are centered on customer-driven business volumes.

Management is convinced that quality of execution is a key factor in setting ourselves apart from the competition and driving our success. With this in mind, we launched a series of internal initiatives in 2009 to simplify processes, develop our employees' skill sets, improve customer service and revitalize our sales and marketing approach. We have already implemented a number of these projects, including a new performance management framework and an increase in customer-facing time for advisors. These initiatives are part of a multi-year program.

The Group aims to achieve sustainable growth, with revenues expanding by 4-5% and operating profit by 5-8% per year on average. The long-term targets are 13-14% for ROE, 57-59% for the cost/income ratio and 13% for the BIS Tier 1 capital ratio. These strategic objectives should be viewed from a multi-year perspective.

In the coming years, the Bank intends to pay a stable ordinary dividend, which may rise gradually within a range of CHF 20 to CHF 25 per share, depending on business growth. Furthermore, it will optimize equity by making an additional annual distribution of CHF 10 per share. As announced at the end of 2008, the Bank plans to maintain these distribution levels for five to six years counting from 2008, barring any significant changes in the economic or regulatory environment.

Our business strategy is guided by our ultimate goal of creating value for shareholders, clients and employees.

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's deep connection with the local community 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 field 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. In 2010, for example, all employees completed a full day of training on how to concretely apply these values in their everyday work.

Our values are also an integral part of employee performance reviews.

Who we are

Corporate Responsibility: BCV's Missions

In accordance with the Cantonal Act Governing the Organization of Banque Cantonale Vaudoise (LBCV) and our role 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, and helping to 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

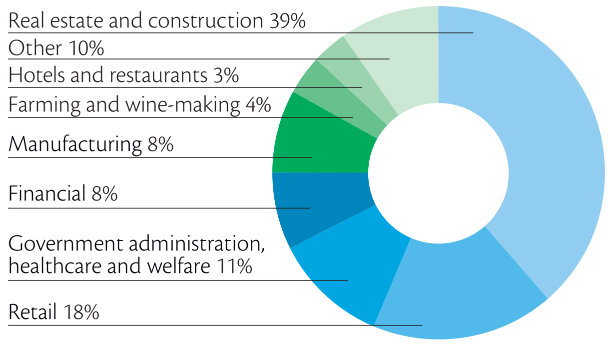
At BCV, we are proud to be the leading bank in Vaud. The surveys and studies we regularly conduct attest to our solid local market position. Half of all individuals and businesses in the Canton bank with us.

We are also committed to improving service quality. Here, our success is borne out by our brand image, which has gone from strength to strength in recent years, as illustrated by our customer satisfaction surveys, which show that more and more people would recommend using BCV as their main bank.

Despite increasingly fierce competition, BCV is perceived as solid, reliable and competent. Indeed, since the 2008-2009 financial crisis we have experienced an influx of new clients and expanded our business with existing clients.

Our strong market presence 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

Business loans by sector



Source: BCV

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 helping meet demand for mortgage lending in the Canton.

As part of our BCVPlus strategy, we have launched several concrete initiatives to align ourselves more closely with the needs of individual and corporate clients in Vaud. This includes ongoing improvements to our products and services.

Close ties with our customers

Our local presence is of key strategic importance. We are the most widely accessible bank in Vaud Canton thanks to our dense retail network, which includes nine decision-making centers across the Canton, 67 branch offices and more than 210 ATMs located in our branches and in our 53 automated banking centers (see our retail map and list of branch addresses on pages 164-167). We are also the bank with the largest number of employees in the Canton.

We believe that a network of around 70 branches is the right size to effectively meet the needs of the dynamic and diversified community and economy that we serve. And we continue to enhance our branch network in various ways each year. Between 2006 and 2010, all our branch offices were partially or totally renovated. In 2011, we opened a new branch office in Ecublens, relocated our Mézières office and began renovation work at our Aubonne branch. We also installed new ATMs in Lausanne, in Villeneuve's outlet mall and in the Bains de Lavey spa. We will continue to develop our retail network as necessary.

In addition, a renovation project is now underway at our head office at Place Saint-François in Lausanne. This project, which will make the building's interior more comfortable and welcoming for customers, was begun in October 2011 and is scheduled for completion in 2013.

Being close to our customers also means being increasingly accessible and in step with changing lifestyles. Many of our branches are open non-stop throughout the day, and some stay open later in the evening so that our customers can obtain financial advice at their convenience.

Individuals and businesses can also contact us by telephone. Our Customer Service Center is available non-stop every weekday from 7:30am to 7:30pm. In 2011, it handled more than 280,000 incoming calls. However, a growing number of customers prefer to contact us by email, and the Center dealt with more than 97,000 emails last year. Our business banking hotline is available every day between 8am and 6pm. In 2011, it handled 91,000 calls from SMEs and self-employed individuals.

We also provide 24/7 access to our services through our BCV-net e-banking platform and our network of ATMs. BCV-net is becoming increasingly popular with our customers. More than a third of customers do their banking online, and four out of every five payments are made online. We also have action plans in place to provide clients with alternative solutions for their banking transactions if the need arises. These plans proved to be effective when BCV-net was temporarily disabled in February 2011.

Last year we also launched a BCV-net mobile app for iPhones, iPads and Android-operated devices. In just six weeks, the app was downloaded 20,000 times. Customers can currently view their account balance and make account-to-account transfers using the app. Services including transfers to other BCV clients, and bill payments should be available in the near future.

In 2011 we continued to develop our free real-estate ad website, www.immobiliervaudois.ch, which is linked to www.newhome.ch, the nationwide portal operated by 15 of Switzerland's cantonal banks. The number of visits to the site was up 7% to 320,000 last year, and ad placement on the site rose by some 10% to a monthly average of 2,700. Our website, www.bcv.ch, also became increasingly popular, reaching ten million visits in 2011.

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

80% of our lending is local

Our loan book covers all areas of the Canton, with the people and business of Vaud accounting for 80% of total lending volumes. Commodity trade finance, a key sector in the Lake Geneva region, represents 8% of our loan book.

At end-2011, 49% of our outstanding loans were to individuals, and 51% to companies across all sectors of the economy as well as public-sector entities. The dedication and enthusiasm of our staff enabled us to maintain our market share despite increasingly stiff competition in Vaud and Switzerland generally.

Working with clients in difficulty

We aim to continue our relationship for as long as possible with individuals and businesses 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 also pressed ahead with our efforts to keep impaired loans to a strict minimum of less than 2% of our total loan portfolio. 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

We constantly strive to satisfy the changing needs of our customers – individuals, businesses, pension funds and public-sector entities. Our ever-evolving range of products and services covers the full range of banking requirements.

In Retail Banking, our commitment to responsiveness can be seen in the new Young Savers Account, which met with success following its launch in 2011. This account offers a highly attractive interest rate of 2% and comes as part of a package that offers all the accounts and services that young people need for their everyday banking. We also provide guidance through our advisory leaflets. The aim is to help our younger customers get used to managing their budget and savings.

In Wealth Management, we improved our financial planning services and our advisory management offering. We also rolled out a new range of private management mandates.

In Corporate Banking, we created a guide to setting up a business in collaboration with the Vaud Chamber of Commerce and Industry. To coincide with the publication of this brochure, we conducted a series of seminars and took part in the Carrefour des créateurs conference for new business owners. This project is part of an initiative we launched several years ago to support new businesses in the Canton. As part of this initiative, we launched the Credit Direct PME small-business loan in late 2007 and an everyday banking package for our small-business customers the following year.

In Asset Management, we expanded our range of new portfolio management models for equities. These models use systematic investment processes and are applied to either management mandates or investment funds. We

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

	Broye	Lavaux	Nord vaudois	Nyon	Morges	Riviera	Chablais	Gros-de-Vaud	Lausanne
Mortgages	4%	11%	14%	17%	11%	11%	8%	7%	16%
Other loans	5%	8%	16%	18%	12%	8%	7%	12%	14%
Workforce distribution (secondary and tertiary sectors)	3%	5%	11%	10%	9%	9%	5%	6%	42%

Sources: BCV; Statistique Vaud
Mortgages: real-estate lending including fixed-term loans secured by mortgage
Workforce distribution: 2008 nationwide census data

also launched a new equity fund that invests in companies in emerging economies. Our range of forex structured products for individuals and businesses who wish to enhance the return on cash holdings in their portfolios also had a successful year.

3. Acting on the principles of sustainable development

Sustainable development is one of the core principles framing our activities. Article 4 of the LBCV stipulates that BCV must pay particular attention to the three pillars of sustainable development: economic development, social development and environmental protection. We are therefore mindful of the impact that our activities may have. BCV has a longstanding commitment to these principles – we have been a member of Philias, Switzerland's network of socially responsible businesses, since 2006.

Economic development is, of course, fundamental for a bank. In order to fulfill our objective of contributing to the economic development of Vaud Canton, we must ensure that our foundations are solid and that our vision for BCV leads to sustainable profitability going forward. In keeping with this mission, our strategy targets sustainable growth and a low risk profile.

This approach to economically sustainable development is advantageous for all our stakeholders. For the 2010 financial year, for example, we paid out CHF 251m to our majority shareholder, the Vaud Cantonal Government. This amount comprised a dividend, a distribution out of paid-in reserves, and cantonal and municipal taxes.

The principles of sustainable development and corporate social responsibility (CSR) are intrinsically linked to our solid presence in all sectors of the Canton's economy. However, these principles are about more than just business and the economy. At BCV, they have an impact across our entire organization.

Beyond the ways in which we serve individuals and businesses in Vaud, a commitment to CSR underpins actions like those we take to enable employees to reach their full potential. Another example of this multidimensional approach is our involvement with the local community.

Protecting the environment is yet another key pillar of sustainable development. The results of our third environmental assessment appeared in our 2011 Social Responsibility Report, which was published in 2012.

We also continued our efforts to reduce energy consumption and waste production. For instance, we encourage our employees to use public transportation and we provide subscriptions to the Mobility car-sharing service.

We are also a major sponsor of velopass, a free bicycle network that was started in Vaud and has become the largest in Switzerland. In addition, we took part in a project to clean up the lakeside around Aubonne, organized by local environmental associations La Maison de la Rivière and Centre de conservation de la faune et de la nature du Canton de Vaud.

4. Creating lasting value for shareholders

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

Corporate Social Responsibility at BCV

We published the third edition of our Social Responsibility Report in 2011. While the two previous reports in 2007 and 2009 focused on our social and environmental efforts, this new edition looks at economic development, the third pillar of sustainable development. It looks at the aspects of corporate social responsibility specifically applicable to the Bank in its role as a leading economic player in the Canton. It also contains a second estimate of the Bank's environmental impact, conducted by Quantis, a firm based in the Science Park at the Swiss Federal Institute of Technology in Lausanne. In addition, we published our first assessment under the Carbon Disclosure Project.

The 2011 Social Responsibility Report is available online (in French only) at www.bcv.ch.

We paid out a total of more than CHF 1.2bn to our shareholders for the 2007 to 2010 financial years. We distributed four ordinary dividends of CHF 14, CHF 20, CHF 21 and CHF 22 per share, amounting to a total of CHF 663m. We also made four special distributions, which were tax free for shareholders. The first distribution was CHF 32.50 per share and the following three were each CHF 10 per share, representing a total of CHF 538m. These first three payments were in the form of par-value reimbursements, while the fourth was a distribution out of paid-in reserves.

Our financial strength, solid market position and status as a cantonal bank have won recognition from the rating agencies. On 12 October 2011, Moody's raised BCV's Bank Financial Strength Rating to the long-term equivalent of A3 from Baa1 and confirmed its A1 long-term rating on BCV, with a stable outlook. On 5 December 2011, Standard & Poor's upgraded our long-term credit rating from AA– to AA, with a stable outlook. The rating agencies' credit opinions can be found in the Investor Relations section of our website, www.bcv.ch.

5. Being a benchmark employer

BCV is a leading company in Vaud Canton. We are the fifth largest employer in the Canton, after the cantonal government and three other firms. We consider our dynamic human resources policy to be crucial to both our mission and our strategy. In its study on human resource practices published at the beginning of 2011, Bilan magazine named BCV as the best employer in French-speaking Switzerland in the category of public- and semi-public-sector entities.

Alongside missions and objectives, skills development is a key employee performance factor. We encourage training as a vector of staff motivation and knowledge management, and the issue of women in the workforce is also a focus.

Staff

At the end of 2011, BCV Group had 2,042 employees on a full-time-equivalent (FTE) basis, 56 more than a year earlier. This increase is due to the purchase of Banque Franck Galland & Cie SA by Banque Piguet & Cie SA.

The parent company accounts for the largest share of the workforce, with a total of 2,002 employees, or 1,812 FTEs. BCV remains Vaud Canton's top employer in banking, insurance and financial services, providing around 15% of all jobs in this sector.

In 2011, BCV recruited 185 new people and made 61 internal transfers. Average staff turnover went from 9.8% in 2010 to 10.4% in 2011. Recruitments and transfers took place across all our business lines.

In terms of gender equality, the parent company had 849 female employees (42% of the workforce) at the end of 2011. Women accounted for 21% of supervisory staff (199 positions) and 7% of all managers (20 positions). In addition, we now have ten women serving as branch managers, where they play a key role in running our retail network. BCV facilitates part-time employment for women, with 367 women (43% of all female employees) working part time at the end of the year.

Each year BCV 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 to the Bank's BCVPlus strategy. Over 80% of employees took part in the 2011 survey. The results showed that employee buy-in together with confidence in the Bank's future and its management team were at particularly high levels. This positive outcome was driven by our efforts to communicate the BCVPlus strategy and the Bank's success on the market.

Focus on training

In 2011 BCV provided job training for 90 entry-level employees, including 57 trainees, 22 students in their final year of school and 11 university interns. Five women participated in our Rejoignez-nous program.

BCV is one of the Canton's three main providers of professional training, alongside the cantonal government and a private-sector corporation. We have our own training center with a staff of nine, who are assisted by around 200 instructors, more than three-quarters of whom work elsewhere within the Bank.

The training center had a very busy year in 2011. The main focus was on skills development, a key part of our

BCVPlus strategy. In particular, all front-office employees received training on how to use new tools, services and interview techniques to enhance professionalism and improve their responsiveness to customer requirements. Branch managers continued to receive training on how to improve their leadership and sales-coaching skills.

In collaboration with the Entrepreneurship and Business Development program at the University of Geneva's Business School, we offer a "Micro MBA" study program which aims to enhance interdisciplinary skills and interdivisional collaboration while strengthening project management expertise. In the program's theoretical component, participants acquire a global view of the Bank, learning how other teams in other divisions operate. This teaches them to integrate new approaches and methods into their work. Participants then carry out a practical project with a view to delivering innovative solutions that can improve operational efficiency at BCV.

A second group of 19 employees successfully completed the program, and a new group began in April 2011. This training program complements the various actions taken by BCV to develop staff skills and train future managers.

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 2011, pension fund members comprised 2,071 employees, 1,913 of whom were working at the parent company, and another 1,172 pension recipients, including 1,057 retirees.

BCV takes several kinds of action in the interest of employees' health, either within the framework of Swiss government programs or on its own initiative. For example, we run flu vaccination campaigns and we take steps to raise awareness of safety guidelines.

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.

We regularly organize programs allowing staff members to take part in humanitarian and environmental initiatives in association with non-governmental organizations. In 2011, 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.

The Bank's sponsorship policy gives preference to activities of public interest in Vaud, focusing on the fields of culture, teaching and training, sports, and the environment.

In 2011, BCV became one of the two main sponsors of FC Lausanne-Sport, the Canton's largest and most successful football club. This is just one of the many organizations we supported.

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 Théâtre du Jorat, the Nuit des Musées museum open house, the Théâtre de Beausobre, the MUDAC modern art museum, the Metropop Festival, the Cully Jazz Festival, the Lausanne Chamber Orchestra, the Festival de la Cité, the Fondation de l'Hermitage museum of fine arts, the Petit Théâtre, and the Fondation Bex & Arts open-air exhibition.

We also support a number of outreach initiatives, which help bring together the local community. In 2011, 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, and Terre des Hommes.

The future of Vaud is taking shape in its schools. Last year we presented prizes at schools across the Canton and provided support for Lausanne's Centre Sports-Etudes for school-age athletes and for the Centre Sport et Santé (a part of the Swiss Federal Institute of Technology in Lausanne and the University of Lausanne).

Sports activities are also a key part of the social fabric of Vaud and are central to our sponsorship policy. Last year we sponsored the following sports clubs and events: Gymnaestrada, Lausanne 20K, FC Lausanne-Sport, Yverdon Sport FC, the Fondation Foot Avenir, Association cantonale vaudoise de football, Graines de foot, the BCV Villars 24H ski race, the Lausanne Hockey Club, the International Hot Air Balloon Festival in Château-d'Œx, the Fondation d'aide aux sportifs vaudois, the Montreux–Les Rochers-de-Naye mountain race, and the Mérite Sportif Vaudois.

We also supported various other important initiatives in the Canton, including the Forum de l'économie vaudoise, Forum des 100, and velopass.

In addition, BCV supports its employees' involvement in the community, thereby contributing to their personal development. In 2011, 312 staff members were actively involved in a variety of societies, associations and other organizations of a social, political, cultural or sporting nature.

More detailed information about the Bank's contributions to our community can be found in BCV's 2011 Social Responsibility Report (available in French only).

14th World Gymnaestrada

From 10 to 16 July 2011, passion, not medals, brought athletes from 55 nations to Lausanne, where they took part in the largest gymnastics festival in the world. 19,000 participants of all ages and backgrounds came together for this International Gymnastics Federation event, made possible by the Swiss Gymnastics Federation and the tireless efforts of thousands of volunteers.

Year in Review

Economic Environment

2011 started with a degree of optimism as the global economy maintained its momentum, but fears of a double-dip recession gradually gained the upper hand. Slower growth in the world's leading economies, along with the eurozone's failure to find a long-term solution to its debt crisis, shook confidence across the economy. Although Vaud Canton and Switzerland as a whole remained resilient, the global slowdown and difficult financial market conditions still had an adverse impact. On top of this, the Swiss franc rose sharply in the first half of the year, prompting the Swiss National Bank (SNB) to adopt a floor rate for the euro against the Swiss franc in September. Nevertheless, the Vaud economy performed satisfactorily in 2011. In January 2012, the CREA Institute of Applied Macroeconomics (part of the University of Lausanne's Faculty of Business and Economics) estimated that the Canton experienced growth of 2.5% last year.

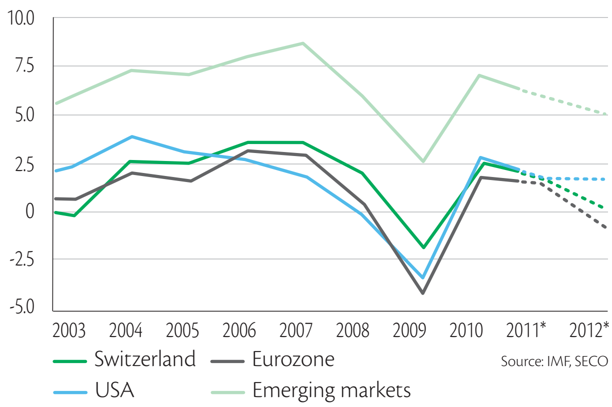
Global slowdown

The financial crisis flared up again in 2011, although it took a different form from that seen in 2008. As we mentioned in last year's annual report, investors were already concerned about fiscal imbalances and excessive debt in certain peripheral eurozone economies. In 2011, these concerns became more acute and spread to other, larger countries. The growing difficulty experienced by European Union countries in devising credible long-term solutions to their financial problems further increased the tension. Across the Atlantic, question marks also remained about the USA's financial position. The vigorous performance of emerging-market countries had helped the global economy to regain some momentum as it emerged from recession in 2009. However, growth in large industrialized countries has remained sluggish, held back by low levels of business and consumer confidence.

The outlook deteriorated as the year wore on. In April, the OECD's leading indicators started to point to slower economic growth, and between April 2011 and January 2012, the International Monetary Fund (IMF) lowered

Global GDP trends

as %



Source: IMF, SECO

* December 2011/January 2012 estimates

its global economic growth estimates several times. Its estimate was reduced from 4.4% to 3.8% for 2011 growth and from 4.5% to 3.3% for 2012. Forecasts were lowered for both industrialized and emerging economies. The largest cuts were in the eurozone, where the IMF now estimates that activity will contract by 0.5% in 2012, making it the only region likely to experience a recession. The overall expectation in early 2012 was that the global economy would avoid widespread recession, i.e., a contraction in U.S. activity and a sharp slowdown in China.

Looking back at 2011, firm activity levels early in the year kept estimated full-year growth figures at decent levels (1.8% in the USA, 9.2% in China and 3.0% in Germany), according to estimates published by the IMF in January 2012. Japan was a notable exception, with GDP falling by 0.9%, in part due to the tsunami.

Difficult financial markets

Financial markets, which had been relatively nervous in 2010, became even more jittery in 2011. All market segments suffered, including equities, bonds, currencies, precious metals and commodities. Risk aversion increased sharply and safe-haven investments were highly sought-after.

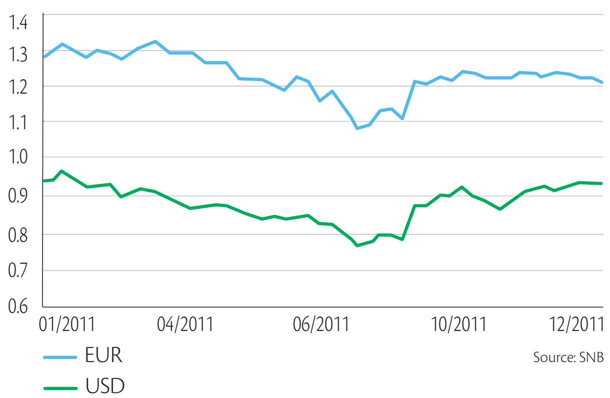
One consequence of this situation was a surge in the Swiss franc. The euro fell by 17.6% against the Swiss franc between the start of 2011 and early August. During trading on 9 August, the euro almost reached parity, falling to CHF 1.01. Given the threat such exchange-rate levels pose to the Swiss economy, the SNB started to take remedial action. On 6 September, it introduced a floor rate of CHF 1.20 to the euro, and the euro duly rallied above that level, immediately gaining more than 15%. Over the year as a whole, the euro fell by 2.7% against the Swiss franc. The SNB's action also stabilized the U.S. dollar/Swiss franc exchange rate. Between the start of 2011 and early August, the dollar fell by 23.4% against the Swiss franc, before rallying by more than 20% in the space of two months and ending the year back where it began.

Gold, another safe-haven investment, also experienced volatile price movements. It rose by 35% between early January and early September, reaching USD 1,920.80 per ounce on 7 September. It then saw a sharp correction, falling by 20% to USD 1,535.60 on 26 September. Gold eventually started to rise slowly again and ended the year up 11.3%. In Swiss-franc terms, however, gold's performance was very different. The price per kilo remained stable at around CHF 42,000 before jumping 25% as the Swiss franc dropped in response to the SNB's intervention. Gold rose by 11.6% in Swiss-franc terms in 2011 as a whole.

Risk aversion also had a major impact on bond markets and interest rates. Demand for Swiss-franc investments pushed down the yield on 10-year Confederation bonds from 1.7% in early 2011 to 0.7% at end-December. 10-year U.S. Treasury yields dropped from 3.3% to 1.9% and 10-year German Bund yields fell from 3.0% to 1.8%.

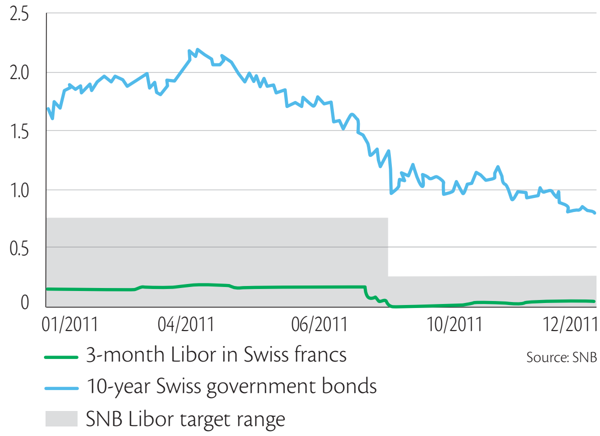
Exchange rates

versus CHF



Interest rates

as %



Switzerland remained essentially inflation-free, with prices rising by 0.2% on average in 2011. By contrast, inflation was 3.0% in both the EU and USA, driven higher by rising energy and food prices.

Growing uncertainty also took its toll on the equity markets. In the first half of the year, the main indexes were flat or moved slightly downward. However, they underwent a sharp correction in late July and early August. In the space of just 11 trading sessions between 25 July and 8 August, the S&P 500 (USA), SMI (Switzerland), EuroStoxx 50 (eurozone) and MSCI World and Emerging Markets indexes dropped by 15-20%, to take just those examples.

For the remainder of the year, the markets showed no real trend. The S&P 500 ended the year almost unchanged, while the MSCI World index lost 7.6%, the SMI 8.3%, the EuroStoxx 50 17.2% and the MSCI Emerging Markets index 20.4%.

Switzerland shows resilience

The slowdown in global growth and the loss of confidence that caused the volatility in financial markets also affected Swiss exports. Although Swiss GDP growth was lower in 2011 than in 2010, a strong first-quarter performance meant that growth remained firm at 1.9%, according to the initial March 2012 estimate by Switzerland's State Secretariat for Economic Affairs (SECO). This was higher than the rate forecast in autumn 2010 and made Switzerland one of the world's fastest-growing industrialized economies in 2011.

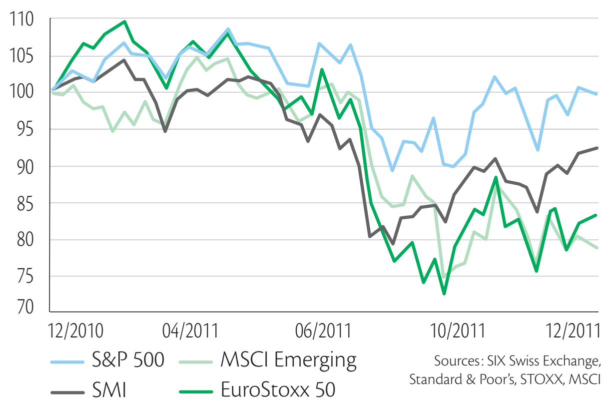
Consumer spending was relatively robust, rising by 1.0% in 2011 according to SECO estimates. However, investment made a lower contribution to growth than in 2010 and foreign trade showed signs of weakness. Although exports rose in 2011, the Swiss Federal Customs Administration reported a gradual loss of momentum during the year. This was despite support from Asia through a sharp increase in exports to China (+19.2%), Hong Kong (+18.8%) and India (+15.2%).

The strong Swiss franc also put serious downward pressure on Swiss companies' export profit margins. Only four sectors of the economy saw exports increase in 2011. Watchmaking was by far the strongest sector, with exports up 19.3%. The machinery/electronics, metalworking and food sectors achieved export growth ranging between 0.6% and 2.2%. All other sectors experienced a decline in exports, although the paper and graphic arts sector was the only one to see a drop of more than 10%. In nominal terms, exports remained strong and moved towards the record levels achieved in 2007 and 2008.

Job creation continued at a steady pace. In the fourth quarter of 2011, the secondary and tertiary sectors employed 34,512 more people on a full-time-equivalent basis than a year previously, representing an increase of 1.0%. After continuing the decline that began in 2010, unemployment rose slightly in the autumn. However, overall the unemployment rate still fell from 3.8% in January to 3.3% in December.

Stockmarket indexes in local currency terms

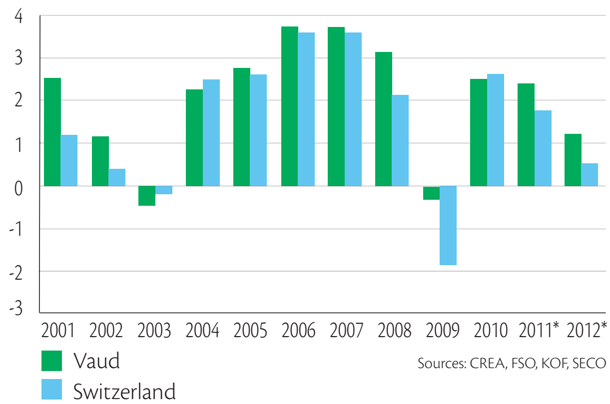
base of 100 at 31 December 2010



Sources: SIX Swiss Exchange, Standard & Poor's, STOXX, MSCI

Vaud Canton and Swiss GDP

as %



Sources: CREA, FSO, KOF, SECO

* December 2011/January 2012 estimates

Vaud: positive impact from diversification

Growth in the Vaud economy was weaker than in 2010, but better than expected. Vaud grew faster than the Swiss economy as a whole, with GDP rising by 2.5% according to the estimate calculated by CREA and published in January 2012 by BCV, the Vaud Chamber of Commerce and Industry and the Canton of Vaud. Most sectors of Vaud's economy experienced growth in 2011.

The 7.8% increase in new car registrations in the Canton suggests that consumer spending was robust. Exports were hit by the global economic slowdown, falling by 3.7% in Vaud while they expanded by 2.1% in Switzerland as a whole. However, the comparison basis was high since, in nominal terms, Vaud's exports set a new record in 2010, bouncing back from a dip in 2009 relative to the previous 2008 record. As a result, Vaud's exports remained close to their all-time high in 2011.

The Canton's unemployment rate, like the national rate, was also affected by the downturn in growth. After falling from 5.7% in January to 4.5% in June, it started rising again in the autumn and reached 5.3% in December. The highest unemployment rates were in the districts of Aigle (6.8% in December 2011) and Lausanne (6.7%), while the lowest were in Gros-de-Vaud (3.7%) and Lavaux-Oron (3.5%). In the other districts, the unemployment rate was within one percentage point of the cantonal average.

SECO's calculation method tends to overstate Vaud's real unemployment rate by around 0.7 points, according to the Canton's estimates. SECO bases its figures on the working population in 2000, the year when the last nationwide census was conducted, whereas population growth in Vaud has been among the highest in the country since then.

The Vaud Chamber of Commerce and Industry's autumn survey provides some interesting insights into the private sector, and confirms that 2011 was a decent year for Vaud companies. 40% of respondents said that business trends were satisfactory and 38% considered them good. These figures show only a moderate decline in optimism compared with the previous year. However, expectations for the subsequent

2011 growth by economic segment in Vaud

Growth above 2%

Real estate, business services, etc.
Machine manufacturing, equipment, instruments, etc.
Transport, postal services and telecommunications
Wholesale and retail sales, repairs, etc.
Food, textiles, leather, wood, paper, publishing, etc.
Chemicals, rubber, glass, stone, metallurgy, etc.

Growth of 0.5% to 2%

Construction
Government administration, healthcare, education, sports, etc.
Finance and insurance

Growth of –0.5% to 0.5%

Agriculture, forestry, hunting and fishing

Growth below –2%

Hotels and restaurants
Water and electricity production and distribution

Source: CREA, January 2012 estimates

Vaud Canton and Switzerland in figures

	Vaud	Switzerland
Area	3,212 km²	41,285 km²
Population (end 2010)	713,281 inhabitants	7,870,134 inhabitants
Population density	222 inhabitants/km²	191 inhabitants/km²
Working population (end 2009)	395,951	4,646,762
Number of companies (2008 federal survey)	37,207	451,758
Primary sector	12%	14%
Secondary sector	16%	17%
Tertiary sector	72%	69%
Jobs (2008 federal survey)	340,141	4,193,044
Primary sector	4%	4%
Secondary sector	19%	25%
Tertiary sector	76%	70%
Unemployment rate (2010 average)	5.0%	3.1%
GDP (2010 est.)	CHF 43.0bn	CHF 550.6bn
GDP per inhabitant	CHF 60,342	CHF 69,957

Sources: 2008 federal business survey, FSO, CREA, Statistique Vaud months were substantially lower because of global economic developments. The balance of opinion (positive responses minus negative responses) fell from 33 to 15.

The proportion of companies expecting to reduce their workforces in the months ahead increased from 5% to 9%. The outlook is worse in manufacturing (proportion up from 3% to 12%) than in services (up from 5% to 8%).

However, the economic situation did not prevent Vaud's companies from creating jobs in 2011. In the fourth quarter of 2011, the secondary and tertiary sectors employed 286,000 people on a full-time-equivalent basis, 4,200 or 1.5% more than a year earlier.

Real estate

The Canton of Vaud's real-estate market remained healthy in 2011, with prices for residential properties continuing to rise. Low mortgage rates and solid population growth kept demand high, and supply struggled to keep up. Although 3,000-5,000 residential units per year were built between 2004 and 2010, homebuilding has for several years lagged behind the growth in Vaud's population. Although 2011 figures are not yet available, they are unlikely to show any change in this situation. At 1 June 2011, the vacancy rate remained very low at 0.5%; this was well below the 1.5% market equilibrium level.

The Canton's housing shortage looks set to last for several more years according to a report published in March 2011 ("Logements vaudois : analyse de la pénurie"), which concluded that the amount of available residential building land will remain insufficient to house the Canton's new arrivals until the end of the decade. The market should then return to normal.

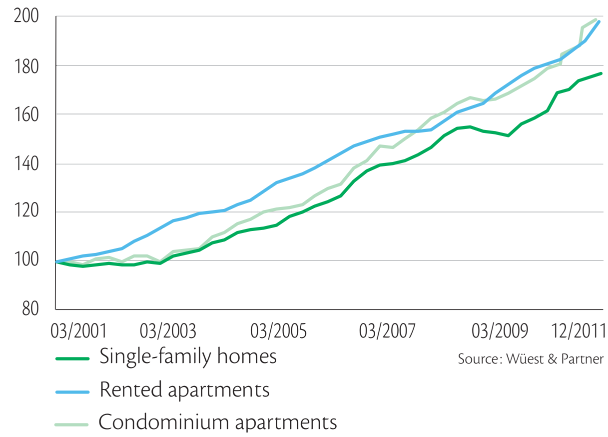
Real-estate prices rose substantially in Vaud – perhaps excessively in some cases – and sustained low interest rates together with other factors may result in market distortion. However, prices were mainly driven by the combination of limited supply and firm demand. The situation has prompted the Swiss authorities to monitor the banking industry more

Rising population

Population growth in Vaud reflects the Canton's economic strength. The Canton's population grew by 14.2% between the start of 2000 and the end of 2010, outpacing the national average of 9.2%. Net inflows into the Canton peaked in 2008 at 14,063 and have since declined. Nevertheless, Vaud continues to welcome a large number of new residents, mainly from the European Union. Arrivals from the EU totaled 10,157 in 2009 and 7,556 in 2010. Although 2011 data were not available at the time of writing, interim nationwide figures suggest that the trend was largely the same as in previous years, i.e., strong but declining net inflows.

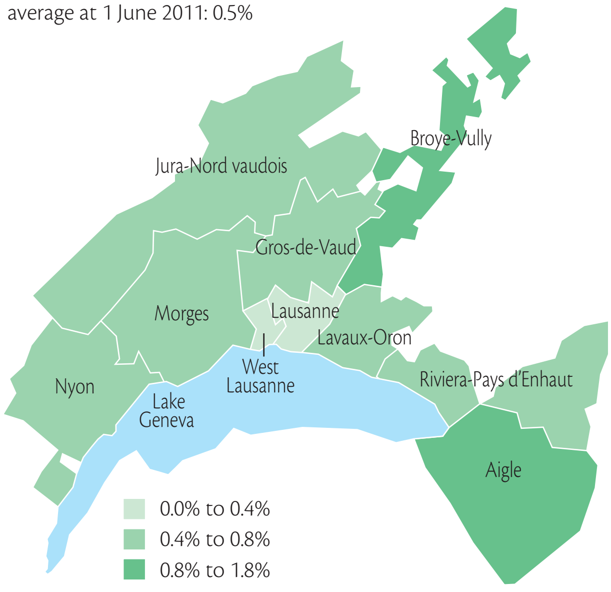
Real-estate prices in Vaud Canton

indexes, base of 100 in March 2001



Housing vacancy rates in Vaud

average at 1 June 2011: 0.5%



Source: Statistique Vaud

In 2011, BCV's Observatoire de l'economie vaudoise published a study on the causes of Vaud Canton's housing shortage. The report was prepared by local company i Consulting, with support from Vaud Canton, BCV, the Vaud employers' union (Centre Patronal) and the Vaud federation of entrepreneurs (Fédération vaudoise des entrepreneurs), and showed that the amount of available residential building land will remain insufficient to house the Canton's new arrivals until the end of the decade. The market should then return to normal, although measures may be taken to alleviate the situation in the meantime.

This study (available only in French) can be downloaded from the BCV Observatoire webpage at www.bcv.ch (click on "Actualité et médias" on the left-hand side, then "Observatoire économique").

closely and propose various measures aimed at increasing banks' capital requirements for mortgage lending. In coordination with FINMA, the Swiss Bankers Association has issued new guidelines on reviewing, appraising, and processing mortgages.

Outlook

Growth is expected to slow further in 2012, both in Vaud Canton and Switzerland as a whole. However, it should remain positive at 1.2% for the Canton and 0.8% nationwide according to the latest estimates available at the time of writing (SECO figures from March 2012 and CREA figures from January 2012). Another global recession is unlikely. US growth is set to remain weak but positive, and emerging markets will continue to provide support. The Chinese economy looks set to avoid a hard landing. The EU is the only region expected to experience a recession in 2012. However, there are still a large number of risks and uncertainties, since the public finances of several eurozone countries are still under pressure.

Economic sectors in the Canton

Vaud's economy is broadly diversified. This enabled it to weather the 2008-2009 crisis without too much trouble, ride the global recovery in 2010 and put in a firm performance in 2011. In general, all the Canton's main sectors registered growth in 2011, although the pace varied.

Primary sector

Agriculture had a somewhat better year in 2011. Figures published by the Federal Statistics Office (FSO) show that the value of Vaud's farming output rose by 0.5% to CHF 1.2bn, while total farm incomes increased by 2.9% to CHF 296m. Swiss farmers in general enjoyed good weather conditions and increased production volumes. As in 2010, however, downward pressure on prices persisted for some products, such as milk and pork.

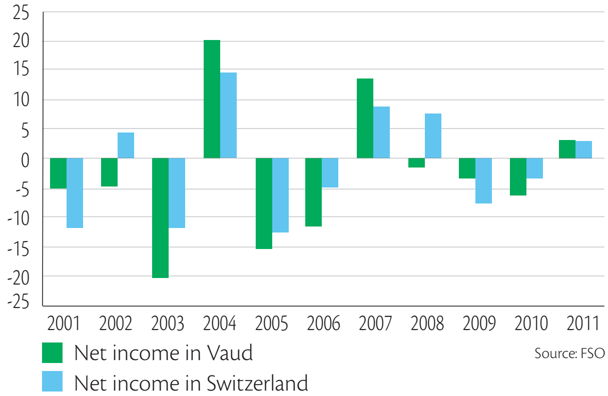
In Vaud, there was a rise in income per annual work unit (i.e., the equivalent of one person working full-time for one year) from approximately CHF 59,000 in 2010 to CHF 61,000 in 2011. This figure is higher than the Swiss national average of CHF 56,000. The Canton's farming sector is reaping the rewards of restructuring, including consolidation in agriculture, which has led to an increase in the average size of farms. Although the total amount of farmland was stable, the number of farms in the Canton was 4,148 in 2010, down 18% from over 5,000 in 2000.

Vaud is a major contributor to Swiss farming output (11% in value terms), second only to Bern. With total farm acreage amounting to around 20% of the Swiss total, the Canton accounts for the largest proportion (18%) of the country's crop production. Vaud leads the country in the production of grain, fresh vegetables, industrial crops, fruit and wine (including both high-quality and standard grades). It is less active in the production of meat, feed crops and potatoes.

As regards winegrowing, the volume of grapes harvested in 2011 was in line with the average. Weather conditions meant that the 2011 vintage was of good quality according to the Cantonal Office for Viticulture, and should therefore stand up well to competition. The strong Swiss franc strengthened competition from foreign wines, particularly at the lower end of the market. However, quality wines had no trouble finding buyers.

Farming income

as %



Source: FSO

Secondary sector

In the secondary sector, the fortunes of companies focused on the domestic market differed significantly from those of exporters. The former saw solid demand in the Swiss market, while exporters suffered from weakening global demand and the strong Swiss franc.

Manufacturing

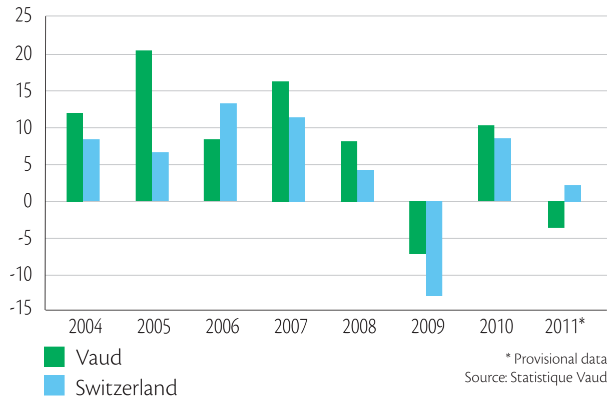
The Canton's industrial sector mainly serves export markets, and specializes in medium and high technologies. Its focus on high-value-added products meant that it was relatively resilient to the rising Swiss franc, at least in the first half of the year. In the second half, however, the Commission Conjoncture Vaudoise's business environment indicator fell sharply and several Vaud companies announced workforce reductions.

According to the Vaud Chamber of Commerce and Industry survey, 62% of manufacturing companies said that they were affected by the strong Swiss franc in 2011 versus 45% in 2010. The number of companies taking remedial action also increased. Several of these measures are likely to have a direct impact on the Swiss economy, such as restructuring of supply chains (38% of manufacturing respondents), headcount reductions (18%), offshoring (12%), increases in working hours (8%) and reductions in wages (3%). Other major measures included cuts in selling prices (50% of manufacturing respondents), exchange-rate hedging (31%) and expansion into new markets (28%).

Against this backdrop, there were nevertheless some positive signs. For example, the Vaud Chamber of Commerce and Industry's survey shows that the number of manufacturers wishing to increase their workforces was slightly higher than those intending to reduce staff numbers. Watch exports also held up well.

Exports by year

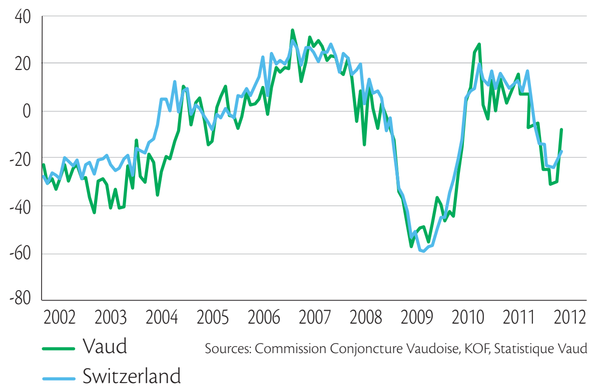
as %



* Provisional data
Source: Statistique Vaud

Composite index of business sentiment in manufacturing

net positive responses



Sources: Commission Conjoncture Vaudoise, KOF, Statistique Vaud

Structure of the Vaud economy

Sectors and segments	Share of Vaud GDP (in 2010)	Full-year growth (1993-2010)	Jobs (2008)[1]	Share of total jobs (2008)[1]
Primary sector				
Agriculture, forestry, hunting, fishing	2.2%	–1.3%	16,300	4.8%
Secondary sector	**22.6%**	**1.5%**	**67,200**	**19.9%**
Food, textiles, leather, wood, paper, publishing, etc.	3.8%	1.5%	11,200	3.3%
Chemicals, rubber, glass, stone, metallurgy, etc.	4.8%	3.3%	11,100	3.3%
Machine manufacturing, equipment, instruments, etc.	5.9%	1.4%	18,900	5.6%
Construction	5.4%	1.0%	23,600	7.0%
Tertiary sector	**75.1%**	**2.0%**	**253,700**	**75.2%**
Wholesale and retail sales, repairs, etc.	15.1%	1.7%	55,900	16.6%
Hotels and restaurants	2.2%	–0.6%	18,400	5.5%
Transport, postal services and telecommunications	7.3%	4.5%	17,900	5.3%
Finance and insurance	9.1%	3.3%	11,400	3.4%
Real estate, business services, etc.	13.5%	2.4%	46,600	13.8%
Government administration, healthcare, education, sports, etc.	21.8%	1.4%	99,400	29.5%
Total Vaud GDP (after adjustments)	**100.0%**	**1.9%**	**340,000**	**100%**

[1)] Calculations are based on data from the 2008 federal survey, adjusted to correspond with Noga 2002 terminology and the sector breakdown used to determine value-added in Vaud. The totals may not match data found elsewhere because certain activities were classified differently in 2002 and 2008. Figures are rounded. Sources: CREA, Statistique Vaud, FSO, BCV

Construction

Construction continued to be buoyed by healthy demand for real estate in the Canton. The value of building permits amounted to more than CHF 1bn per quarter in 2011, which is high in comparison to the past decade. However, this figure looks set to stabilize or fall slightly because of a downturn in commercial building permits. The residential segment remained strong in 2011. The Commission Conjoncture Vaudoise's business indicator continued to improve, with the balance of opinion rising well above 30 points. There was growth in both structural work and architectural and finishing work. The number of people employed in construction continued to rise, moving above the 25,000 mark.

Tertiary sector

Performance in the tertiary sector was also affected by the economic slowdown and, for some companies, by the strong Swiss franc. In the Vaud Chamber of Commerce and Industry's autumn 2011 survey, the proportion of companies expressing concern was 41%, up from 24% a year earlier. This is explained partly by the consequences for service exporters and the effects of increased foreign competition.

Administration, healthcare and social services

The public and semi-public sectors play a major role in stabilizing the Vaud economy. They account for around a fifth of the Canton's economy, particularly as a result of the contributions made by the healthcare and education sectors. In its 2012 budget, Vaud Canton continued the countercyclical fiscal approach adopted in previous years. Spending rose to cover additional needs in healthcare and social services, economic support measures, increased government investment and tax relief. However, the budget remained balanced.

Vaud Canton is therefore in a very strong financial position. Debt is likely to remain stable at around CHF 1.8bn, equal to around 5% of the Canton's GDP – a proportion that was significantly higher a few years ago. In addition, the Canton's federal equalization contributions are proving lower than initially expected.

Wholesale and retail distribution

The consumer environment became tougher in 2011. Retail sales in the country as a whole were hampered by the ongoing European Union debt crisis and slower global economic growth.

Excluding fuel, sales rose by 0.4% in real terms. However, the number of new vehicle registrations rose by 15.0% in Switzerland and 7.8% in Vaud, showing that consumers were willing to spend on certain items.

Hospitality services

The hospitality sector's performance was in line with that of the global economy. In Vaud Canton, it fared relatively well in the first half of 2011, with the number of guest nights rising year-on-year. There was a contrast between the Alps, where guest nights declined, and other regions, where they continued to rise overall. However, the situation deteriorated sharply in the second half, with nearly all destinations experiencing a decline in overnight stays by both Swiss and foreign visitors. Guests from emerging-market countries such as China, India and Russia nonetheless continued to buck this trend. In 2011 as a whole, Vaud hotels saw a 1.8% decrease in guest nights.

Regional roundup

The broad trends discussed in the previous pages were reflected in the various regions of Vaud Canton. However, some specific points deserve mention.

Broye

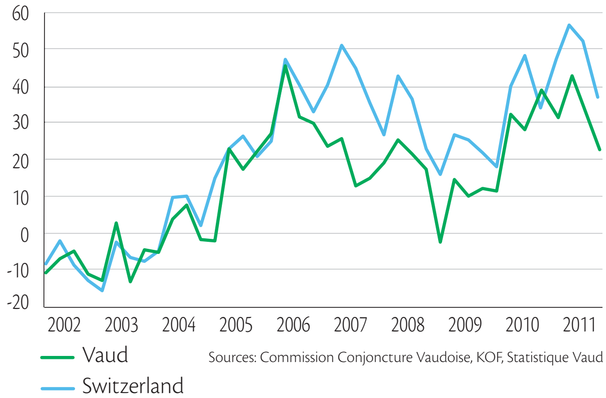
The order books of local builders were full because of firm demand for residential construction. Prices are lower than in the Lake Geneva region, and Broye still has a sufficient supply of building land. Improving train connections—with planned extensions to regional networks in Fribourg (2014) and Vaud (2018)—are helping to increase the region's appeal. The tobacco crop was very good, and other farming trends reflected those of the Canton as a whole.

Chablais

Tourism in the Alps saw contrasting fortunes. The sector got off to a difficult start in 2011 because of poor snow conditions and the strong Swiss franc, but picked up at the

Business sentiment in construction

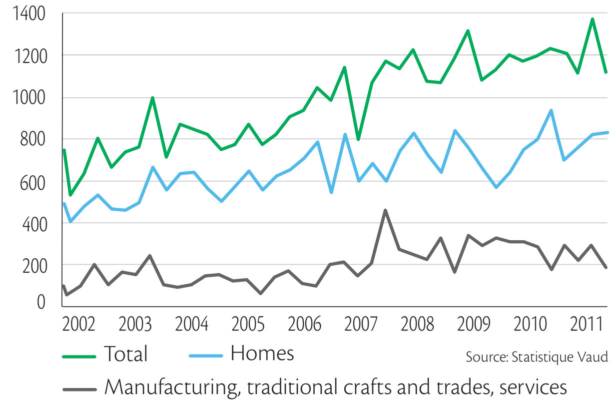
net positive responses



Sources: Commission Conjoncture Vaudoise, KOF, Statistique Vaud

Value of work from building permit applications in Vaud

in CHF millions



Source: Statistique Vaud

end of the year. The real-estate market slowed in the ski resorts, but remained buoyant elsewhere. 2011 was also a good year for manufacturing companies – although some were affected by the rising Swiss franc – and for the service sector.

Gros-de-Vaud

The real-estate market was strong in 2011, as in other regions in the Lake Geneva area. Construction activity was firm throughout Gros-de-Vaud, although land is starting to become scarce along the LEB regional train line. 2011 was a good year for farming overall. Export-focused manufacturers suffered from the strong Swiss franc, while business levels were generally robust in the tertiary sector.

Lausanne

The economy maintained a good pace. The economic slowdown and the strong Swiss franc have weighed on exporters, the hospitality industry and business travel, and on retailing, particularly in clothing. However, the secondary sector – thanks to construction activity – and the tertiary sector had decent overall performances in 2011.

Lavaux

Because of the increasing scarcity of land in this region, the practice of replacing existing buildings with new homes – which began in 2009 – continued last year. Real-estate prices close to Lake Geneva continued to rise because of limited supply. At the higher end of the market, however, real estate remained on the market longer than in the previous two years. Further away from the Lake, construction continued at a rapid pace, mainly in Mézières and Oron.

Morges

Economic development continued in areas such as Littoral Park in Etoy and the Aclens industrial area, with the arrival of Swiss and international companies. Combined with the shortage of housing in Geneva Canton, this supported real estate prices, which remained on an uptrend. Although construction activity was firm, subcontracting was hit by the strong Swiss franc.

Nord vaudois

The real-estate market in this region was very strong in 2011 because of the shortage of land near Lake Geneva. As a result, land for construction is now also becoming scarce in areas such as Yverdon-les-Bains, Grandson and Yvonand. Buoyant market conditions supported all real-estate-related businesses, from builders to estate agents. However, export-focused and subcontracting businesses suffered from the strong Swiss franc in the second half of the year. Watchmaking was the exception, posting exceptional sales in 2011.

Nyon

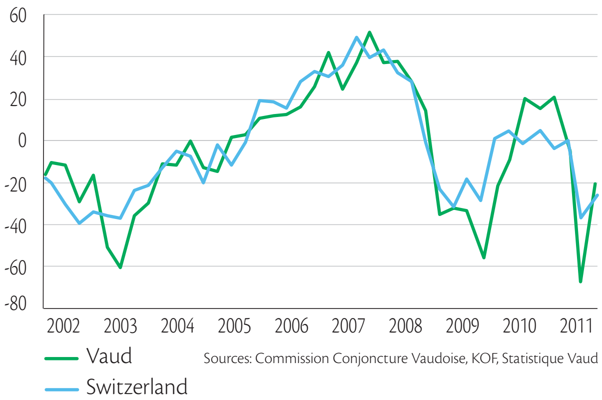
Demand for real estate remained steady, driven by new residents moving into the region and job creation in the tertiary sector. SMEs held up well against the rising Swiss franc, although signs of weakness were apparent in some areas such as consumer-related businesses. Overall, growth was robust and Nyon's business environment proved attractive to foreign companies.

Riviera

Strong demand for housing and extensive development activity provided confirmation that the Riviera region is a popular place to live and buy a home. In other sectors, performance varied in 2011. The tourism and hotel industry were hit by the strong Swiss franc and the decline in foreign visitors. However, private schools and clinics continued to show growth.

Sales index in the hotel and restaurant industry

net positive responses



Sources: Commission Conjoncture Vaudoise, KOF, Statistique Vaud

Economic structure by BCV region

	Broye	Chablais	Gros-de-Vaud	Lausanne	Lavaux	Morges	Nord vaudois	Nyon	Riviera
Population at end-2010	27,607	44,269	54,673	209,635	55,948	68,732	82,142	87,425	77,746
Proportion of Canton's population	3.9%	6.3%	7.7%	29.6%	7.9%	9.7%	11.6%	12.3%	11.0%
Jobs (2008)	11,527	17,959	19,119	143,937	16,254	31,115	36,753	32,658	30,613
Proportion of Canton's jobs	3.4%	5.3%	5.6%	42.3%	4.8%	9.2%	10.8%	9.6%	9.0%
Jobs in the primary sector	14.0%	9.8%	8.8%	0.2%	8.7%	7.5%	7.4%	5.5%	1.8%
Jobs in the secondary sector	25.0%	24.8%	36.3%	13.7%	18.1%	21.6%	35.8%	15.8%	13.7%
Jobs in the tertiary sector	61.0%	65.4%	54.9%	86.1%	73.2%	70.8%	56.8%	78.6%	84.4%
Unemployment in December 2011	5.0%	6.3%	4.0%	6.6%	3.5%	4.2%	5.5%	4.1%	5.7%
Change in unemployment in 2011	+0.1%	+0.5%	–0.1%	–0.5%	–0.3%	+0.0%	-0.8%	–0.5%	–0.1%
Population growth in 2011	+3.2%	+1.8%	+2.0%	+1.2%	+0.9%	+1.6%	+1.8%	+1.8%	+0.8%

Sources: Statistique Vaud, FSO, SECO

Year in Review

BCV in 2011

BCV posted strong financials in 2011, despite the difficult economic environment and turbulent financial markets. Solid customer loyalty and confidence in the Bank led to higher volumes across all business lines. Revenues rose by 2% and surpassed the CHF 1bn mark, reaching CHF 1.017bn. Operating profit grew by 1% to CHF 486m, while net profit fell 4% to CHF 301m.

We also saw further progress in our BCVPlus strategy, which we launched in late 2008. Initiatives last year included a review of our bank-wide performance management framework as well as a review of the specific framework for our sales teams. In addition, we expanded our onshore private banking business with the creation of Piguet Galland & Cie SA, following the merger of Banque Piguet & Cie SA and Banque Franck Galland & Cie SA, which BCV Group acquired on 8 February 2011.

Markets and business volumes

Global economic growth slowed in 2011, with the eurozone debt crisis intensifying the effects of sluggish activity around the world. Although Switzerland and Vaud were less affected than other economies, they were not left unscathed. Swiss exports and tourism were hit hard by the downturn in EU countries and by the rise in the Swiss franc. Against this backdrop, interest rates remained at rock bottom.

There was continuing uncertainty in offshore wealth management, including questions regarding the effects of a new final withholding tax on individuals residing in Germany and the UK. However, as our focus is on the domestic market, BCV is less affected by this issue than other Swiss banks.

The real-estate market remained buoyant in Switzerland in general and Vaud Canton in particular. House prices rose substantially in Vaud – perhaps excessively in some cases – and sustained very low interest rates together with other factors may result in market distortion. However, movements in the Lake Geneva real-estate market in recent years have been mainly due to insufficient supply and firm demand.

Our business volumes grew across all sectors, confirming the overall strength of the BCV franchise. Mortgage lending volumes rose by 9% to CHF 22.1bn, while other loans increased by 12% to CHF 5.9bn. Customer savings and investment accounts expanded by 7% to CHF 11.6bn, reflecting strong customer trust in BCV.

Net new money for the period amounted to CHF 1.1bn and AuM rose by 2% to CHF 77.1bn. The consolidation of Banque Franck Galland & Cie SA and fund inflows during the period offset the effect of declines on the financial markets.

Financial results

BCV's revenues grew by 2% to CHF 1.017bn in 2011. Interest income edged up 1% to CHF 516m. This rise, which trailed growth in business volumes, resulted from the continuing low-interest-rate environment.

Fee and commission income rose by 1% to CHF 357m, reflecting the consolidation of Banque Franck Galland & Cie SA's results. At CHF 115m, trading income was up 17% on the excellent 2010 figure, spurred by strong customer-driven forex business.

Other ordinary income fell CHF 6m to CHF 29m due to a base effect relating to a significant real-estate disposal in 2010. The consolidation of Banque Franck Galland & Cie SA's results contributed CHF 25m to total revenues.

Expenses remained under control. Total operating expenses were up only 3% to CHF 531m, despite the consolidation of Banque Franck Galland & Cie SA, which added CHF 20m to expenses. Personnel costs increased by 4% to CHF 339m, while other operating expenses were practically stable at CHF 192m (+1%).

As a result, operating profit grew by 1% to CHF 486m. Depreciations and write-offs rose by 8% to CHF 84m, reflecting the consolidation of Banque Franck Galland & Cie SA. Value adjustments, provisions and losses amounted to CHF 20m. This amount includes new credit-risk provisions in the second half; H2 provisioning needs were nevertheless at a low level. The item also includes a non-recurring charge-off at subsidiary Piguet Galland & Cie SA. Extraordinary income came in at CHF 17m, mainly reflecting releases of credit-risk provisions in the first half.

The tax burden amounted to CHF 90m, for an average tax rate of 23%. Higher revenues and tight cost control led to a stable cost/income ratio of 60% (59% in 2010). Our prudent approach to liquidity management continued to push down the net interest margin, which stood at 1.43%, a slightly lower level than in 2010 (1.45%). The FINMA capital adequacy ratio remained comfortable at 165%. Return on equity went from 9.8% in 2010 to 9.3% in 2011.

Business sector overview

Retail Banking

With low interest rates and a relatively favorable trend in the local economy, our Retail Banking Sector achieved very strong growth in 2011. Customers clearly recognized the Bank's focus on close ties and professionalism. The mortgage book increased by 8% to CHF 7.2bn, and customer deposits were up 6% to CHF 7.5bn. Revenues climbed by 6% to CHF 214m. This growth in business volumes offset the pressure that low interest rates continued to have on margins. Effective cost control drove operating profit up faster than top-line growth, with the Sector showing a 12% gain in operating profit to CHF 121m. As part of the BCVPlus strategy, Retail Banking continued its efforts to increase advisors' customer-facing time and deliver top-notch services that are fully in line with customers' needs.

Corporate Banking

Our Corporate Banking Sector delivered strong growth in 2011, with business customers showing trust in the Bank's solid foundations and stability. Lending to companies increased substantially, particularly in real-estate financing. Trade finance activities grew significantly in the second half, due to the restraint shown by major international market participants that are usually very active in the commodities markets. Lending rose by 8% to CHF 15.4bn, and deposits were up 4% to CHF 6.5bn. Revenues edged down 2% to CHF 287m, and operating profit also fell by 2% to CHF 239m. The corporate loan book proved resilient, with loan losses on the decline and substantially below expected average values. The new sales and marketing strategy for SMEs was successfully implemented, with advisors spending more time with their clients in order to develop solutions that fully respond to their needs.

Wealth Management

Our Wealth Management Sector achieved mixed results in a difficult environment marked by declining financial markets. While onshore private banking delivered firm growth, the international private banking business contracted slightly; this was in line with expectations and the Bank's strategy. Due to the difficult macro climate and tough competition, the institutional asset management business also experienced a drop in activity. Assets under management rose by 2% to CHF 59.2bn at 31 December 2011. Mortgage lending to private banking clients was up 16% to CHF 6.1bn. Revenues rose by 6% to CHF 368m and operating profit was up 1% to CHF 201m. The integration of Banque Franck Galland & Cie SA into Banque Piguet & Cie SA moved ahead as planned, the aim being to create synergies that can help build one of the leading wealth managers in French-speaking Switzerland.

Trading

Currency trading once again had an excellent year, boosted by increased hedging demand and business volumes in the wake of exchange-rate volatility caused in particular by the eurozone crisis. The Sector's revenues climbed 13% to CHF 62m, while operating profit rose by 25% to CHF 40m. This peak performance was driven to a large extent by forex trading. The trend in the structured products business was encouraging, with a marked recovery for the first time since the financial crisis. With trading activities focused primarily on customer-driven transactions, risk levels stayed very low.

Highlights of the year

Board of Directors

At the Annual Shareholders' Meeting on 5 May 2011, shareholders appointed Reto Donatsch to BCV's Board of Directors. He replaced outgoing member Jean-Luc Strohm, the Vice Chairman, who in 2011 reached the age limit for BCV's board members stipulated by law. Mr. Donatsch is 61 years old and has extensive experience in the banking industry. Following a long career at Credit Suisse, he became CEO of Bank Leu AG and was subsequently Vice Chairman of that bank's board until 2007. Since then, Mr. Donatsch has served on the boards of several companies and foundations.

At the same time, Stephan Bachmann became Vice Chairman of the Board. The Vaud Cantonal Government also renewed Mr. Bachmann's term of office for the period from 1 January 2012 to 31 December 2015.

Dividend payment and special distribution

For the third consecutive year, we maintained our dividend and capital-management policy. In May 2011, we distributed CHF 189m to shareholders in the form of an ordinary dividend and carried out a special distribution of CHF 86m out of paid-in reserves. Of the CHF 275m paid out to shareholders in 2011, the Canton of Vaud received CHF 185m.

Ratings

On 5 December 2011, Standard & Poor's raised BCV's long-term credit rating from AA– to AA, with a stable outlook, making BCV one of only a handful of banks not backed by a formal government guarantee to be rated AA (stable). BCV's short-term rating was maintained at A-1+. In upgrading the Bank's rating, Standard & Poor's emphasized BCV's strong capital base and solid earnings capacity.

Two months earlier, on 12 October, Moody's raised BCV's Bank Financial Strength Rating to the long-term equivalent of A3 from Baa1. Moody's also confirmed its A1 long-term rating on BCV, with a stable outlook.

Acquisition of Banque Franck Galland & Cie SA

In 2011, we created Piguet Galland & Cie SA, a leading wealth manager in French-speaking Switzerland. This followed the merger of BCV Group subsidiary Banque Piguet & Cie SA with Banque Franck Galland & Cie SA. The acquisition of Banque Franck Galland & Cie SA, announced in December 2010, was completed on 8 February 2011. The merger took effect on 7 April 2011.

At the beginning of November 2011, Piguet Galland & Cie SA's CEO resigned, taking responsibility for unauthorized transactions carried out by one of the bank's employees. An ad-interim management structure has been put in place, and the integration of the two banks was for the large part completed in 2011. The creation of this new wealth manager was welcomed by its clients.

Piguet Galland & Cie SA provides top-flight personalized services to clients in Switzerland, mainly in the French-speaking regions. It has offices in Geneva, Lausanne, Lugano, Neuchâtel and Nyon, and its head office is in Yverdon-les-Bains. Piguet Galland & Cie SA aims to rank among the major onshore private banks in French-speaking Switzerland.

Regulation

FINMA, the Swiss National Bank and the Swiss Federal Department of Finance introduced significant changes to the prudential supervision of banks in response to the financial crisis and the adoption of the Basel III Accord. These changes include the "too big to fail" provisions, which mainly concern banks that – unlike BCV – are systemically important to the Swiss economy, i.e., Credit Suisse and UBS.

In addition, FINMA published a new circular on capital buffers and capital planning for banks. This circular came into force on 1 July 2011 and sets new capital requirements for banks that fall outside the scope of the "too big to fail" legislation, under Pillar 2 of the Basel Accord. The overall 20% safety margin that was included in the minimum requirements has been replaced with a differentiated approach that depends on each institution's size as well as the nature and complexity of its operations. BCV's capital ratio is at a comfortable level, and we have been in compliance with these new requirements from the outset.

BCV-net

A new and faster version of our online banking platform BCV-net was launched at the end of 2010. Unfortunately, this new system had some teething problems and was disabled from 1 to 3 February 2011. Our IT teams worked around the clock to resolve the situation, and all BCV staff went to great lengths to ensure that clients could still carry out their banking transactions. Our clients appreciated the assistance they received and the transparent way in which they were kept informed of developments.

Key projects and investments

BCVPlus strategic program

In 2009, we embarked on a major, multi-year program of initiatives that target operational excellence. The program includes projects to simplify processes and improve customer service. In 2011, several of these initiatives delivered results. These included strengthened coaching for retail client advisors and systematic customer satisfaction surveys. We also made life easier for customers in several ways: we streamlined our account-opening processes for new clients, made it possible to open accounts over the internet and launched a new BCV-net mobile app for iPhones, iPads and Android-operated devices. We also brought our employee performance management framework more into line with our strategy.

Investments

In each of the past three years, we have invested between CHF 70m and CHF 90m in infrastructure, equipment, and IT maintenance and development.

Strategy and outlook

In November 2008 we adopted the BCVPlus strategy, under which we are focusing our efforts on business development in core markets while enhancing growth and optimizing our overall risk profile. Our development priorities are clearly defined. We are targeting:

- renewed impetus in retail banking, particularly mortgage lending, by improving front-line execution and overall sales-support efficiency while tapping into the potential inherent in our large client base;
- growth in private wealth management, primarily in Vaud, and institutional asset management both within Vaud Canton and elsewhere in Switzerland;
- a greater role for SME-related activities;
- enhanced volumes and profitability in the trade finance and large corporates business lines, in accordance with the Bank's risk profile;
- limited risk-taking in trading activities, which are centered on customer-driven business volumes.

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

Financial targets

Under our strategy, we are aiming to increase revenues by 4-5% and operating profit by 5-8% per year. Long-term targets include a return on equity of 13-14% and a cost/income ratio of 57-59%. These strategic objectives should be viewed from a multi-year perspective.

In the coming years, the Bank intends to pay a stable ordinary dividend, which may rise gradually within a range of CHF 20 to CHF 25 per share, depending on business growth. Furthermore, it will optimize equity by making an additional annual distribution of CHF 10 per share. In late 2008, we announced our intention to maintain these distribution levels for five to six years counting from 2008, barring significant changes in the economic and regulatory environment, and to gradually bring our FINMA capital adequacy ratio down to 145%, equivalent to a BIS Tier 1 ratio of 13%.

Business trends at the main subsidiaries

Piguet Galland & Cie SA

Banque Piguet Galland & Cie SA posted revenues of CHF 68m in 2011, of which CHF 25m resulted from the merger. Operating expenses came in at CHF 57m, CHF 20m of which were due to the consolidation of Banque Franck Galland & Cie SA. Operating profit for the year was CHF 11m, including approximately CHF 5m from the consolidation.

2011 was a transitional year for the new bank, due to the extraordinary expenses generated by the merger and the negative effects of the decline in the financial markets. The bank registered a limited outflow of funds amounting to CHF 136m; this was due to uncertainties relating to the merger and the off-shore wealth management sector in Switzerland. It also reflected a change in custodian bank for some investment funds. Assets under management stood at CHF 7.6bn at 31 December 2011, including CHF 2.8bn from the consolidation of Banque Franck Galland & Cie SA.

Gérifonds SA

Total assets held by administered funds fell by 11% to CHF 15.0bn in 2011. However, the number of funds administered by Gérifonds SA increased by 10 to 121, almost all of which are Swiss-registered funds.

Assets under management were down 2% to CHF 7.9bn, remaining very close to the record level at 31 December 2010 despite the declines on the financial markets and the fall in the euro against the Swiss franc. The number of funds managed by Gérifonds SA was increased by 11 new funds, while two funds went into liquidation. At year-end, Gérifonds managed 99 funds, 83 of which were registered in Switzerland and 16 in Luxembourg.

Revenues grew by 1% to CHF 16.1m, while net profit dropped 7% to CHF 4.0m. Almost 40% of Gérifonds' Swiss revenues comes from products developed by firms other than BCV. In 2011, the number of these partner firms remained stable at 11.

FIR-GEP SA

GEP SA, which manages the Fonds Immobilier Romand (FIR) real-estate investment fund, pressed ahead with its qualitative development strategy for the fund. GEP SA focused investment on new construction projects in Epalinges and Vevey and renovation work aimed at improving the energy efficiency of older buildings in its portfolio. In 2011, FIR once again turned in an excellent performance, with a 9% increase in total assets to CHF 879m and a 8.6% rise in rents to CHF 55m. Including the capital raised at the end of 2010, FIR's annual performance was 28% at the end of June 2011.

Year in Review
Business Sector Reports

Retail Banking

- **The Retail Banking Sector achieved very strong growth in 2011, with low interest rates and a relatively favorable macro trend in Vaud.**
- **The mortgage book grew by 8% to CHF 7.2bn, and customer deposits were up 6% to CHF 7.5bn.**
- **Revenues rose by 6% to CHF 214m. Effective cost control drove operating profit up faster than top-line growth, with the Sector showing a 12% gain in operating profit to CHF 121m.**
- **As part of the BCVPlus strategy, Retail Banking continued its efforts to increase advisors' customer-facing time and deliver top-notch services that are fully in line with customers' needs.**

Business and strategy

At end-2011, Retail Banking employed 427 people. They serve the banking needs of individuals with assets of up to CHF 250,000 or mortgages of up to CHF 1.2m. In addition to the usual 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, which was recently relaunched as TradeDirect and is available at www.tradedirect.ch.

Most of BCV's customers first came to the Bank for retail banking services. We offer a comprehensive range of distribution channels: 67 branch offices providing dense coverage of Vaud Canton, a fast-growing network of more than 210 ATMs, a highly efficient Customer Service Center and an internet banking platform, BCV-net, that is used by approximately 160,000 customers. Our retail banking operations are an integral part of our image as the bank of choice for the people of Vaud. We work closely with customers in all phases of their lives, providing ongoing support through our broad array of products and services. Retail Banking also generates a pool of potential customers for Private Banking.

Retail Banking's experienced management and wide product range make it a key training ground for the Bank'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.

Market and competitive environment

Despite uncertainty about the strength of the global economy and the eurozone crisis, the macro trend in Vaud remained favorable in 2011.

The strong Swiss franc was one factor that kept interest rates very low. Together with the ongoing rise in the Vaud population and the shortage of housing, this continued to underpin demand for real estate. The mortgage market therefore remained robust in Vaud. Competition in the home financing segment remained tough throughout the year, particularly from insurance companies.

There was a large inflow of money into traditional savings accounts, reflecting restrained consumer spending and very low visibility on the financial markets.

2011: business report

Business volumes expanded strongly in 2011. The mortgage book grew by 8% to CHF 7.2bn, and customer deposits were up 6% to CHF 7.5bn.

Revenues rose by a strong 6% to CHF 214m, and operating profit increased by 12% to CHF 121m.

Retail Banking continued its efforts to revamp its sales and marketing approach, building on projects initiated in 2009 and pursued in 2010. Advisors now spend more time with their customers, actively seeking to find the right fit in terms of banking solutions. These measures have enabled us to improve sell-side efficiency and foster closer ties with our customers.

2012: objectives and outlook

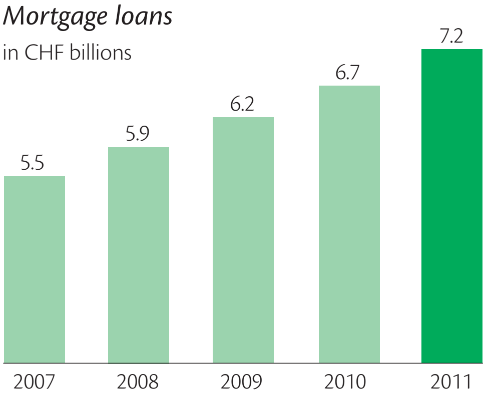
In 2012, Retail Banking aims to become even more operationally effective. This will include measures aimed at greatly simplifying the account-opening process for new customers.

The Sector will continue to pursue its goal of maintaining BCV's position as the bank of choice for the people of Vaud Canton through its close community ties and professional approach, actively seeking to provide straightforward, easy-to-use products and services that meet the needs of each individual customer.

2007–2011 financial data

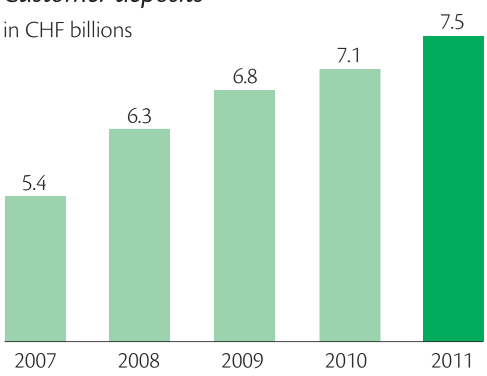
Mortgage loans

in CHF billions



Customer deposits

in CHF billions



Key figures

	2011	2010
Total revenues (CHF millions)	214.3	202.5
Operating profit (CHF millions)	120.6	108.0
Cost / income ratio (excluding goodwill amortization and write-downs)	80%	86%
ROE (based on operating profit after depreciation and write-offs and interdivisional billing)	26.9%	19.5%
Headcount	427	425

2010 figures were adjusted to facilitate like-for-like comparisons.

Corporate Banking

- The Corporate Banking Sector achieved firm business growth in 2011, supported by new client acquisitions in the SME segment and growth in Trade Finance in the second half of the year.
- Lending rose by 8% to CHF 15.4bn and deposits were up 4% to CHF 6.5bn.
- Revenues edged down 2% to CHF 287m and operating profit also fell 2% to CHF 239m.
- The corporate loan book proved resilient, with loan losses falling relative to 2010 and coming in much lower than expected average values.
- The new sales and marketing strategy in the SME segment was successfully implemented, with advisors spending more time with customers in order to provide them with the solutions that best match their requirements.

Business and strategy

Our 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 continued to expand its SME customer base in order to consolidate its already-strong presence in the Vaud economy. Currently, more than half of the Canton's SMEs bank with BCV.

BCV has relationships with two-thirds of Vaud's major corporations. The Sector's Large Corporates Department also 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 and softs. The Sector systematically monitors all transactions that it finances.

Market and competitive environment

In 2011, Vaud Canton's SMEs were resilient to the deterioration in economic conditions following the sharp rise in the Swiss franc and the poor economic outlook in Europe and the USA. The real-estate sector continued to grow during the year.

The funding needs of large corporations remained stable. These companies generally had a high level of liquidity and preferred bond-market financing, and so their bank lending needs were limited.

Conditions in the commodity markets remained uncertain throughout 2011. Grain exports suffered in the first half before quotas in Ukraine and the embargo in Russia were lifted. The iron ore and coal markets saw firm growth, with prices and volumes driven higher by strong demand from emerging markets. However, the steel market continued to suffer from concerns about economic growth in Europe and the USA.

The competitive environment in trade finance improved in the second half of 2011, as some foreign banks operating in the Lake Geneva region withdrew from the segment.

2011: business report

There was firm growth in business volumes. Lending rose by 8% to CHF 15.4bn and deposits were up 4% to CHF 6.5bn.

The Sector had strong traction in the SME segment, with growth in the mortgage book as Corporate Banking drew new customers and experienced an expansion in lending activities. In the Large Corporates segment, lending also rose throughout the year, although short-term treasury deposit volumes were highly volatile. In Trade Finance, there was firm growth in the second half of the year, with relatively high volatility in commodity markets. This business took advantage of various opportunities during the second-half, resulting in a strong full-year performance.

Revenues fell by 2% to CHF 287m and operating profit was also down 2% to CHF 239m.

Credit-risk provisions in Corporate Banking were lower than expected average values.

In 2011, the Sector continued its cross-selling and joint advisory efforts with other business sectors, with the objective of providing broader coverage of client needs. In particular, in response to rapid movements in the foreign-exchange markets, the Sector was able to offer clients hedging solutions to reduce risk arising from erratic currency movements.

Following a market re-segmentation and changes in operational processes, the Sector's new sales and marketing approach had a positive impact. Advisors' client-facing time increased steadily in 2011, enabling them to offer Vaud SME customers advice tailored specifically to their needs.

As part of this effort, our business banking hotline played its role in establishing close partnerships with SMEs and providing operational support to advisors. The hotline handled more than 90,000 calls in 2011, 6% more than in 2010.

2012: objectives and outlook

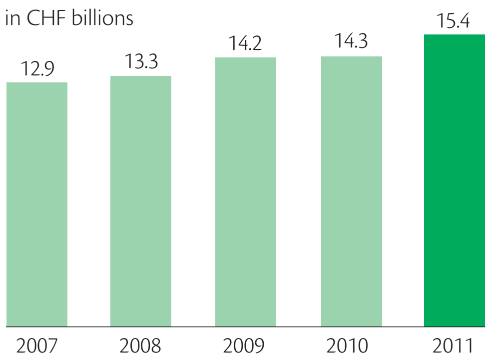
In 2012, the eurozone crisis will continue to affect the business climate. Accordingly, Corporate Banking will aim for maximum responsiveness to the needs of its SME customers, standing with them in uncertain economic times.

The Trade Finance and Large Corporate businesses will maintain their approach, based on maximizing profitability while keeping a firm grip on risk.

2007–2011 financial data

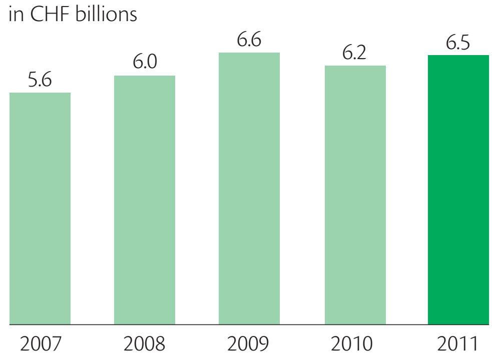
Lending and off-balance-sheet commitments

in CHF billions



Customer deposits

in CHF billions



Key figures

	2011	2010
Total revenues (CHF millions)	287.1	292.5
Operating profit (CHF millions)	239.0	244.7
Cost / income ratio (excluding goodwill amortization and write-downs)	36%	35%
ROE (based on operating profit after depreciation and write-offs and interdivisional billing)	17.7%	18.4%
Headcount	200	197

2010 figures were adjusted to facilitate like-for-like comparisons.

Wealth Management

- **The Wealth Management Sector achieved mixed results in a difficult economic environment marked by declining financial markets.**
- **Assets under management were up 2% to CHF 59.2bn, and mortgage lending to private banking clients increased 16% to CHF 6.1bn.**
- **Revenues rose by 6% to CHF 368m and operating profit was up 1% to CHF 201m.**
- **The integration of Banque Franck Galland & Cie SA was completed.**

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 and Trading Division works with institutional clients. With 630 employees in wealth management, BCV Group has a major regional presence in private banking. We are also the Canton of Vaud's leading institutional asset manager.

In light of the Vaud region's strong potential in private banking, the Wealth Management Sector is maintaining the growth strategy initiated in 2009. Because BCV operates in all areas of banking, efforts to attract private clients can be coordinated with other business sectors, creating valuable synergies. For example, the Bank's private banking business benefits from a steady stream of high-potential referrals from Retail Banking, whose client base includes most of the more than 700,000 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 2e pilier, which has around 800 member companies. Another strength lies in the discretionary management service we offer pension funds. Having previously focused our activities in French-speaking Switzerland, we sought to expand our business in the German-speaking part of the country in 2011 in order to maximally leverage our investment policy and ability to create high-value-added financial products.

BCV holds 85% of subsidiary Piguet Galland & Cie SA, which 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, Neuchâtel and Lugano. 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 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.

Market and competitive environment

The financial markets performed poorly again in 2011, and the macro climate was also tough. The eurozone debt crisis worsened and, together with concern about U.S. growth, this continued to affect investor sentiment. There were wide swings in exchange rates. In particular, the Swiss franc rose sharply against the U.S. dollar and the euro until the Swiss National Bank set a floor rate of CHF 1.20 to the euro. The general climate of uncertainty severely restricted visibility and the outlook for investment.

The Swiss banking industry is going through a turbulent period following recent challenges to banking confidentiality. These developments, particularly those involving the taxation of beneficial owners, will have major consequences, notably those involving implementing the necessary processes. This issue will require close attention in the coming years.

However, BCV's wealth management business is principally focused on onshore clients. Competition in this area is intensifying as new players arrive in French-speaking Switzerland.

The institutional asset management industry is also becoming more competitive, as banks that previously focused on private clients enter the business.

2011: business report

Despite increasingly fierce competition, BCV's onshore private banking business performed well in 2011. In institutional asset management, high market volatility weighed on demand for actively managed investment vehicles. International private banking experienced a mixed operating environment, characterized by regulatory changes and ongoing pressure on banking confidentiality. In response, BCV is keeping apace with developments and making the appropriate adjustments.

The downturn in investment performance caused by declining markets was largely offset by the integration of Banque Franck Galland & Cie SA and new money inflows. At 31 December 2011, assets under management totaled CHF 59.2bn, an increase of 2%.The mortgage book grew by 16% to CHF 6.1bn. Taking into account the consolidation of Banque Franck Galland & Cie SA, revenues rose by 6% to CHF 368m and operating profit was up 1% to CHF 201m.

2012: objectives and outlook

In 2012, we will press ahead with our growth strategy in onshore wealth management, aiming to become the market leader in Vaud Canton.

We increased our institutional asset management sales force and opened a representative office in Zurich back in 2010. This should enable Asset Management to expand its catchment area going forward and to attract a more diverse range of clients investing in BCV investment funds by developing external distribution channels.

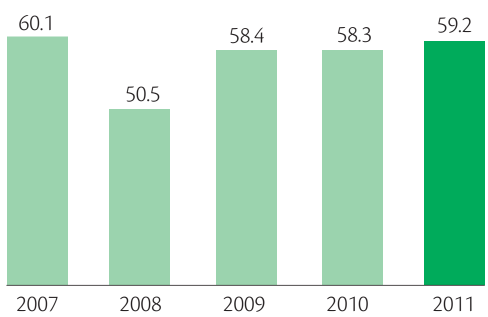
As a producer and provider of investment products, Asset Management will continue to design its investment strategies with a sharpened focus on the risk/return profile. The product range will be expanded in an effort to offer investors a more diverse choice of regions, asset classes and investment styles.

For Piguet Galland & Cie SA, 2012 will be a year of business development, with ambitious growth objectives in French-speaking Switzerland's wealth management market.

2007–2011 financial data

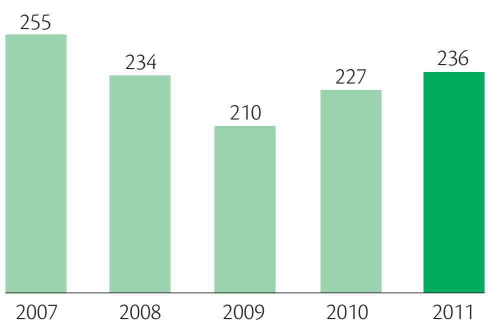
Assets under management

in CHF billions



Fee and commission income

in CHF millions



Key figures

	2011	2010
Total revenues (CHF millions)	368.4	346.8
Operating profit (CHF millions)	201.3	199.9
Cost / income ratio (excluding goodwill amortization and write-downs)	64%	62%
ROE (based on operating profit after depreciation and write-offs and interdivisional billing)	50.2%	50.8%
Headcount	630	550

2010 figures were adjusted to facilitate like-for-like comparisons.

Trading

- Currency trading once again had an excellent year, boosted by increased hedging demand and business volumes.
- The trend in the structured products business was encouraging, with a marked recovery for the first time since the financial crisis.
- The Sector's revenues increased by 13% to CHF 62m, while operating profit rose by 25% to CHF 40m.
- With trading activities focused primarily on customer-driven transactions, risk levels stayed very low.

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 rooms in French-speaking Switzerland. Our traders operate directly on the following exchanges: SIX Swiss Exchange, Eurex and Scoach (Switzerland). 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 with BCV use our e-FOREX trading platform.

Our trading room now focuses on client transactions. This means that risk levels are low.

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

Market and competitive environment

Concerns about the vigor of the economic recovery were borne out as the USA reported weaker-than-expected growth. In Europe, the eurozone crisis deepened further, despite rescue plans and measures aimed at restoring balanced budgets in the most indebted countries. These factors dragged down valuations in global markets. Equity markets corrected sharply in the first half of the year and bottomed out in August at levels close to those seen during the 2008 financial crisis. Against this backdrop, stockmarket trading volumes fell in 2011, with SIX Swiss Exchange and Scoach experiencing a 3% decline in traded value.

In the forex market, the decline in the U.S. dollar and euro pushed the Swiss franc to record highs. This forced the SNB to intervene and set a floor rate of CHF 1.20 to the euro in September. High volatility also led to increased client demand for hedging products and options-based strategies.

2011: business report

Trading income rose to a very high level in 2011, driven by forex activities and an upturn in structured-product issuance volumes.

Overall, trading revenues rose by 13% to CHF 62m, while operating profit also increased by 25% to CHF 40m.

2011 was another good year for currency trading. Wide market swings and high volatility led to increases in customer-driven business volumes, particularly for hedging purposes.

Renewed demand for structured products prompted higher issuance volumes relative to 2010.

Customer trading volumes fell by 9% compared with 2010.

The Sector's risk profile remained very low, with VaR (1-day, 99%)[1] of CHF 0.3m at 31 December 2011.

In 2011 we also brought our trading activities together in one single Trading Department, in line with our strategy of focusing on customer-driven transactions.

[1] Value at Risk (VaR 1-day, 99%) is the maximum 1-day loss on a given portfolio of financial instruments with a 99% confidence interval.

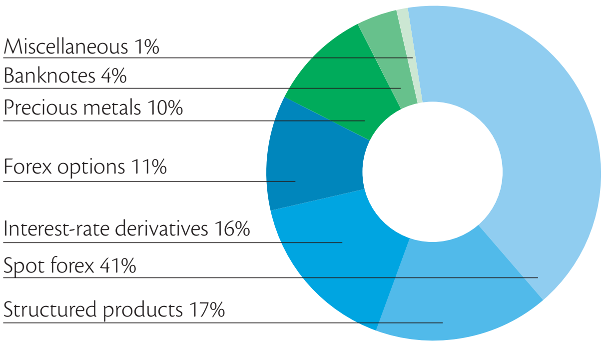
2012: objectives and outlook

In 2012, the Trading Sector will further develop its range of services to focus on customers' core trading needs. BCV will continue to offer an array of highly transparent products for both hedging and investment purposes.

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

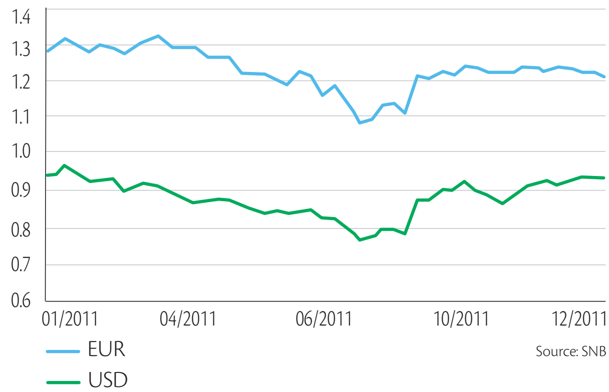
2011 financial data

Breakdown of trading revenues by market segment



Exchange rates

versus CHF



Key figures

	2011	2010
Total revenues (CHF millions)	61.6	54.5
Operating profit (CHF millions)	40.1	32.1
Cost / income ratio (excluding goodwill amortization and write-downs)	33%	40%
ROE (based on operating profit after depreciation and write-offs and interdivisional billing)	98.7%	77.9%
Headcount	60	60

2010 figures were adjusted to facilitate like-for-like comparisons.

Cully Jazz Festival

This musical event once again hit all the high notes from 25 March to 2 April. As well as the 12,000 tickets sold for the 13 featured performances, an estimated 50,000 people came to soak up the atmosphere and enjoy the local wines.


CULLY
JAZZ.

Risk Management

1. Risk Management

1.1 Objectives

The business of banking is to take on strategic and business risk, market risk and credit risk in order to create added value. 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 operational risk.
3. Every risk that BCV takes must fall clearly within the purview of the Group's businesses.
4. BCV ensures transparency in all the risks that it takes and enters into a transaction only when it knows how to manage the resulting risks.
5. BCV's risk management process looks at all risk factors in a consistent way and monitors their potential impact.
6. BCV applies uniform definitions, methodological approaches and organizational principles in managing risk.
7. BCV continually improves its risk management organization, processes and methods.
8. The maximum level of risk taken by BCV is in line with its risk tolerance relative to net profit fluctuations and with its available capital.
9. BCV works constantly to foster a culture of risk management and to develop its skills in this field. In particular, the Bank follows industry best practices and the recommendations of the Basel Committee.
10. BCV is committed to having full in-house expertise in all the risk management techniques 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 have an adverse effect on the Bank's strategic choices in the case of strategic risk, or from competitive changes that 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 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 assets, and market liquidity). Liquidity risk, both in terms of the structural funding of activities and 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, inquiries, sanctions, increased monitoring or a restriction on banking activities;
- the reputational impact on the image 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. The Executive Board Risk Management Committee is responsible for proposing the Bank's risk policy and strategy (RPS), closely monitoring the Bank's risk profile, and steering all developments and enhancements in risk management at BCV. The committee is chaired by the Chief Financial Officer (CFO), and includes the CEO, other division heads, and the Chief Risk Officer (CRO).
- 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 CRO is in charge of the Risk Management Department and develops the methods and models used for the management of credit risk, market risk and operational risk. The CRO monitors the Bank's overall exposure to the four risk categories and is responsible for the Bank's risk reporting.
- 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.

1.5 Risk Management Department

The Risk Management Department is the central pillar of BCV's credit-, market- and operational-risk management. Its mission is to develop and continually improve the Bank's methods and principles for managing risk; to foster a culture of risk management among staff in all the Bank's divisions; to monitor the Bank's risk profile and risk-taking strategy; and to oversee and execute risk reporting. The Department is also responsible for the overnight monitoring of market risk for BCV's trading floor.

The Risk Management Department has a staff of around twenty people that combine highly developed technical skills with extensive experience in managing banking risks. The risk management staff works in close collaboration with the Bank's various divisions to implement and maintain controls commensurate with the risks that are taken.

1.6 BCV risk profile - key indicators

The main indicators of the Bank's risk profile are summarized below.

2. Managing credit risk

2.1 Customer credit risk

Managing credit risk is a core competence 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 on the next page.

BCV risk profile

		31/12/08	31/12/09	31/12/10	31/12/11
BCV Group capital adequacy (determined according to Basel II since 2009)	• FINMA capital requirements (CHF millions)	1,650	1,677	1,636	1,727
	• FINMA capital adequacy ratio	180%	176%	175%	165%
	• BIS capital requirements (CHF millions)	1,464	1,328	1,298	1,355
	• BIS Tier 1 capital ratio	16.4%	17.8%	17.6%	16.8%
	• BIS Total capital ratio	16.2%	17.8%	17.6%	16.8%
Non-impaired loans (parent company)	• Customer loans, on- and off-balance sheet[1] (CHF billions)	23.2	25.2	26.7	28.9
	• Expected loss ratio	22 bps	22 bps	17 bps	14 bps
Impaired loans (parent company)	• Impaired loans [2] (CHF billions)	0.6	0.6	0.5	0.4
	• As a % of total customer loans and due from banks	2.0%	1.8%	1.6%	1.3%
	• Specific provisioning ratio	57%	49%	45%	44%
Market risk on the trading book (parent company)	• Trading: VaR (CHF millions, 1-day, 99%)	1.9	0.3	0.3	0.3
	• Nostros: VaR (CHF millions, 180-day, 99%)	13.4	6.1	3.1	3.0
Market risk on the banking book (parent company)	• VaR (% of economic value of equity capital, 90-day, 99%)	4.4%	3.3%	4.0%	4.2%
Operational risk (parent company)	• New provisions and direct losses (CHF millions)	6.6	2.2	38.8	1.4

[1] Including OTC derivatives since 31 December 2009 and the available amounts on irrevocable credit lines, but excluding financial investments (bonds)
[2] Net commitments (commitments to impaired borrowers for which the provision is above 0)

2.1.1 The lending decision

Risk strategy and credit policy

Loans to customers represent the Bank's largest asset position. BCV takes on credit risk with the aim of building a quality loan portfolio, primarily by lending to counterparties in Vaud Canton. 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 regulatory capital requirements. 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, loan products, and loan-product pricing, whereas credit analysis and approval are the domain of the Credit Management Division, headed by the CCO. Analysis of credit risk is based on tools (rating models) developed by the Risk Management Department, and on assessments by credit analysts. Some low-risk forms of lending such as standard mortgage loans are directly approved by the front office on the basis of scores obtained from rating models defined by the Risk Management Department.

Approval limits for customer 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

The internal counterparty default rating 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 17 clearly defined sub-ratings. The rating is obtained by 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. The main rating models are those for individuals, businesses borrowing small amounts, SMEs, real-estate professionals, large corporates, public-sector entities and banks. The models are "scoring" models and use both financial and qualitative variables. They are based on statistical techniques and meet the requirements of the Basel II agreement for Internal Ratings-Based (IRB) approaches. The models are under the responsibility of the Risk Management Department and are subject to ongoing validation and 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 by a method that takes into account the characteristics of the building, its age, state of upkeep, and local market conditions. 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 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 limit 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 II slotting criteria. This approach enables the Bank to price all loans in a way that best reflects the quality of each transaction.

2.1.2 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. These actions are overseen by a supervisory entity in the CCO's organization. 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. Credit-risk exposures, distribution by internal counterparty default rating, distribution by loss given default, distribution by expected loss, and regulatory capital requirements are analyzed for each customer segment and reported to management.

2.1.3 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 one of five possible strategies. The choice of strategy is based on established criteria that, 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 determined by the Risk Management Department.

2.2 Interbank credit risk

2.2.1 Risk strategy and credit policy

Credit-risk exposure on other banks arises mainly from treasury management, from BCV's trading activities in over-the-counter derivatives, from securities and payment transactions (unwinding), and from bank guarantees on trade-finance operations. The Bank reviews the limits applicable to each bank counterparty at least once a year.

2.2.2 Lending authority and monitoring

Authority to approve bank-counterparty limits is expressed in terms of limits on exposures before settlement and maximum settlement exposure. Depending on the magnitude of the limit, interbank credit lines may require the approval of the Board of Directors, the Executive Board Credit Committee or the Bank-Counterparty Committee. Approval limits are specified in the Bank's lending policy rule book.

The Corporate, Trade Finance and Bank Credit Analysis Department, which reports to the CCO, is responsible for analyzing interbank credit risk and monitoring drawdowns on interbank credit limits.

2.2.3 Collateral management

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

2.3 Exposure to credit risk

The Parent Company's total lending commitments amounted to CHF 33.5bn at 31 December 2011, a year-on-year increase of 8%. At CHF 4.1bn, bank-counterparty exposures represented 12% of total commitments.

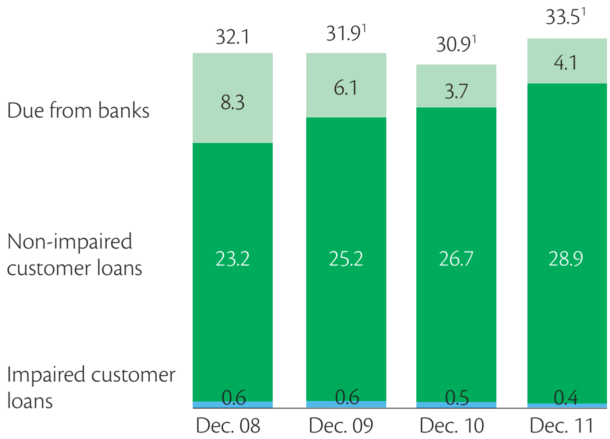
For non-bank-counterparty lending, the Bank's business is largely with customers located in Vaud Canton and accounts for 80% of total lending.

BCV's corporate loan book reflects the economic structure of the Canton, albeit with a somewhat larger exposure to real estate and construction (39%).

The 2011 breakdown by sector was stable compared with 2010. The proportion of retail and private banking clients in total non-impaired loan-book exposures stayed at 49%.

Customer loans and amounts due from banks

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



[1] Including OTC derivatives since 31 December 2009 but excluding financial investments

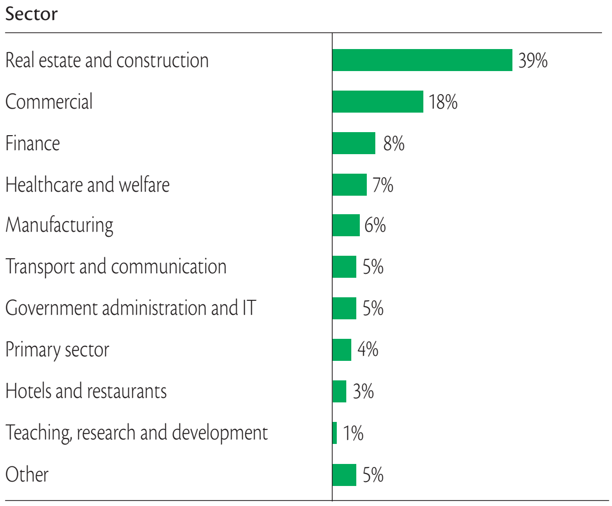
Customer loans by geographical zone

as a percent of on-balance-sheet customer loan exposure, for the parent company

Client domicile	31/12/2010	31/12/2011
Vaud Canton	79%	80%
Rest of Switzerland	15%	12%
European Union + North America	4%	3%
Other	2%	6%

Customer loans by economic sector

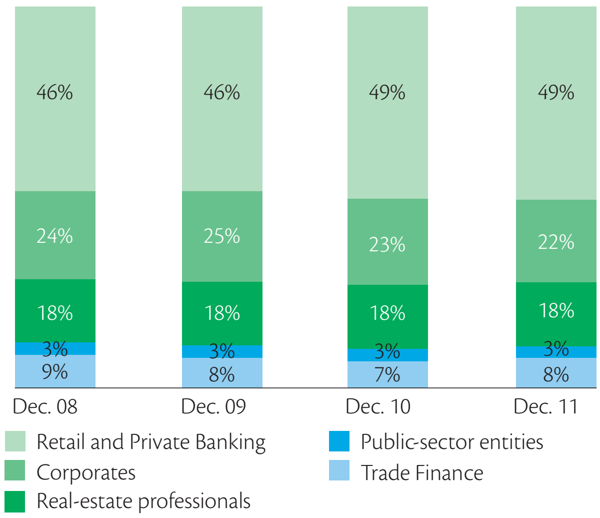
as a percent of on-balance-sheet customer loan exposure, for the parent company, at 31 December 2011



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 14 basis points, or 11 basis points excluding trade-finance exposures. Impaired loans were less than CHF 450m and represented 1.3% of total exposures.

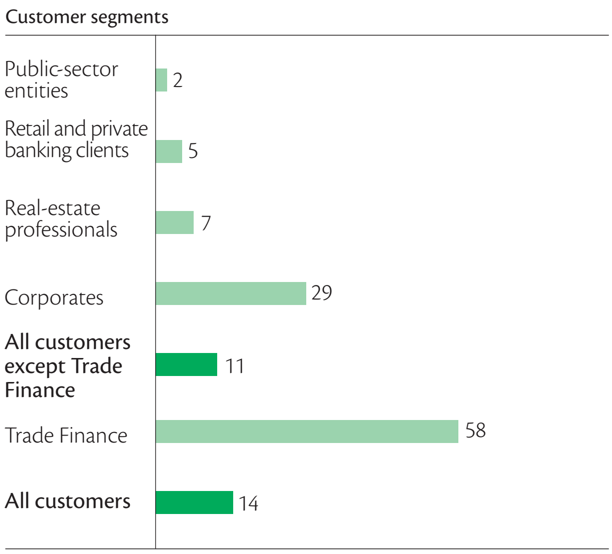
Customer loans by segment

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



Expected loss rate

expressed in basis points of drawn customer loans, including OTC derivatives, at 31 December 2011



The Basel II Pillar 3 Report contains more detailed information on the risk profile of the Bank's loan portfolio.

3. Market risk

BCV takes on market risk in conducting its trading activities and also to some degree 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

3.1.1 Risk strategy and trading policy

All trading activities are managed within the Asset Management & Trading Division. A distinction is made between the trading portfolio, which includes all the Trading Deparment's positions, and the financial management nostro (i.e., proprietary) portfolio, which is managed by the Asset Management Department.

The Trading Department carries out market operations in equities, fixed-income instruments, forex and precious metals on behalf of internal and external counterparties. 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. Since BCV completely withdrew from proprietary equity-derivative trading at the end of 2009, the Trading Department has focused primarily on customer-driven operations.

The Asset Management Department is responsible for the financial management nostro portfolio, which may be invested in equities, bonds, simple derivatives, structured products, funds and funds of funds. All transactions (apart from those in funds and funds of funds) are conducted on regulated exchanges or representative markets. While this portfolio used to focus on providing a return, it was significantly reduced and given a new role in 2009 under the new strategy. It is now used to assist in the creation of new asset management funds and to maintain a certain amount of liquidity, while keeping risk-taking to a minimum.

3.1.2 Organization

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 Chief Risk Officer and the head of the Back Office Department. This process ensures that before a product is launched, all requirements in the areas of risk management, ALM, treasury management, back offices, legal, compliance, tax and IT have been met.

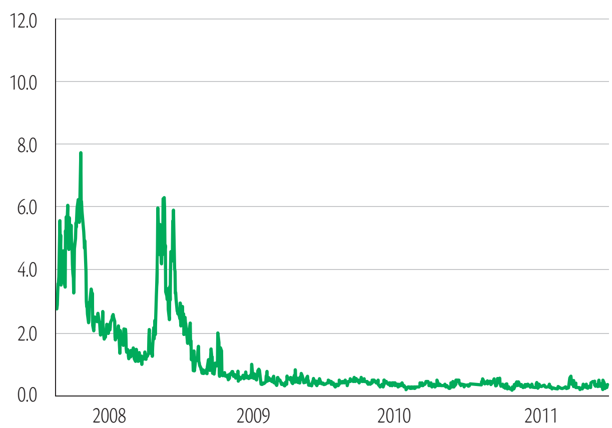
For all trading positions, overnight monitoring of market risk is under the responsibility of the Market Risk Unit within the CRO's Risk Management Department. This ensures that control of market risk is performed independently of the Asset Management & Trading Division. The Market Risk Unit also defines the risk control measures and monitors the appropriateness of risk control for new trading products.

3.1.3 Exposure to market risk on the trading book

Various techniques are used to measure market-risk exposure on the Trading Department's trading portfolio:
- historical overnight value-at-risk (VaR) with a 1-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.

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

in CHF millions



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

The decision made at the end of 2008 to withdraw from proprietary equity-derivative trading led to a significant reduction in VaR in 2009 as these positions were liquidated. VaR dropped from over CHF 2m at the start of 2008 to below CHF 0.6m, where it has remained since the end of 2009. Throughout 2011, VaR for the trading book stayed close to CHF 0.3m.

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

The 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 and Risks Division is responsible for operational management of interest-rate risk.

The goal of managing the banking book's interest-rate risk is to optimize the interest margin and raise the current value of equity capital.

Exposure to interest-rate risk is measured in terms of value-at-risk (VaR), 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 be able to deal with the potential outflow of funds that might occur on any day as a result of the liabilities that it holds. This 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 in order to meet, with an additional safety margin, related regulatory requirements and to achieve the balance sheet ratios set by the Board of Directors.

The framework for liquidity management is set by the ALCO. 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.

4. Operational risk

The Bank's operational risk management concept is based on the Basel Committee's principles of best practice. This concept is built around a Bank-wide approach that yields a coherent, integrated view of these risks and seeks to identify and improve control of factors that may trigger potential operational-risk events. The factors are the following:

- inappropriate 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.

Potential improvements in terms of processes, IT systems, infrastructure and organization are sought through self-assessments, which involve the Bank's upper management and are managed by the Risk Management Department.

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

Operational-risk events are logged, reported and analyzed for the purpose of improving the risk control system.

5. Compliance

The activities and operations of a full-service bank must meet a large number of legal and regulatory requirements. Various entities within the Bank, depending on the scope of their authority, are responsible for incorporating these requirements into the Bank's directives and other internal procedures and for independently overseeing their application. Regulations concerning dealings with clients, the fight against money laundering and the financing of terrorism, financial market supervision, and institutional transparency all fall under the remit of the Compliance Department, which reports directly to the CFO. Other entities with a compliance role include the Risk Management, Financial Accounting, Information Systems Management and Human Resources departments, and the Security Unit.

The role of Compliance is to ensure that the Bank operates in accordance with the requirements that fall within Compliance's purview. Compliance aims to limit the risk that strategic choices, business decisions, procedures and day-to-day operations will be non-compliant.

Accordingly, Compliance has four key objectives:

- **to monitor regulations on two levels:** Compliance coordinates the monitoring of all changes in banking and financial legislation. It also detects, analyzes and informs the governing bodies of any changes in requirements concerning dealings with clients, the fight against money laundering and the financing of terrorism, financial market supervision, and institutional transparency;
- **to adapt internal regulations:** Compliance adapts internal regulations within its purview (directives and other procedures) to new requirements;
- **to provide support for the Bank's business lines:** drawing on its extensive knowledge of the Bank's different businesses, Compliance contributes to preventing situations of non-compliance;
- **to conduct level-two oversight and reporting:** Compliance periodically ensures that the rules within its purview are being applied. It reports its findings to the Bank's governing bodies and auditors; this report contains a thorough assessment of the risk factors that may lead to non-compliance and also identifies potential improvements.

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 circular 08/24 and Swiss auditing standard No. 890. 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 ICS is an integrated bank-wide system. It covers all functions and all hierarchical levels. In addition to the Bank's front-line activities, the system also applies to business-support, steering and monitoring functions as well as to external service providers, particularly those falling under the scope of FINMA circular 08/7 on outsourcing.

BCV works to foster a culture of oversight among its staff so that each employee understands his or her role in the ICS. Oversight is thus part of employee performance assessment and skills development.

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

- Level one: operational oversight by employees and managerial oversight by their superiors;
- Level two: controlling the appropriateness and effectiveness of level-one oversight by entities independent of the chain of command. This oversight is carried out by functional skills centers, including the Compliance, Risk Management, Financial Accounting, Controlling, Information Systems Management and Human Resources departments, and the Security Unit;
- Level three: a periodic review of levels 1 and 2 by the Internal Audit Department.

The Bank analyzes the appropriateness and effectiveness of its ICS annually and submits its findings to the governing bodies and the external auditor.

Velopass bike sharing

In 2011, the velopass bike-sharing network was in high gear. Over 143,000 bicycle rentals took place in the 20 Swiss cities taking part in the program. The 20 docking stations in the Lausanne-Morges region alone accounted for 46,000 bicycle rentals last year. In Yverdon-les-Bains, where this series of photos was taken, almost 100 bikes were available at 7 docking stations, enabling locals and visitors alike to get around town.


BCV

Corporate Governance

General principles

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

- communicate transparently. The information provided in this chapter complies with the information-disclosure requirements contained in the Corporate Governance Directive issued by the SIX Swiss Exchange on 1 July 2002[1] and amended in 2003, 2004, 2006, 2007 and 2009;
- apply the principal standards of corporate governance. BCV follows the recommendations contained in the Swiss Code of Best Practice for Corporate Governance[2] whenever they are compatible with its status as a corporation organized under public law;
- carry out regular reviews of its organization with regard to the Bank's present needs and future growth, and ensure that all members of management are involved in its operational procedures;
- materially and continuously improve the information it publishes, in particular by means of its annual report and a separate report on corporate social responsibility, which is issued every two years.

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

1) See the English translation of this text on the SIX website: www.six-exchange-regulation.com/obligations/governance_en.html
2) An English translation of this text, by Prof. Peter Böckli, may be found at www.economiesuisse.ch
3) www.bcv.ch (some website pages are only available in French)

1. Group structure and shareholders

1.1 Group structure

1.1.1 Group operational structure (at 31 December 2011)

Details of all BCV Group companies are shown in sub-chapter 11 (Scope of Consolidation) on page 121 of the consolidated financial statements. BCV is the only listed company included in the Group's scope of consolidation.

1.1.2 Listed companies included in the scope of consolidation

Company name	Banque Cantonale Vaudoise
Legal status	Corporation organized under public law, established on 19 December 1845 by Council Decree of the Vaud Cantonal Parliament (Grand Conseil vaudois) and governed by the Act of 20 June 1995, as amended on 25 June 2002, 30 January 2007 and 2 March 2010
Registered office	Place Saint-François 14, 1003 Lausanne, Switzerland
Stock exchange listing	BCV shares are listed on the SIX Swiss Exchange
Market capitalization	At 31 December 2011, the value of BCV's listed shares with a par value of CHF 10 was CHF 3.9bn
Security number	1.525.171
ISIN code	CH0015251710

1.1.3 Unlisted companies included in the scope of consolidation (at 31 December 2011)

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

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

In principle, each head of division is also a member and/or chair of the board of directors of each subsidiary attached to his or her division. In the case of Piguet Galland & Cie SA, the Chairman of the parent company's Board of Directors also chairs the Board of Directors of this subsidiary.

The share capital of BCV's subsidiaries and the holdings of the parent company are shown in sub-chapter 11 on page 121 of the consolidated financial statements. In addition to its operational subsidiaries, the Group has subsidiaries that are purely legal entities and have no staff of their own. They serve to separate operations which, from a legal point of view, are outside the sphere of BCV's core business areas. A case in point is Initiative Capital SA, whose business is acquiring holdings in start-up companies, mostly in the Lake Geneva area.

1.2 Major shareholders

At 1 January 2012, the Canton of Vaud held 66.95% of the Bank's share capital. No other shareholder is known to hold an interest of 5% or more in either the voting rights or capital. BCV Group is currently unaware of any shareholders' pacts. Registered shareholders other than the Canton of Vaud represented 17.25% of the Group's capital at 31 December 2011.

1.3 Cross-shareholdings

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

2. Capital structure

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

2.1 Share capital

Information on the Bank's share capital and changes in 2009, 2010 and 2011 may be found in notes 5.5 and 5.6 to the parent company financial statements (pages 154 and 155). Additional information on the Group's capital is shown on page 109 of the consolidated financial statements.

At 31 December 2011, the Bank's share capital stood at CHF 86,061,900 and consisted of 8,606,190 registered shares with a par value of CHF 10.

2.2 Conditional capital

There was no conditional capital at 31 December 2011.

2.3 Capital structure at the end of the 2009, 2010 and 2011 financial years

Change in capital structure

Number of shares

Equity capital	31/12/2009	31/12/2010	31/12/2011
Share capital (fully paid-in registered shares)	8,606,190	8,606,190	8,606,190
Participation-certificate capital (fully paid-in participation certificates)	0	0	0
Conditional capital (shares)	0	0	0

Equity – Group

CHF millions

Equity	31/12/2009	31/12/2010	31/12/2011
Equity capital (fully paid-in)	172	86	86
Capital reserves and retained earnings	2,331	2,466	2,492
Reserves for general banking risks	704	704	704
Minority interests in shareholders' equity	14	15	19
Total	**3,222**	**3,271**	**3,301**

Main changes in 2009

The Annual Shareholders' Meeting held on 30 April 2009 approved a resolution to reduce the par value of BCV's share by reimbursing shareholders CHF 10 per share at the end of the capital-reduction procedure. As a result, the share capital in the nominal amount of CHF 258,185,700, consisting of 8,606,190 fully paid-in registered shares with a par value of CHF 30, was reduced to CHF 172,123,800 through the reduction of the par value per share to CHF 20 and the repayment to shareholders of CHF 10 per share (8,606,190 shares). The par-value repayment took place on 22 July 2009.

Main changes in 2010

The Annual Shareholders' Meeting held on 29 April 2010 approved a resolution to reduce the par value of BCV's share by reimbursing shareholders CHF 10 per share at the end of the capital-reduction procedure. As a result, the share capital in the nominal amount of CHF 172,123,800, consisting of 8,606,190 fully paid-in registered shares with a par value of CHF 20, was reduced to CHF 86,061,900 through the reduction of the par value per share to CHF 10 and the repayment to shareholders of CHF 10 per share (8,606,190 shares). The par-value repayment took place on 21 July 2010.

Main changes in 2011

There were no changes in BCV's share capital in 2011.

2.4 Shares and participation certificates

Registered shares at 31 December 2011

Number of shares	8,606,190
Proposed ordinary dividend	CHF 22
Distribution out of paid-in reserves	CHF 10
Par value	CHF 10
Stock exchange listing	SIX Swiss Exchange
Voting rights	One voting right per share

2.5 Dividend-right certificates

BCV has not issued any dividend-right certificates.

2.6 Restrictions on transfers and registration of nominees

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

2.6.1 Restrictions on transfers

Excerpt from the Articles of Incorporation:

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

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

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

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

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

End of excerpt from the Articles of Incorporation.

2.6.2 Exemptions granted during the financial year

No exemptions were granted during the financial year.

2.6.3 Registration of nominees

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

2.6.4 Privileges under the articles and transfer restrictions

At any Shareholders' Meeting convened to vote on the removal of a clause relating to restrictions on the transfer of registered shares, such removal shall be decided by an absolute majority of votes attached to the shares represented, where each share shall entitle the holder to one vote (Article 11, paragraphs 3 and 4 of the Cantonal Act of 20 June 1995 Governing BCV), in compliance with the rules applicable to any resolution of the Shareholders' Meeting.

2.7 Convertible bonds and options

At 31 December 2011, there were no outstanding convertible bonds, warrants, structured products or OTC options involving the BCV share and issued by BCV.

3. Board of Directors

3.1 Members of the Board of Directors

At 31 December 2011, the Board of Directors comprised only non-executive members. The Chairman and members of the Board perform no other functions within BCV Group, and have not done so during the past three years apart from Olivier Steimer's role as Chairman of the Board of Directors of Piguet Galland & Cie SA. They maintain normal business relations with BCV and Group companies.

In accordance with Article 12, paragraph 2bis of the Cantonal Act Governing BCV and Article 21, paragraph 3 of the Bank's Articles of Incorporation, the Vaud Cantonal Government (VCG) assigns a written mission to the members that it appoints to the Board of Directors. The VCG appoints four of the seven members of the Board; its current appointees are Olivier Steimer, Stephan A. J. Bachmann, Luc Recordon and Paul-André Sanglard. The purpose of this "mission letter" is to describe the general framework of the mission entrusted to these members as VCG appointees to the Board and to define the full extent of their relationship with the Canton of Vaud in this regard. It addresses, in particular, the issues of loyally safeguarding the interests of both BCV and the Canton, complying with BCV's legal mandate and exercising the VCG's power to appoint certain members of the Bank's governing bodies. The letter sets out the various factors that must be considered with respect to the governing bodies' organization, operation and composition, as well as BCV's mission and strategy. Board members are called upon to ensure the implementation of a strategy that will allow the Bank to carry out its mandate under the best possible conditions, while generating a sufficient return to guarantee its financial soundness over the long term, and contribute to defining objectives that take into account both its mission and its profitability (see also Article 24, paragraph 2 of the Bank's Articles of Incorporation). It also states what the VCG expects in terms of communication with Vaud Canton, BCV's shareholders, the financial community and the public, bearing in mind the information-exchange agreement pursuant to the above Act and the Bank's Articles of Incorporation (see in particular Article 24, paragraph 2). The Audit and Risk Committee includes two Board members appointed by the VCG (Mr. Bachmann, Committee Chairman, and Mr. Sanglard) – who therefore hold such mission letters – and one elected by shareholders (Reto Donatsch). The Board members are assigned to the various committees on the basis of their personal and professional abilities and their preferred fields, the aim being to protect the interests of the Bank, its shareholders and all of its partners.

Name, year of birth and nationaltiy	Education	Career experience
Olivier Steimer, 1955, Swiss citizen	Law degree from Lausanne University	Chairman of the Board of Directors since 30 October 2002. After completing his university studies and a number of banking and finance internships, Mr. Steimer joined Credit Suisse where, from 1983 onwards, he was appointed to progressively increasing levels of responsibility as Head of the Nyon branch office and then Head of Investment Advisory Services in Lausanne. In 1995, Mr. Steimer was given overall responsibility for Credit Suisse's Geneva region and was appointed member of the Executive Board of Credit Suisse Private Banking at Zurich headquarters in 1997. In 2001, he was named CEO of the Private Banking International Division and joined the Executive Board of Credit Suisse Financial Services. The following year, he was appointed member of the Credit Suisse Group Executive Board.
Jean-Luc Strohm, 1941, Swiss citizen	Degrees in law and economics from Lausanne University	Vice Chairman of the Board of Directors from 1 January 2008 to 5 May 2011. After completing his studies, Mr. Strohm began a long and varied banking career with UBS. He worked as a financial and credit-risk analyst in Zurich from 1966 to 1970 and managed a portfolio of commercial loans in Lausanne from 1970 to 1977. In 1978, Mr. Strohm was sent to Los Angeles to set up the UBS branch there, which he headed until 1982. He was then called back to Lausanne to set up and head the International Banking Department of UBS Lausanne, where, in 1985, he was put in charge of the Corporate Banking Department. Mr. Strohm left UBS in 1993 to become Director of the Lausanne-based Vaud Chamber of Commerce and Industry, a position which he held until June 2005. He stepped down from the BCV Board of Directors after the Shareholders' Meeting of 5 May 2011.
Stephan A.J. Bachmann, 1946, Swiss citizen	Certified accountant	Mr. Bachmann joined the Board of Directors on 1 January 2008 and has chaired the Audit and Risk Committee since that date. He has also been Vice Chairman of the Board of Directors since 5 May 2011. After his initial banking training and periods in French-speaking Switzerland, England and Italy, he continued his career with PricewaterhouseCoopers Ltd and its predecessor firms. In 1969, he joined the Schweizerische Treuhandgesellschaft (STG) in Basel. This position led him to New York in 1975 to work for Coopers & Lybrand SA before returning to the Lausanne and Geneva offices. He was the head of Audit and Advisory in Switzerland from 1991 to 2006, first as a member of the Management Board of STG-Coopers & Lybrand SA and then, beginning in 1998, as a member of the Board of Directors of PricewaterhouseCoopers Ltd. As a certified public accountant and former licensed bank auditor, Mr. Bachmann has extensive experience in auditing both financial and manufacturing companies.
Reto Donatsch, 1950, Swiss citizen	Degree in economics from the University of Geneva	After completing his studies and two banking internships, Reto Donatsch started his career in the wealth management business at Credit Suisse in 1978. He first worked at the head office in Zurich, where he stayed for ten years and reached the rank of Deputy Director. In 1989, he was promoted to Director and head of the Finance Department of Credit Suisse Geneva. He joined Bank Leu AG, Zurich, in 1993 and became CEO in 1996. He also served on the Executive Board of Credit Suisse Private Banking from 1997 to 2001, representing the Group's independent banks. From 2004 to 2007, he was Vice Chairman of the Board of Directors of Bank Leu AG. Since then, Mr. Donatsch has served on the boards of several companies and foundations

Beth Krasna, 1953, Dual Swiss and U.S. citizen	Degree in chemical engineering from the Swiss Federal Institute of Technology in Zurich (EPFZ) Masters in Management from the Sloan School of the Massachusetts Institute of Technology	Beth Krasna was elected by shareholders at the Annual Shareholders' Meeting held on 30 October 2002 and joined the Board of Directors on that date. She has been Chair of the Innovation & Opportunities Committee since 2009. After five years at Philip Morris, Ms. Krasna spent ten years in the venture capital business, three years as a consultant and a further ten years in the corporate restructuring field as managing director of Valtronic in Les Charbonnières (1992-1996) and Symalit in Lenzburg. She served as CEO of Sécheron SA in Geneva (1998-2000) and of Lausanne-based software company Albert-Inc. SA (2001-2003). Since 2004, she has been an independent non-executive director for various companies.
Pierre Lamunière, 1950, Swiss citizen	Degree in economics and business administration from Lausanne University MBA (specializing in finance and marketing) from the Wharton Business School of the University of Pennsylvania	Mr. Lamunière was elected by shareholders at the Annual Shareholders' Meeting held on 24 April 2008 and joined the Board of Directors on that date. Since 1 September 2011, he has also been Chairman of the Compensation, Promotions and Appointments Committee. After starting his career in 1971 as an auditor at Coopers & Lybrand in Basel and Milan, he occupied various posts at Edipresse Group beginning in 1977. Mr. Lamunière served as Vice Chairman of the Edipresse Board of Directors from 1982-2002 and has been Chairman of the Board since that time. He was also a member of the Board of Swiss Post from 1997 to 2002.
Luc Recordon, 1955, Swiss citizen	Doctorate in law from Lausanne University and member of the Bar of Vaud Canton Degree in physics and a certificate in business management, both from the Swiss Federal Institute of Technology in Lausanne (EPFL).	Mr. Recordon worked as a lawyer for the Federal Office for Spatial Planning from 1980 to 1981 and spent the next two years as a sales engineer with Granit SA in Lausanne before setting up his own legal and technical consultancy. Mr. Recordon was admitted to the Bar in 1989 after two years as a trainee lawyer and was subsequently made a partner in a Lausanne law firm.
Paul-André Sanglard, 1950, Swiss citizen	PhD in economics with a specialization in political economy from the University of Geneva.	After working as an assistant in the Department of Political Economy at the University of Geneva, Mr. Sanglard was employed as an economist in the Swiss Federal Office of External Economic Affairs. From 1978 to 1979, he was a Research Fellow at Stanford University and the Massachusetts Institute of Technology. In 1979, he was appointed Head of Jura Canton's public revenue office. He became a lecturer in public finance at the University of Geneva in 1982, and between 1984 and 1989 he was a member of the World Economic Forum Executive Committee. Mr. Sanglard has been a freelance economist since 1989.

Paul-André Sanglard

Member of the Board of Directors

Olivier Steimer

Chairman of the Board of Directors

Reto Donatsch

Member of the Board of Directors

Pierre Lamunière

Member of the Board of Directors

Beth Krasna

Member of the Board of Directors

Stephan A.J. Bachmann

Member of the Board of Directors

Luc Recordon

Member of the Board of Directors

3.2 Other activities and business relations

Olivier Steimer	• Vice Chairman of the Board of Directors of Swiss Federal Railways, Bern • Member of the Board of Directors of Ace Limited, Zurich • Chairman of the Board of Directors of Piguet Galland & Cie SA, Yverdon-les-Bains • Member of the Bank Council of the Swiss National Bank, Bern and Zurich • Member of the Board of Governors of Switzerland's Federal Institutes of Technology, Lausanne and Zurich • Chairman of the Foundation Board of the Swiss Finance Institute, Zurich • Member of the Committee of the Board of Directors of economiesuisse, Zurich • Chairman of the Committee of the Lausanne University construction office, Lausanne • Board member of the following foundations: BCV Foundation, Lausanne; Avenir Suisse, Bern; Table Suisse, Morat; Aide sportive suisse; and the Centre for Humanitarian Dialogue, Geneva
Jean-Luc Strohm	• Member of the Board of Directors and Chairman of the Audit Committee of Bondpartners SA, Lausanne • Chairman of the Félix Vallotton Foundation, Lausanne • Member of the Polyval Committee, Le Mont-sur-Lausanne • Member of the Board of Directors of Creapole SA, Delémont
Stephan A.J. Bachmann	• Member of the Board of Directors and Chairman of the Audit Committee of La Nationale Assurances, Basel • Chairman of the Ethics Committee of the Chambre Fiduciaire • Member of the Board of La Longeraie Foundation, Morges
Reto Donatsch	• Member of the Board of Directors of Constellation Capital AG, Freienbach • Partner at Constellation Flore Fröhlich & Cie, Freienbach • Chairman of the Investment Committee of the Bern Canton Pension Fund, Bern • Board member of the Swiss Red Cross Humanitarian Foundation, Bern
Beth Krasna	• Member of the Board of Governors and Chair of the Audit Committee of Switzerland's Federal Institutes of Technology • Member of the Board of Directors and Chair of the Audit Committee of Bonnard & Gardel Holding, Lausanne • Member of the Board of Directors of Coop, Basel, and Raymond Weil SA, Geneva • President of the Board of Trustees of the Fondation en Faveur de l'Art Chorégraphique (Prix de Lausanne) • Member of the Swiss Academy of Technical Sciences and the Strategy Board of Geneva Canton
Pierre Lamunière	• Chairman of the Board and Managing Director of Edipresse Group, Lausanne • Member of the Board of Directors of Tamedia SA, Zurich • Chairman of the Board of Directors of Lamunière SA and its subsidiary undertakings, Lausanne • Chairman of the Board of Directors of Payot Naville Distribution SA, Geneva • Member of the Board of Directors of Le Temps SA, Geneva • Member of the Management Board of the International Federation of the Periodical Press (FIPP)
Luc Recordon	• Committee member (and former Chairman) of the Lausanne Section of the Swiss Tenants' Association (ASLOCA) and the Vaud Section of the Swiss Transport and Environment Association (ATE - VD), and Chairman of the general meeting of AVDEMS, Pully, and of the Board of Directors of the Coopérative Tunnel-Riponne, Lausanne • Local councilor for Jouxtens-Mézery • Member of the upper house of the Swiss Parliament and the Vaud Green Party Committee • Member of the Council of Europe Parliamentary Assembly, Strasbourg • Board member of the following companies and foundations: SEG Swiss Education Group SA, Lausanne; Clavel SA, Bern; Association E-Changer, Partenaire dans l'échange et pour le changement, Fribourg; and NECC SA, Lausanne • Member of the Foundation Board of the Swiss Federation of Private Schools, Bern, and of IPT (Fondation intégration pour tous), Lausanne • Chairman of the Joint Labor-Management Commission of the Fondation Pour l'Animation Socioculturelle Lausannoise, Lausanne • Chairman of the committee of the "Association romande pour le développement et l'intégration des médecines complémentaires" (RoMédCo), Lausanne, and the "Association Pro AI Vaud," Lausanne

Paul-André Sanglard	• Chairman of the Board of Directors of Groupe Vaudoise Assurances, Lausanne • Chairman of the Board of Directors of Banque Cantonale du Jura, Porrentruy • Chairman of the Board of Directors of Ophthalmology Network Organization, Onex • Member of the Board of Directors of TSM Insurance Company, La Chaux-de-Fonds; Compagnie Benjamin de Rothschild SA, Meyrin; Helvea SA, Geneva; and QNB Banque Privée (Suisse) SA, Geneva • Chairman of the Audit & Corporate Social Responsibility Committee of BAT, Italy • Member of the Foundation Board of FITEC, Delémont; CODECO, Porrentruy; and of the Investment Committee of Swiss Solidarity, Geneva • Chairman of the Foundation Board of Observatoire de la finance, Geneva

3.3 Election and term of office

3.3.1 Principles

Pursuant to the Articles of Incorporation, the Board of Directors is composed of seven, nine or eleven members. The Chairman and half of the other members are appointed by the Vaud Cantonal Government. The remaining members are elected individually by shareholders at the Annual Shareholders' Meeting, with the Cantonal Government abstaining from voting.

The Chairman and other members of the Board of Directors are appointed for a period of four years. Their term of office may be renewed, but the total term may not exceed 16 years. They are required to step down at the end of the calendar year in which they reach the age of 70.

3.3.2 First election and term of office

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

3.4 Internal organization

3.4.1 Allocation of tasks

The Chairman of the Board of Directors is Olivier Steimer. Board member Stephan A. J. Bachmann became Vice Chairman on 5 May 2011. He replaced Jean-Luc Strohm, who left the Board of Directors after the Shareholders' Meeting of 5 May 2011, as he had reached the legal age limit. The other Board members are Beth Krasna, Reto Donatsch, Pierre Lamunière, Luc Recordon and Paul-André Sanglard.

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

The Board of Directors has set up an Audit and Risk Committee and a Compensation, Promotions and Appointments Committee. In principle, neither committee has decision-making powers. Their responsibility is to

Members of the Board of Directors	Year of birth	Date of first election	Latest possible expiration of term of office	Appointed by
Olivier Steimer (Chairman)	1955	30 October 2002	2018	Vaud Government[1]
Stephan A. J. Bachmann (Vice Chairman)	1946	1 January 2008	2016	Vaud Government[2]
Reto Donatsch	1950	5 May 2011	2020	Shareholders' Meeting
Beth Krasna	1953	30 October 2002	2018	Shareholders' Meeting[3]
Pierre Lamunière	1950	24 April 2008	2020	Shareholders' Meeting
Luc Recordon	1955	1 February 2002	2018	Vaud Government[1]
Paul-André Sanglard	1950	30 October 2002	2018	Vaud Government[1]

[1] Term of office renewed until end-2013
[2] Term of office renewed until end-2015
[3] Term of office renewed for four years at the 2010 Annual Shareholders' Meeting

prepare Board resolutions and submit opinions. The Board of Directors may create other special committees to deal with matters that are to be submitted to the Board.

3.4.2 Committees: composition and terms of reference

Audit and Risk Committee

In 2011, the Audit and Risk Committee was made up of Stephan A. J. Bachmann (Chairman), Paul-André Sanglard and Jean-Luc Strohm (up to 5 May 2011). Reto Donatsch replaced Jean-Luc Strohm from 5 May 2011.

In 2010, the role of the Audit and Risk Committee was expanded. It is now tasked with ensuring the application and operation of risk control and management at BCV. The Committee assists the Board of Directors in assessing the various types of risk faced by BCV, and in structuring and organizing the Bank's risk management and control processes. It draws up opinions and recommendations for the Board after conducting a critical examination on a regular or case-by-case basis of the Group's main risks, the risk management policy and strategy, reports on risks and compliance with regulatory capital requirements.

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

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

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

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

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

Apart from its regular duties, the Audit and Risk Committee attended a one-day training seminar in 2011 that focused on a number of risk-related topics, compliance, interbank operations and forex.

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

Compensation, Promotions and Appointments Committee

In 2011, the Compensation, Promotions and Appointments Committee consisted of Olivier Steimer (Chairman until 1 September 2011), Pierre Lamunière and Luc Recordon. The CEO takes part in an advisory capacity. Pierre Lamunière became Chairman on 1 September 2011, in place of Olivier Steimer, who continues to sit on the Committee.

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

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

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

Finally, it makes recommendations on executive appointments and promotions.

Other committees

The ad hoc committee formed in 2003 to handle all ongoing legal proceedings involving BCV's former governing bodies continued to sit in 2011. This committee is composed of Luc Recordon (Chairman), Beth Krasna and Olivier Steimer.

In 2009, the Board of Directors created the Innovation and Opportunities Committee whose primary missions are to initiate and explore certain issues of strategic importance and, in the interest of BCV's clientele, to monitor the latest developments and trends in the banking industry. It also oversees corporate social responsibility within the Bank. The Committee, which consists of Beth Krasna (Chairperson), Olivier Steimer, Luc Recordon and Pascal Kiener, met five times in 2011.

3.4.3 Performance appraisal of the Board of Directors

In 2011, the Board of Directors held 10 ordinary plenary meetings. Each meeting generally lasted a half day, with the exception of four full-day meetings. The Board of Directors went on two 2-day retreats, in part with the Executive Board, and had three conference-call meetings. The retreats provide the Board of Directors with the opportunity to address strategic topics in greater depth, including the Bank's overall strategy and its strategies in the areas of human resources, finance, IT and risk management.

The Board committees meet whenever required by the business at hand. In 2011, the Audit and Risk Committee met seven times and took part in a one-day training seminar and two conference-call meetings; the Compensation, Promotions and Appointments Committee met five times.

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

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

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

The Board of Directors has adopted an operational procedure between itself and the Executive Board with a subject-by-subject description and schedule of the tasks to be performed. This "modus operandi," which is periodically reviewed, establishes the frequency with which matters are handled by the two Boards, including their committees, and in which form. The objective is good governance by ensuring that all pertinent issues are addressed at the right level, that the time available to the Boards and committees is allocated optimally and that their involvement is fully consistent with their responsibility (see also section 3.6). Following the review of its procedures in 2009, the Board of Directors decided to delegate more matters to the committees. In principle, decision-making authority nevertheless rests with the Board.

3.4.4 Performance appraisal of the Board of Directors

The Board of Directors sets itself annual objectives which are as concrete as possible. It carries out an analysis every six months to determine whether these objectives have been achieved, and also reviews and improves its procedures on a regular basis.

In 2011, the Board of Directors appointed Egon Zehnder International to perform an independent analysis of the Board's operational procedures and efficiency, including those of its committees. Based on an extensive questionnaire and a personal interview with each member of the Board of Directors and the Executive Board, Egon Zehner International produced a report comprising its findings and a detailed analysis. Overall, the report finds that the Board of Directors operates very well, while putting forward some interesting points for consideration; these were presented to the Board at a meeting. The exercise was deemed successful and will be repeated periodically.

Furthermore, the Board sets objectives for its Chairman. The Vice Chairman and the other members of the Board meet, in the Chairman's absence, to evaluate the degree to which these objectives have been met. This evaluation serves as the basis for establishing the Chairman's fixed and variable compensation.

3.5 Powers

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

The Board of Directors exercises the inalienable powers described in Article 24, paragraph 4 of the Articles of Incorporation and carries out all duties that have not been assigned to BCV's other governing boards pursuant to the above Cantonal Act, the Articles of Incorporation or the by-laws.

It also has the following responsibilities:

The Board of Directors determines which companies belong to BCV Group, in accordance with the legal provisions applicable to the scope of consolidated supervision. Subject to the non-transferable and inalienable powers of the subsidiaries, it exercises the same powers relative to the Group, through the directives that BCV issues and the instructions that BCV gives its representatives within the Group.

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

In accordance with FINMA circular 08/24 on the supervision and internal control of banks, the Board of Directors regulates, establishes, maintains, supervises and regularly validates the internal control system (ICS). The relevant internal framework directive was implemented in 2008. The Board regularly discusses its assessment of the appropriateness and effectiveness of the ICS with the Executive Board.

In terms of appointments, the Board of Directors has a number of responsibilities that fall outside the powers defined in Article 24, paragraph 4 of the Articles of Incorporation. In agreement with the Vaud Cantonal Government, it determines the conditions governing the appointment of its chair. It appoints and removes the Head of Internal Audit along with all executives in that department with the rank of lead auditor or equivalent, and appoints and removes Bank executives with signing authority. It sets the compensation of its members, the Head of Internal Audit, the CEO and, upon the CEO's recommendation, the other members of the Executive Board. It also sets the Bank's overall compensation level. It validates the employee handbook and the conditions applicable to the Executive Board. It determines the method of signing used by the Bank, which is the joint signature of two persons.

The Board of Directors determines the organization and defines terms of reference by means of by-laws (a completely revised version of which took effect on 1 January 2011), the organization chart for divisions and departments, other regulations and tables of terms of reference. In particular, it draws up the quantified terms of reference assigned to the Executive Board. It approves the Bank's lending policy upon the recommendation of the Executive Board, and the technical standards and regulations governing lending authority upon the recommendation of the Executive Board's Credit Committee. It decides on the granting of loans to members of the Board of Directors and Executive Board.

It reviews the independent auditor's annual reports, with each member of the Board of Directors certifying that he or she has read them, along with the activity reports submitted by the Internal Audit Department. It prepares the reports, accounts and other documents and proposals to be presented to the Shareholders' Meeting, and approves the strategic-development and investment plans. Finally, it approves the budget and the objectives defined by the Executive Board.

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

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

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

Furthermore, the Executive Board implements the decisions made by the Board of Directors. It ensures that the organization and internal audit procedure in place at BCV meet the requirements of FINMA circular 08/24 on the supervision and internal control of banks and the relevant framework directive issued in this regard by the Board of Directors; to this effect, the Executive Board issues the necessary directives and exercises appropriate oversight. It adopted the ICS implementing directive in 2008.

The Executive Board draws up the Bank's financial strategy through the CFO, the risk management policy and strategy through its Risk Management Committee, and the lending policy through its Credit Committee. It is responsible for preparing periodic risk-assessment reports in accordance with the instructions of the Board of Directors and prepares all documents that will be used in the decision-making and monitoring processes relative to operations and business dealings that involve special risks. It is responsible for overall risk management within the framework set by the Board of Directors, regularly verifies compliance with disclosure and reporting requirements defined by the regulatory authorities, and monitors compliance with risk exposure limits set by the Board of Directors.

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

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

Subject to the powers of the Board of Directors, it hires and dismisses employees, whose rights, obligations and responsibilities are defined in the employee handbook. It appoints and removes executives who have signing authority as assistant vice president or signing officer, and submits proposals to the Board of Directors concerning its nominees for positions as executives with group signing authority. It can dismiss these executives in an emergency and, if so, informs the Board of Directors. It makes recommendations on the Bank's overall compensation level to the Board of Directors, through the Compensation, Promotions and Appointments Committee.

3.6 Monitoring the Executive Board

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

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

The “Risk Management” section (pages 48-57) provides a summary of BCV’s risk management procedures and an overview of its risk profile. Sub-chapter 10 of the financial statements (pages 117-120) explains the principles applied by the Bank in assessing and managing risk. The Bank publishes its Basel II Pillar 3 Report on its website (www.bcv.ch). The report is updated every six months and can be found under the Investor Relations section.

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

No member of the Board of Directors belongs to the Executive Board or exercises any management function whatsoever at the Bank or its subsidiaries, in compliance with the principle of independence stipulated in Article 8, paragraph 2 of the Swiss Federal Implementing Ordinance on Banks and Savings Institutions.

Internal Audit Department

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

Its activities must comply with the requirements stipulated by the supervisory authorities and professional organizations. The Board of Directors therefore appoints an independent external auditor to evaluate the Internal Audit Department every 5 years. This is in addition to the annual assessments conducted by the Bank’s usual external auditors on the Internal Audit Department. In November 2011, the audit company Deloitte entrusted with this assessment confirmed to BCV that the Internal Audit Department carries out its operations in compliance with Institute of Internal Auditors standards and in general follows the profession’s best practice.

The head of the Internal Audit Department draws up a five-year plan, which is reviewed annually and coordinated with the audit company, the executive boards of the parent company and BCV Group companies. It is then approved by the Audit and Risk Committee and submitted for information purposes to the Board of Directors. The one-year plan results from this medium-term planning process. It may be changed during the year by the head of the Internal Audit Department, subject to approval by the Audit and Risk Committee.

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

Supervision and regular evaluations of the Internal Audit Department are delegated to the Audit and Risk Committee. Every year the Committee assesses the Department's cooperation with the audit company, decides whether the Department is efficient and has the necessary resources and appropriate skills, and ensures that it performs its activities independently and objectively.

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

4. Executive Board

4.1 Members of the Executive Board

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

Name, year of birth and nationaltiy	Position and start date	Education	Career experience
Pascal Kiener, 1962 Swiss citizen	CEO since 1 May 2008 and CFO from 1 June 2003 until 31 December 2008	MSc in mechanical engineering from the Swiss Federal Institute of Technology in Lausanne (EPFL) in 1985. MBA from INSEAD in Fontainebleau in 1992.	Between 1985 and 1991, Mr. Kiener worked as an engineer for Fides Informatics in Zurich and Hewlett Packard in Geneva. In 1993, he joined the consulting firm McKinsey & Company. In 2000, he was made partner and a member of the Management Committee of McKinsey Switzerland. He acquired experience in financial services, and in banking in particular, during these years as an advisor for leading financial institutions in Switzerland and other European countries. He managed large projects involving strategy, risk management, controlling, and business process re-engineering. Mr. Kiener joined BCV as CFO on 1 June 2003.
Aimé Achard, 1954 Dual French and Swiss citizen	Member of the Executive Board with responsibility for the Business Support Division since 1 April 2006	Degree in computer science from the Institut d'Informatique d'Entreprises (IIE), Paris, in 1978.	In 1979, Mr. Achard joined BNP Paribas Group and worked in London, Oslo, Basel and Geneva, where he occupied key posts in the management, design and operation of IT systems and back offices. Before joining BCV on 1 April 2006, he was responsible for the operational integration of acquisitions in the private banking business of BNP Paribas Group. Aimé Achard became a Swiss citizen in September 2011.
Stefan Bichsel, 1955 Swiss citizen	Member of the Executive Board with responsibility for the Asset Management & Trading Division since 1 May 2009	Admitted to the bar of Bern Canton in 1982. Master of Laws (LL.M) from Georgetown University in Washington DC in 1986. Admitted to the bars of New York and Connecticut in 1987. Advanced Management Program at the Wharton Business School, Philadelphia in 1994.	Following law studies in Lausanne and Bern, Mr. Bichsel started his career at UBS. He was admitted to the bars of New York and Connecticut, before working for Pictet & Cie in Geneva. In 1994, he was appointed as the first CEO of Swissca Holding AG (now Swisscanto). From 1998 to 2001, he served as Chairman of the Board of the Swiss Funds Association (SFA). In 2002, Mr. Bichsel was named to the Management Board of Robeco Group (Rotterdam), where he was put in charge of the company's operations outside the Netherlands. From 2003 to 2005, he was Chairman of the Board of the European Fund and Asset Management Association (EFAMA) in Brussels. He joined Lombard Odier Darier Hentsch Group (LODH) in 2006 as a partner in the holding group and member of Group Management. He joined BCV as a Member of the Executive Board with responsibility for the Asset Management & Trading Division on 1 May 2009.
Markus Gygax, 1962, Swiss citizen	Member of the Executive Board with responsibility for the Retail Banking Division since 1 October 2008	Degree in business administration from the Zurich School of Business Administration in 1987. MBA-FSI from the University of St. Gallen in 2004.	After working at Zurich Cantonal Bank from 1978 to 1986, Mr. Gygax moved to the Swiss Banking Corporation and then Helsana, where he was in charge of retail products and distribution for private clients. He joined Postfinance in 2002 as a member of Executive Management and head of Distribution. Mr. Gygax was responsible for all systems and distribution channels targeting both businesses and individuals throughout Switzerland. He joined the Executive Board with responsibility for the Retail Banking Division on 1 October 2008.

Gérard Haeberli, 1961, Swiss citizen	Member of the Executive Board with responsibility for the Private Banking Division since 1 July 2009.	Degree in economics (with a specialization in business administration) from the Business and Economics Faculty of Lausanne University in 1983. Certificates from the International Bankers School in New York, Harvard Business School in Boston and IMD in Lausanne.	Mr. Haeberli joined Credit Suisse in 1985, where he spent his career until 30 June 2009. From 1987, he held responsibilities in private banking in Yverdon-les-Bains and then worked in Zurich before being transferred to the United States, where he worked in New York and Miami. In 1994 he was transferred to Lausanne, where he took over responsibility for an international desk for Credit Suisse Private Banking. In 1998 he was put in charge of the Vaud region, and became head of Private Banking for all of French-speaking Switzerland in 2000. His responsibilities were extended in 2006 to include all of Credit Suisse's business lines in French-speaking Switzerland. He joined the Executive Board with responsibility for the Private Banking Division on 1 July 2009.
Thomas W. Paulsen, 1965, Swiss citizen	CFO, member of the Executive Board with responsibility for the Finance & Risks Division since 1 January 2009	Degree in economics from the Business and Economics Faculty of Lausanne University in 1988. MSc in economics from the London School of Economics (LSE) in 1989. PhD in economics from Lausanne University in 1992.	Mr. Paulsen started his career as head of controlling for energy trading at EGL/Elektrowatt. In 1995, he joined the consulting firm McKinsey & Company where he was made a member of the steering committee of the European risk management practice and elected Principal Associate in 2000. During his time at McKinsey, he managed a large number of strategic projects for financial institutions in Switzerland and other European countries, as well as for major electricity companies. Mr. Paulsen joined BCV in July 2002 as Chief Risk Officer (CRO), and in this capacity created and led the Risk Management Department. He was named CFO and Head of the Finance & Risks Division on 1 January 2009.
Bertrand Sager, 1966, Swiss citizen	CCO, member of the Executive Board with responsibility for the Credit Management Division since 15 February 2010	Master of Law from Lausanne University in 1990. Advanced Management Certificate from INSEAD in Fontainebleau in 2007.	Mr. Sager began his career at Credit Suisse in 1991, where he was involved in various lending activities. He joined BCV in 1998 and was appointed to lead BCV's Credit Recovery Management Department in 2003. In this position, he played a key role in strengthening the Bank's balance sheet by reducing the volume of impaired loans. In addition, as a member of the Executive Board's Credit Committee since 2008, he has acquired a thorough understanding of BCV's lending activities. Mr. Sager was named Chief Credit Officer and appointed to the Executive Board with responsibility for the Credit Management Division as of 15 February 2010.
Jean-François Schwarz, 1955, Swiss citizen	Member of the Executive Board with responsibility for the Corporate Banking Division since 1 March 2003	Degree in economics (with a specialization in business administration) from the Business and Economics Faculty of Lausanne University in 1976.	Mr. Schwarz joined BCV's Commercial Division in 1976. He subsequently became assistant to the Head of Division and, later on, client advisor for business loans, trade finance and export credits. From 1986 onwards, he worked for Credit Suisse in Lausanne, New York, Zurich, Geneva and Sion. He was in charge of five regions for Credit Suisse as Head of Corporate Clients for French-speaking Switzerland before returning to BCV in 2003. He has been a member of the Executive Board with responsibility for the Corporate Banking Division since 1 March 2003.

Markus Gygax

Member of the Executive Board,
Head of Retail Banking

Pascal Kiener

CEO

Jean-François Schwarz

Member of the Executive Board,
Head of Corporate Banking

Bertrand Sager

Member of the Executive Board,
Head of Credit Management

Thomas W. Paulsen

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

Stefan Bichsel

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

Gérard Haeberli

Member of the Executive Board,
Head of Private Banking

Aimé Achard

Member of the Executive Board,
Head of Business Support

4.2 Other activities and business relations

Executive Board members also perform the following functions:

Pascal Kiener	• Member of the Board of Directors of the Swiss Bankers Association • Member of the Board of Directors and the Board Committee of the Union of Swiss Cantonal Banks • Member of the Board of Directors and the Steering Committee of the Vaud Chamber of Commerce and Industry • Chairman of the "Fonds de prévoyance en faveur du personnel de la BCV" • Member of the Board of the BCV Foundation • Member of the Board of the Geneva Financial Center Foundation • Member of the Strategic Advisory Board of the Swiss Federal Institute of Technology in Lausanne (EPFL) and member of the Foundation Board of EPFL Plus • Member of the Foundation Board of Foot Avenir, Paudex
Aimé Achard	• Chairman of the Board of Directors of GEP SA • Liquidator of Unicible SA en liquidation, Prilly
Stefan Bichsel	• Chairman of the Board of Directors of Gérifonds SA, Lausanne • Member of the Board of Directors of Banque Cantonale du Jura SA, Porrentruy • Member of the Board of Directors of Swisscanto Holding SA, Bern • Member of the Board of Directors of Casatip Holding SA, Baar • Member of the International Orientation Committee of EDHEC, Lille and Nice • Member of the Executive Board for Europe, Middle East and Africa, Wharton Business School, Philadelphia • Chairman of the Pro Aventico Association, Avenches
Markus Gygax	• Member of the Board of Directors of Aduno Holding SA • Member of the Board of Directors of Viseca Card Services SA • Treasurer of the "Association Vaudoise des Banques" (AVB) and of the "Fondation vaudoise pour la formation bancaire" (FVFB) • Member of the Board of the "Fondation complémentaire en faveur de l'encadrement supérieur de la BCV" • Member of the Board of the "Fonds de prévoyance en faveur du personnel de la BCV"
Gérard Haeberli	• Member of the Board of Directors of Piguet Galland & Cie SA • Member of the Liaison Committee of the Business and Economics Faculty of Lausanne University
Thomas W. Paulsen	• Chairman of the Swiss Cantonal Bank Issuing Committee • Member of the Board of Directors of the Swiss Cantonal Banks' Central Mortgage Bond Institution • Chairman of the Foundation Board of the "Caisse de pensions de la Banque Cantonale Vaudoise" • Member of the Board of the "Fonds de prévoyance en faveur du personnel de la BCV" • Member of the Commission on Market Regulation and Accounting of the Swiss Bankers Association • Member of the Commission on Annual Accounts and Regulation of the Association of Swiss Cantonal Banks
Bertrand Sager	• Committee member of the Chambre Vaudoise Immobilière • Member of the Board of Directors of GEP SA • Judge for property disputes at the Eastern Vaud District Court
Jean-François Schwarz	• Member of the Executive Committee of the Vaud Canton economic development agency (DEV) • Member of the Vaud Canton economic council • Member of the Foundation Board of the "Caisse de pensions de la Banque Cantonale Vaudoise"

Internal organization of the Executive Board

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

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

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

4.3 Management contracts

The Bank has not entered into any management contracts.

Committee name, composition (at 1 March 2012)	Main roles
Credit Committee Bertrand Sager (Chairman) Pascal Kiener Gérard Haeberli Jean-François Schwarz Eric Schneider Laurent Michel	• Submits proposals concerning the Bank's lending policy, technical standards and regulations governing lending authority to the Executive Board for approval by the Board of Directors • Makes decisions on the granting of lending authority • Makes decisions regarding the granting and renewing of major lending facilities, within the limits of its powers • Monitors the Bank's loan portfolio, particularly the sector breakdown • Oversees credit-limit and overdraft management
Risk Management Committee Thomas W. Paulsen (Chairman) Pascal Kiener Stefan Bichsel Jean-François Schwarz Bertrand Sager	• Submits risk management policy and strategy proposals to the Executive Board for approval by the Board of Directors • Ensures risk management and control processes are implemented and updated for the entire Bank and for all risk categories • Monitors the Bank's overall risk profile • Steers all the Bank's risk management projects
Asset and Liability Management Committee (ALCO) Pascal Kiener (Chairman) Thomas W. Paulsen Markus Gygax Gérard Haeberli Christopher Cherdel Eric Allemann Michel Aubry Fernando Martins da Silva	• Examines the exposure of the banking book to interest-rate risk and exchange-rate risk, as well as the Bank's exposure to liquidity risk • Manages interest-rate risk exposure on the balance sheet • Manages the Bank's liquidity and funding
Information Technology Committee Aimé Achard (Chairman) Pascal Kiener Markus Gygax Thomas W. Paulsen Frédéric Le Hellard	• Submits IT strategy proposals to the Executive Board for approval by the Board of Directors • Submits proposals on the budgetary framework and the medium-term plan for high priority projects • Monitors the implementation of IT projects • Obtains information on major IT incidents and corrective measures taken

5. Compensation, shareholdings and loans

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

The Board of Directors introduced compensation regulations on 5 March 2010. These regulations govern the compensation-related roles and responsibilities of the Board of Directors, the Compensation, Promotions and Appointments Committee, the Executive Board and Human Resources. They also provide a detailed description of the various components of the compensation system and their related rules of application.

In order to define its compensation policy, the Bank participates in two salary surveys carried out by specialized institutes every year. The main employers in the financial sector nationwide take part in these surveys, which provide BCV with an overview of market trends for virtually all positions. Furthermore, for its senior management, the Bank draws on comparisons with reference groups that include companies in banking and in other sectors that are relatively comparable (particularly in terms of market capitalization, revenues, earnings or staff numbers).

The current compensation system at BCV aims to promote employee skills and professionalism, as well as individual and team performance.

The components of the system are the base salary, variable compensation and employee share ownership. In addition, the Executive Board and senior management receive a long-term variable salary. No stock-option plans are offered as part of compensation.

As mentioned in the 2010 Annual Report, the Board of Directors and the Executive Board analyzed and evaluated the compensation system applicable to the members of the Board of Directors, members of the Executive Board and department heads.

Changes made in 2011 include:

- replacing attendance fees for the Board of Directors with compensation for sitting on BCV's various committees;
- increasing the fixed portion and reducing the variable portion of compensation paid to the Chairman of the Board of Directors;
- reviewing the method of calculating the short-term variable compensation pool;
- paying 30% of short-term variable compensation for department heads in BCV shares, subject to a lock-up period. This has already been the case for members of the Executive Board for several years;
- redefining the objectives and method of calculating long-term variable salary.

Detailed compensation figures can be found in the tables on page 132.

Board of Directors

From 2011, the Board of Directors no longer receives attendance fees. They have been replaced with compensation for sitting on the various committees, in recognition of each committee member's role and responsibilities. Overall renumeration therefore comprises fees, compensation for sitting on committees, and expenses.

Only the Chairman of the Board receives both a fixed annual salary and performance-based variable compensation. There has been a change in the ratio of fixed to variable income for the Chairman's salary. In 2011, the fixed portion was increased and, performance being equal, the potential variable compensation was reduced. As before, variable compensation will continue to be assessed according to objectives set at the beginning of the year.

The compensation of all members of the Board, except the Chairman, is decided by the full Board of Directors upon the recommendation of the Compensation, Promotions and Appointments Committee. The compensation of the Chairman of the Board is decided by the Board of Directors (excluding the Chairman), taking into account the recommendation of the Vice Chairman (see also section 3.4.4 on page 73).

The Chairman's compensation encompasses all activities as Chairman of the Board of Directors of BCV and Chairman of the Board of Directors of Piguet Galland & Cie SA.

Compensation of Board members is reviewed annually.

Executive Board

The compensation of Executive Board members is reviewed annually and determined by the extent to which unweighted quantitative and qualitative objectives, set and evaluated by the CEO for the members and by the Board of Directors for the CEO, have been met. The total compensation of the Executive Board is decided by the Board of Directors, taking into account recommendations submitted to it by the Compensation, Promotions and Appointments Committee.

For the Executive Board as a whole, the ratio of base salary to annual performance-based variable compensation was 96% in 2011.

BCV will over several years increase the fixed portion and, performance being equal, reduce the variable portion of compensation in equal measure for members of the Executive Board. In 2011, the increase in base salary for the whole of the Executive Board was approximately 9% (see table on page 132).

Compensation of the Executive Board includes all of the components below.

Base salary

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

Short-term variable compensation

All employees are eligible for variable compensation. In accordance with the Bank's strategies and action plans, both qualitative and quantitative performance objectives are defined for each of the divisions and tailored to each employee, at all levels of the organization. The final evaluation depends upon the degree to which the objectives set at the start of the period are met. On this basis, the employee's supervisor carries out an overall performance assessment in order to determine the short-term variable salary.

The overall level of short-term variable compensation is based on financial performance and takes into account the level of risk of the Bank's operations. The result is then adjusted on the basis of key strategic development objectives, project execution, operational excellence levels and the level of customer satisfaction.

Financial performance is calculated based on return on equity.

This approach enables BCV to take account of the main factors that generate shareholder value.

The breakdown in overall compensation also takes into consideration the results of the division and department in which an employee works.

Since 2011, short-term variable compensation for department heads has been granted on the same terms as for the Executive Board; that is, 30% of it must be taken in BCV shares with a lock-up period of 3 to 10 years.

For the 2011 financial year, these shares with a par value of CHF 10 were allocated at the average market price observed during the last week of February 2012.

Employee share ownership

The Bank considers employee share ownership to be an essential element in staff loyalty and identification. An in-house subscription program entitles all BCV employees to subscribe to shares. The number of shares which may be purchased is determined by the level of responsibility inherent in an employee's position. The subscription price is set every year by the Board of Directors. With the aim of promoting loyalty, the shares are subject to a three-year lock-up period from the date of issue

Members of the Board of Directors do not take part in the in-house share subscription program.

Long-term variable salary

This form of compensation is intended for a very limited number of managers. As of 2011, the only recipients were members of the Executive Board and department heads.

Its purpose is to further the Bank's long-term development by generating lasting shareholder value.

Objectives are set within the framework of three-year plans, with a new plan starting each year.

The long-term variable salary is paid exclusively in BCV shares, fully or partially, depending on the extent to which objectives have been achieved.

The type of objectives and the method of assessing the long-term variable salary were reviewed in 2011.

Performance objectives have a financial, strategic and qualitative component.

The financial component of performance is measured in terms of economic profit. Economic profit is defined as profit generated after deducting the cost of equity, which reflects the Bank's risk level. The financial component of performance is then adjusted to reflect a limited number of key strategic development objectives and projects, as well as the level of operational excellence and customer satisfaction.

In addition to bank-wide objectives, Executive Board members and frontline department heads have financial objectives set for their division.

These principles were applied for the first time in the 2011-2013 plan.

The cost of the plan will now be spread over the entire period. The cost is recalculated twice a year in line with the objectives achieved and the number of remaining participants, and adjusted accordingly. The cost of the 2011-2013 plan will therefore be spread over the 2011, 2012 and 2013 financial years.

At the end of this period, any difference between the number of shares actually distributed to participants and the number originally set aside for this purpose will be released to income to be carried under "Profit on disposal of financial investments."

All proceeds and dividends relating to BCV shares set aside for the plans are paid to the Bank. These proceeds are booked as net interest income and carried under "Interest and dividend income from financial investments."

The 2009-2011 plan, which ended on 31 December 2011, was based on the following five internal objectives:

- Return on equity
- Interest margin
- Cost/income ratio
- Cost of credit risk
- Net new money and net new mortgages.

Share allocation was governed by the following criteria:

- 5 objectives achieved: 100% of shares awarded
- 4 objectives achieved: 75% of shares awarded
- 3 objectives achieved: 50% of shares awarded
- 2 objectives achieved: 25% of shares awarded
- 0-1 objective achieved: no shares awarded.

At the end of 2011, four out of five objectives had been fully achieved. As a result, the number of shares allocated to participants in March 2012 was 75% of the total number set aside for this purpose, or 4,035 shares. In accordance with the by-laws, shares that were unallocated as a result of the departure of eligible employees were released as income for 2012 and booked as "Profit on disposal of financial investments."

Other compensation

Compensation also includes taxable entertainment expenses.

Contracts

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

Assessment of the compensation system

FINMA published a Circular on Remuneration Schemes in November 2009. BCV is not among the financial institutions required to apply the circular. FINMA nevertheless recommends that institutions apply the principles set forth in the circular to their compensation systems.

For many years, the systems in place at BCV have been largely compliant with the new FINMA requirements, which entered into force on 1 January 2010. Changes made in 2011 brought the Bank fully into line with these requirements, even though the circular does not apply to BCV.

Two important points should nevertheless be mentioned. For many years, the amount of variable compensation has taken into account the risks incurred by the Bank; and part of this compensation is a deferred payment in the form of shares subject to a minimum lock-up period of three years. In addition, compensation levels at BCV are reasonable and do not encourage unconsidered risk-taking.

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

This point does not apply to BCV

6. Shareholders' rights

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

6.1 Restrictions on voting rights and shareholder proxies

6.1.1 Restrictions on voting rights

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

Article 12 – Shareholder register
The Bank shall recognize as shareholders only those persons validly entered in the shareholder register. Only those whose names appear in the register may exercise the rights attached to BCV shares, subject to the restrictions provided herein.

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

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

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

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

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

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

Under Article 16 of the Articles of Incorporation (convening a Shareholders' Meeting – see 6.4 below for the text of the article), one or more shareholders together representing no less than one tenth of the share capital may also request the convening of a Shareholders' Meeting. Shareholders representing shares with an aggregate par value of thirty thousand Swiss francs may request that an item of business be entered on the agenda. The calling of a Shareholders' Meeting and the inclusion of an item of business on the agenda must be requested in writing, stating the business to be discussed and motions to be submitted.

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

At any Shareholders' Meeting convened to vote on the removal of a clause relating to restrictions on the transfer of registered shares, such removal shall be decided by an absolute majority of votes attached to the shares represented, where each share shall entitle the holder to one vote (Article 11, paragraphs 3 and 4 of the Cantonal Act of 20 June 1995 Governing BCV), in compliance with the rules applicable to any resolution of the Shareholders' Meeting.

6.1.2 Exemptions granted during the financial year

During the 2011 financial year, no departure from the above restrictions was made.

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

6.2 Quorum provisions

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

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

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

6.3 Convening shareholders' meetings

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

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

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

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

6.4 Agenda

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

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

6.5 Shareholder registration

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

Pursuant to paragraph 1 of the same Article, the right to vote at the Meeting shall be exercised by the shareholder registered in the share register or by his or her proxy, who may not necessarily be a shareholder. BCV will provide shareholders with an independent proxy for the Shareholders' Meeting of 3 May 2012.

7. Takeovers and defense measures

7.1 Obligation to make a bid

The Articles of Incorporation do not contain an opting-out or opting-up clause based on Article 22 of the Federal Act on Stock Exchanges and Securities Trading.

7.2 Takeover clauses

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

8. Auditors

8.1 Term of audit and length of service of lead auditor

PricewaterhouseCoopers Ltd, which has its registered office in Zurich, has been the Bank's external auditor within the meaning of the FINMA law since 2009. Alex Astolfi, a partner at PricewaterhouseCoopers Ltd, is the lead auditor. Upon the recommendation of the Board of Directors, the appointment of PricewaterhouseCoopers Ltd as the Bank's auditor for 2011 was also approved at the Shareholders' Meeting of 5 May 2011.

8.2 Audit fees

Fees invoiced by PricewaterhouseCoopers Ltd for its audits of the parent company and consolidated financial statements, the statutory audit pursuant to the provisions of the Federal Act on Banks and Savings Institutions and the Federal Act on Stock Exchanges and Securities Trading (including audit-related work required by FINMA) and the audit of BCV as a custodian bank for investment funds, amounted to CHF 1,641,465 for the 2011 financial year.

Fees invoiced by PricewaterhouseCoopers Ltd in Switzerland and abroad for financial and statutory audits of other BCV Group companies were CHF 608,369.

Total fees invoiced by PricewaterhouseCoopers Ltd for audit services supplied to all the companies which make up BCV Group therefore amounted to CHF 2,249,834 in the reporting year.

8.3 Additional fees

Fees invoiced by companies within the PricewaterhouseCoopers Ltd group for services related to audits, in particular fees for certificates required contractually or by local law, totaled CHF 84,564 for the parent company and CHF 73,872 for the other BCV Group companies. Consulting fees, including but not limited to fees for IT-related projects and tax advice, amounted to CHF 4,428 for the parent company and CHF 4,968 for the other BCV Group companies.

Total additional fees for the 2011 reporting period invoiced by PricewaterhouseCoopers Ltd in Switzerland and abroad for all BCV Group companies therefore amounted to CHF 167,832.

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

8.4 Monitoring of external auditors

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

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

The Chairman of the Board of Directors and the Chairman of the Audit and Risk Committee receive copies of all the reports, certifications and opinions issued by the external auditors in the course of their duties. Every year, the Audit and Risk Committee reviews the parent company's financial statements and regulatory reports and a summary of the reports submitted by the subsidiaries. The external auditors are regularly invited to attend Audit and Risk Committee meetings to discuss the results of their work, make recommendations on internal audit procedures and be informed of reports by other persons invited to the meetings. In 2011, representatives of the external auditors partially attended three meetings of the Board of Directors and all ordinary meetings of the Audit and Risk Committee.

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

9. Disclosure policy

9.1 Transparency

Article 24 of the Bank's Articles of Incorporation concerning the duties of the Board of Directors reads as follows: "The Board of Directors shall see that it is kept informed. It shall also see that shareholders are properly and fairly informed about the Bank's situation to the greatest extent possible, consistent with legitimate compliance with business and banking secrecy and securities laws. In particular, it shall reach an agreement governing disclosure of information to the Canton of Vaud."

9.2 Information-exchange agreement

BCV and the Canton of Vaud entered into an initial information-exchange agreement on 13 September 2004. In 2009, the two parties negotiated a new information-exchange agreement, which was signed on 7 October 2009 and took effect immediately.

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

- sets out the content and frequency of information exchanges and the procedures for providing information, together with the type and frequency of meetings between representatives of the Canton and BCV;
- defines the confidentiality rules governing these exchanges;
- designates the persons who are to provide and receive information on behalf of the Bank and the Canton;
- prohibits each party from exploiting for its own purposes the information received and provided;
- specifies the legal principles which shall apply, in particular the obligation to make public any information that may affect the price of BCV shares.

9.3 Other information

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

Information is provided to the public soon after the consolidated financial statements are approved by the Board of Directors, by means of a press release and press conference for the annual and first-half results, and a press release for quarterly results.

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

The annual report, interim financial statements and press releases are all posted on the BCV website (www.bcv.ch). The annual report and first-half statements are published in French and English, while press releases are normally available in French, English and German.

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

In 2003, the Bank began publishing quarterly consolidated operating income figures and balance-sheet information at end-March and end-September (in addition to its H1 and full-year results).

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

10. Contacts

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2012 corporate calendar

3 May	Annual Shareholders' Meeting
3 May	First-quarter results press release
7 May	Ex-dividend date[1]
9 May	Dividend record date[1]
10 May	Dividend payment[1]
16 August	First-half results press conference
8 November	Nine-month results press release

[1)] Total distribution comprising an ordinary dividend of CHF 22 per share and CHF10 per share drawn from paid-in reserves, subject to approval at the Annual Shareholders' Meeting.

Rock Oz'Arènes festival

From 31 July to 6 August 2011, the 20th edition of the Rock Oz'Arènes festival brought international stars of rock, pop, and electro music to Avenches. 37,000 music lovers of all stripes flocked to the Roman amphitheater to savor its natural acoustics and historical allure as well as the intimacy between artists and spectators.


OZ'ARÈNES

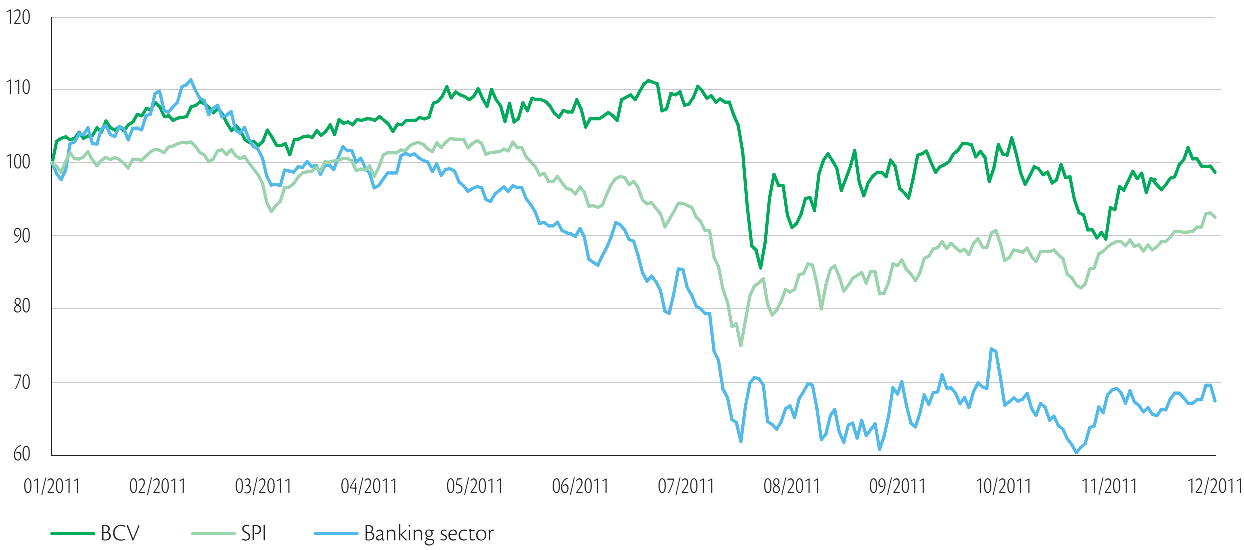
The BCV Share

In an environment marked by the sovereign debt crisis in several Western countries, which put the entire banking sector to the test, BCV once again demonstrated the solidity of its business model. What is more, BCV's rating was upgraded by both Moody's and Standard & Poor's. Moody's raised BCV's Bank Financial Strength Rating to the long-term equivalent of A3 from Baa1 in October. Standard & Poor's upgraded the Bank's long-term credit rating in December, making BCV one of only a handful of banks not backed by a formal government guarantee to be rated AA (stable).

It was a difficult year for the shares of major banks, and the BCV share was also affected by market turbulence. Total shareholder return in 2011 was slightly negative at –0.6%. This figure takes into account changes in the share price together with the various distributions, which amounted to CHF 32 per share in 2011. The BCV share nevertheless outperformed the SIX Swiss Exchange's SP Banks index, which fell 32.5% during the year. It also outperformed the broader SPI index, which declined by 7.5%.

BCV continued to attract a broad spectrum of market participants and observers. Major names in institutional asset management acquired shareholdings, while others added to their positions. Analyst coverage of the share has expanded. The consensus view among analysts is that they like the Bank's stable earnings and its attractive distribution policy. The share was also listed on the STOXX® Europe 600 index of the 600 largest market capitalizations in Europe. Finally, although only 33% of the share capital is in circulation, trading volumes on the SIX Swiss Exchange were up nearly 5% year-on-year to an average of more than CHF 3m per day. As a result, the share had the highest liquidity among its peers in Switzerland.

Total shareholder return[1]

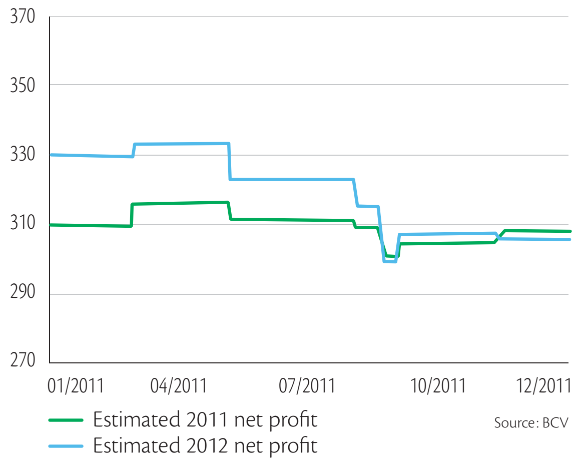


[1)] Stockmarket performance over the period plus dividends and capital distributions

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

Analyst consensus

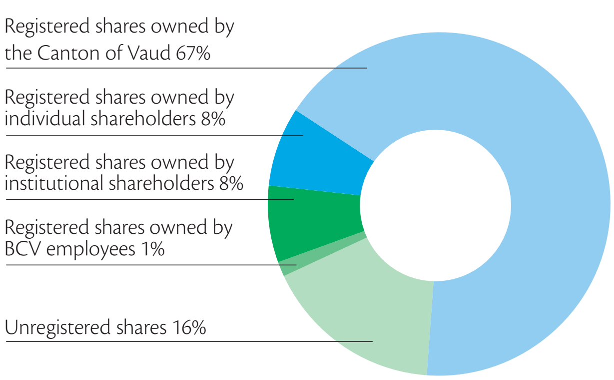
in CHF millions



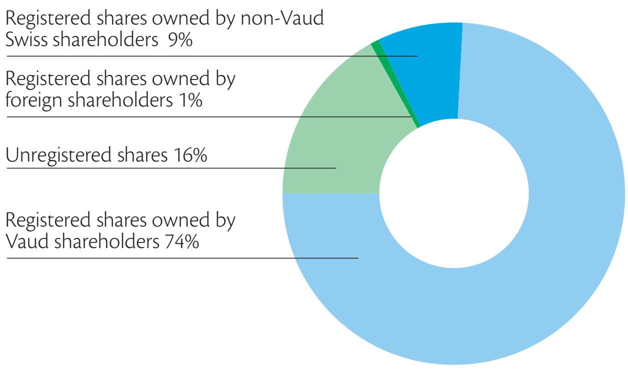
		2007	2008	2009	2010	2011
Number of shares outstanding (in thousands)		8 606	8 606	8 606	8 606	8 606
Period-end share price (in CHF)		501.00	317.75	411.00	491.00	456.25
Share price high / low (unadjusted, in CHF)	– high	652	479	427	507	547
	– low	480	249	260	397	392
EPS[1] (in CHF)		55.0	41.4	35.0	36.4	35.1
Adjusted EPS[2] (in CHF)		71.3	41.4	35.0	36.4	35.1
Dividend per share (in CHF)		14.0	20.0	21.0	22.0	22.0[3]
Dividend yield[4] (in %)		2.8	6.3	5.1	4.5	4.8
Total payout[5] (in CHF)		46.5	30.0	31.0	32.0	32.0[3]
Total payout yield[4] (in %)		9.3	9.4	7.5	6.5	7.0
S&P long-term credit rating		A+ / stable	AA– / stable	AA– / stable	AA– / positive	AA / stable
S&P short-term credit rating		A-1	A-1+	A-1+	A-1+	A-1+
Moody's long-term credit rating		A1 / stable	A1 / stable	A1 / stable	A1 / stable	A1 / stable
Moody's short-term credit rating		Prime-1	Prime-1	Prime-1	Prime-1	Prime-1

1) Based on net profit after minority interests.
2) Based on net profit after minority interests, excluding an allocation to the reserves for general banking risks.
3) Dividend to be proposed at the Shareholders' Meeting on 3 May 2012.
4) Relative to the period-end share price.
5) Total amount distributed to shareholders in the form of an ordinary dividend together with a par-value reimbursement or a distribution drawn from paid-in reserves.

Share ownership structure



Share ownership by geographical zone



Lausanne-Sport Football Club

After 9 years, Lausanne-Sport made a triumphant return to the Swiss Super League in 2011. At their La Pontaise stadium, the team has plenty of faithful fans following training sessions and matches. Lausanne-Sport is determined to compete with Switerland's top teams while remaining committed to nurturing young local talent.


BCV
SPORTXX
adidas

Financial Statements

Financial Statements
Report on the Consolidated Financial Statements

Strong rise in customer business volumes

1. Assets

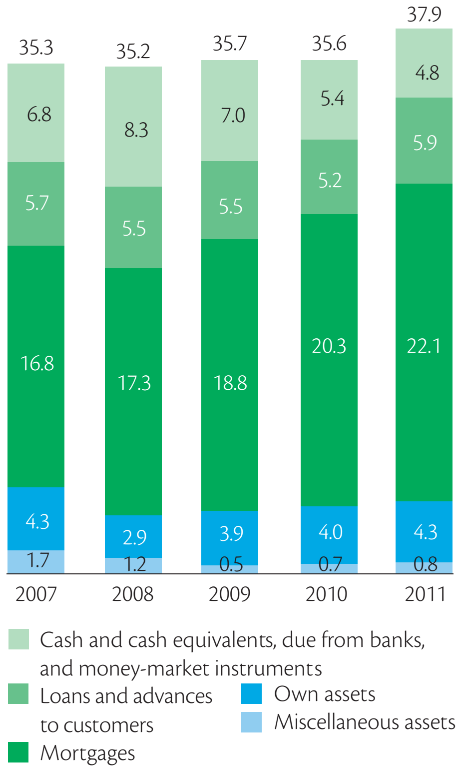
Total assets expanded by 7% (CHF 2.3bn) year-on-year to CHF 37.9bn.

Taken together, the items cash and cash equivalents, amounts due from banks, and money-market instruments declined an aggregate 9% (–CHF 475m) in 2011. Following the Swiss National Bank's decision to cease issuing SNB bills, cash and cash equivalents rose 340% (+CHF 1.3bn) to CHF 1.7bn, while the item money-market instruments fell 99% (–CHF 1.9bn) to CHF 28m. Amounts due from banks increased 4% (+CHF 110m) to CHF 3.1bn.

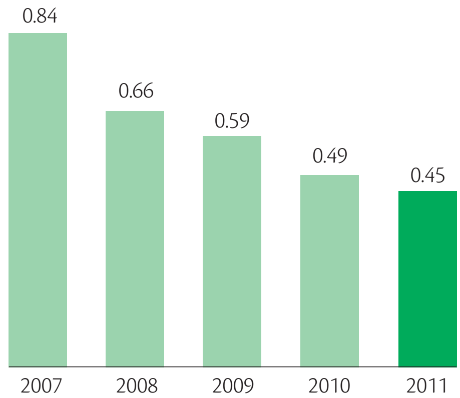
Total loans outstanding were up 10% (+CHF 2.5bn) to CHF 28.0bn. Other loans and advances to customers expanded by 12% (+CHF 647m) to CHF 5.9bn, primarily reflecting growth in loans to SMEs and trade finance activities. On the back of strong demand in the real-estate market, mortgage lending grew by 9% (+CHF 1.8bn) to CHF 22.1bn.

Total impaired loans fell by 8% (–CHF 39m) to just under CHF 450m. Impaired loans accounted for slightly more than 1% of total lending, testifying to the resilience of the Bank's loan book.

Assets
in CHF billions



Impaired loans
in CHF billions



2. Liabilities

Liabilities amounted to CHF 34.6bn, a year-on-year increase of 7% or CHF 2.3bn.

Amounts due to banks rose 17% (+CHF 336m) to CHF 2.4bn.

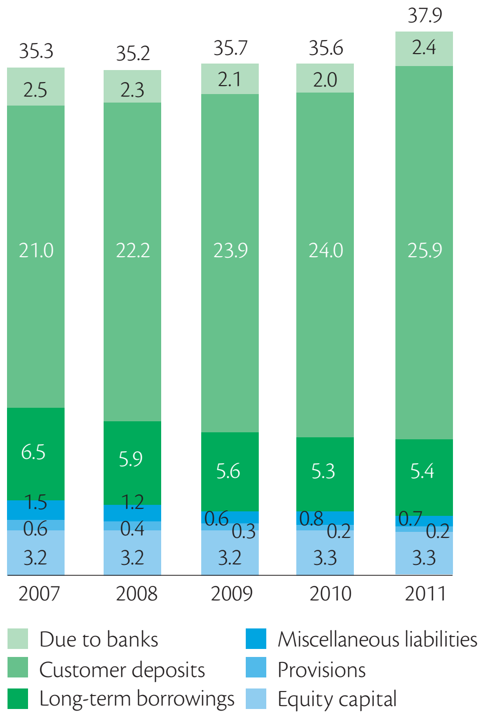
Total customer deposits were up 8% (+CHF 1.9bn) to CHF 25.9bn. Savings deposits continued to rise steadily, expanding by 7% or CHF 735m to CHF 11.6bn, and other customer accounts rose 9% or CHF 1.2bn to CHF 14.1bn. Medium-term notes fell by a further 24% (–CHF 66m) to CHF 209m.

Long-term borrowings grew by CHF 100m to CHF 5.4bn, reflecting increases in borrowings from the central mortgage-bond institution (+CHF 198m) and structured product issues (+CHF 79m) combined with a drop in outstanding bond issues (–CHF 177m).

Value adjustments and provisions fell a further 8% (–CHF 17m) to CHF 206m.

Liabilities

in CHF billions



3. Shareholders' equity

Shareholders' equity remained stable at CHF 3.3bn. The distribution of CHF 275m approved at the Annual Shareholders' Meeting in May 2011 was financed by the net profit of CHF 301m for the year under review.

FINMA and BIS capital ratios

At year-end, the FINMA capital adequacy ratio remained at a comfortable level of 165%. This equates to a FINMA Tier 1 ratio of 13.2%, which is already above FINMA's minimum target for BCV of 12%, in effect as of 1 July 2011. The BIS Tier 1 ratio was 16.8%.

See "Regulatory capital requirements" in section 16.1 on page 142.

Capital ratios	2007	2008	2009	2010	2011
FINMA					
- capital adequacy ratio	179%	180%	176%	175%	165%
- tier 1 capital ratio	14.3%	14.4%	14.1%	14.0%	13.2%
BIS Tier 1 capital ratio	16.3%	16.4%	17.8%	17.6%	16.8%

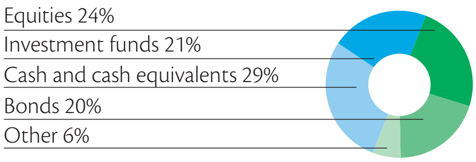
Growth in AuM, with CHF 1.1bn in net new money

4. AuM (customer assets)

The Group's assets under management grew 1.6% (+CHF 1.2bn) to CHF 77.1bn, with the consolidation of Banque Franck Galland & Cie SA (+CHF 2.8bn) and net new money for the period (+CHF 1.1bn) offsetting the effect of declines on the financial markets.

Assets under management by currency

Assets under management by investment type



Assets under management

in CHF billions

Strong results, with revenues exceeding CHF 1bn and net profit above CHF 300m

5. Revenues

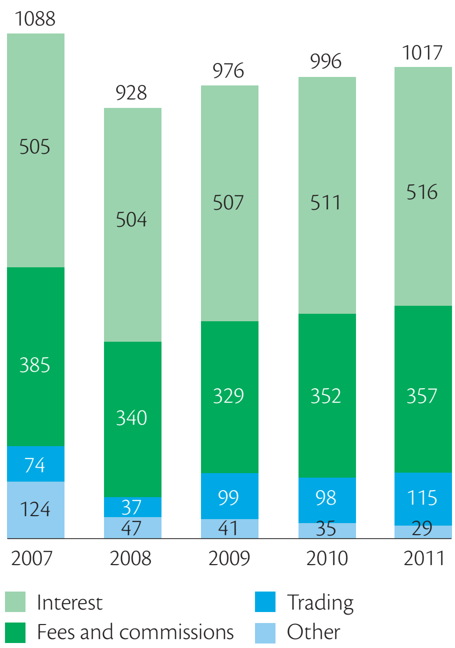
Total revenues were up 2% year-on-year to just over CHF 1.0bn, with the rise driven by a CHF 25m revenue stream from Banque Franck Galland & Cie SA (hereafter "Banque Franck Galland"), which became part of BCV Group on 8 February 2011.

The various revenue streams contributed as follows:

- Interest income edged up 1% or almost CHF 6m to CHF 516m, as against CHF 511m in 2010. This rise, which trailed growth in business volumes, resulted from the low-interest-rate environment. The net interest margin fell from 1.45% in 2010 to 1.43% in 2011.

Revenues

in CHF millions



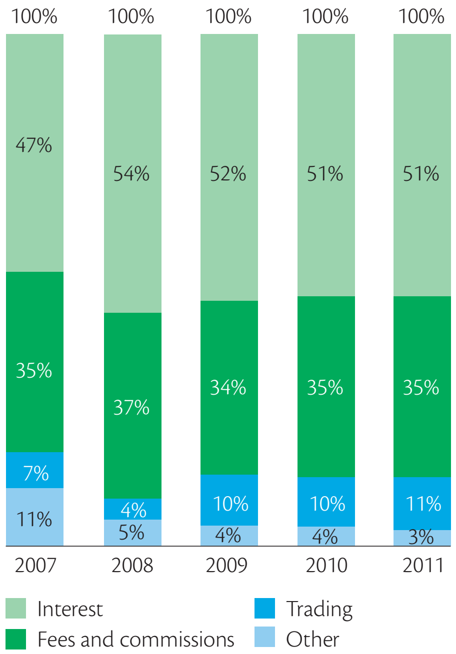
- Fee and commission income grew by 1% or CHF 5m to CHF 357m, reflecting the consolidation of Banque Franck Galland (+CHF 20m). The CHF 2m decline in fees and commissions on lending operations was offset by the CHF 4m increase in fees and commissions on securities and investment transactions. Fee and commission expenses edged up CHF 1m to CHF 72m.

- Trading income grew by 17% (+CHF 17m) year-on-year to CHF 115m. While income from securities and derivatives trading declined by 21% (–CHF 3m), income from trading in forex, metals and banknotes increased by 24% (+CHF 20m), spurred primarily by the strong trend in customer-driven business.

- Other ordinary income fell CHF 6m year-on-year to CHF 29m due to a base effect stemming from a significant real-estate disposal in 2010.

Revenues

breakdown as a %



6. Operating expenses

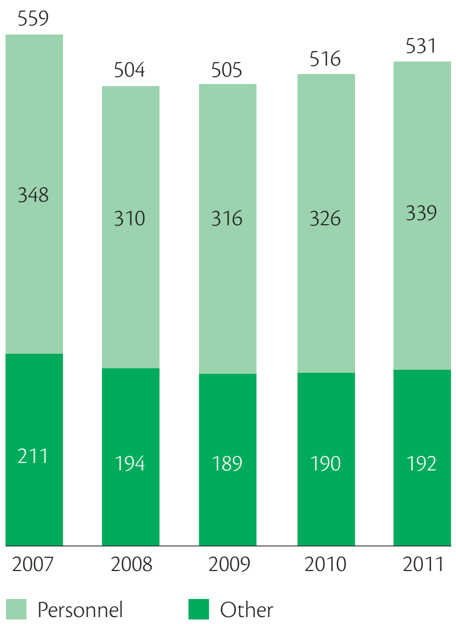
Total operating expenses were up only 3% (+CHF 16m) to CHF 531m. Excluding the effect of consolidating Banque Franck Galland's results, total operating expenses were down 1% or CHF 5m to CHF 511m.

Personnel costs increased 4% to CHF 339m; excluding Banque Franck Galland they fell 1% (–CHF 2m).

Other operating expenses were practically stable at CHF 192m (+1%); excluding Banque Franck Galland, they were down CHF 3m (–1%).

Operating expenses

in CHF millions



7. Operating profit

Operating profit rose by 1% or CHF 6m to CHF 486m, driven by revenue growth combined with firm cost control.

The cost/income ratio, which compares the sum of operating expenses, depreciation, and write-offs with total income, stood at 60% compared with 59% at year-end 2010.

8. Net profit

Net profit before minority interests remained high at CHF 301m, despite a decline of 4% (–CHF 13m) relative to 2010 (CHF 314m).

Depreciation and write-offs on fixed assets rose 8% (+CHF 6m) to CHF 84m, versus CHF 78m in 2010. This mainly reflected the acquisition of Banque Franck Galland.

Value adjustments, provisions and losses amounted to CHF 20m, compared with CHF 5m in 2010. This amount includes new credit-risk provisions in the second half; H2 provisioning needs were nevertheless at a low level. This item also includes a non-recurring charge-off at subsidiary Piguet Galland & Cie SA.

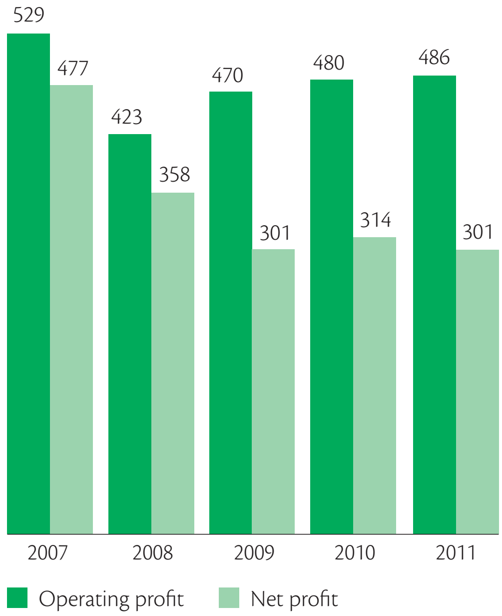
Extraordinary income came in at CHF 17m, mainly reflecting releases of credit-risk provisions in the first half.

At CHF 8m, extraordinary expenses were entirely related to the merger of Banque Piguet and Banque Franck Galland.

The Group's tax burden decreased 4% (–CHF 3m) to CHF 90m, relative to CHF 93m in 2010.

Operating and net profit

in CHF millions



Financial Statements

Consolidated Financial Statements

1. Consolidated balance sheet (in CHF millions)

	Notes[1]	31 / 12 / 11	31 / 12 / 10	Change absolute	Change as %
Cash and cash equivalents	13.11	1 711	389	1 322	340
Money-market instruments	13.1/13.11	28	1 935	– 1 907	– 99
Due from banks	13.11	3 128	3 018	110	4
Loans and advances to customers	13.2/13.11	5 894	5 247	647	12
Mortgage loans	13.2/13.11	22 071	20 254	1 817	9
Trading portfolio assets	13.3/13.11	573	478	95	20
Financial investments	13.3/13.11	2 975	2 879	96	3
Non-consolidated holdings	13.3/13.4	88	87	1	1
Tangible fixed assets	13.4	628	588	40	7
Intangible assets	13.4	35	4	31	775
Accrued income and prepaid expenses		206	198	8	4
Other assets	13.5	566	508	58	11
Assets	13.6/13.14/13.15/13.16	**37 903**	**35 585**	**2 318**	**7**
Total subordinated assets		1	2	– 1	– 50
Total claims on non-consolidated holdings and significant shareholders		4	11	– 7	– 64
of which claims on the Canton of Vaud		*1*	*4*	*– 3*	*– 75*

	Notes[1]	31 / 12 / 11	31 / 12 / 10	Change absolute	Change as %
Money-market paper issued	13.11	6	1	5	500
Due to banks	13.11	2 352	2 016	336	17
Customer savings and investment accounts	13.11	11 620	10 885	735	7
Other customer accounts	13.11	14 087	12 879	1 208	9
Medium-term notes	13.8/13.11	209	275	– 66	– 24
Bonds and mortgage-backed bonds	13.9/13.11	5 384	5 284	100	2
Accrued expenses and deferred income		215	229	– 14	– 6
Other liabilities	13.5	523	522	1	0
Value adjustments and provisions	13.2/13.10	206	223	– 17	– 8
Liabilities	13.7	**34 602**	**32 314**	**2 288**	**7**
Reserves for general banking risks	13.10	704	704	0	0
Equity capital		86	86	0	0
Capital reserve		360	359	1	0
Own equity securities		– 8	– 7	– 1	– 14
Retained earnings		1 838	1 801	37	2
Minority interests - equity		20	14	6	43
Net profit before minority interests		301	314	– 13	– 4
Minority interests		*– 1*	*1*	*– 2*	*– 200*
Shareholders' equity		**3 301**	**3 271**	**30**	**1**
Total liabilities and shareholders' equity	13.14/13.16	**37 903**	**35 585**	**2 318**	**7**
Total subordinated liabilities		0	118	– 118	– 100
Total liabilities to non-consolidated holdings and significant shareholders		1 282	997	285	29
of which liabilities to the Canton of Vaud		*1 246*	*942*	*304*	*32*

[1] The notes are on pages 123 – 137.

2. Consolidated off-balance-sheet transactions (in CHF millions)

	Notes[1]	31 / 12 / 11	31 / 12 / 10	Change absolute	Change as %
Irrevocable and similar guarantees		831	881	– 50	– 6
Other guarantees		620	497	123	25
Other contingent liabilities		6	8	– 2	– 25
Contingent liabilities	13.2	**1 457**	**1 386**	**71**	**5**
Irrevocable commitments	13.2	**1 095**	**1 130**	**– 35**	**– 3**
of which commitments to make payments into a depositor protection fund		*156*	*151*	*5*	*3*
Commitments relating to calls on shares and other equity securities	13.2	**95**	**96**	**– 1**	**– 1**
Commitments arising from deferred payments		45	14	31	221
Confirmed credits	13.2	**45**	**14**	**31**	**221**
Derivative financial instruments					
Gross positive replacement values	13.5/14.1	765	838	– 73	– 9
Gross negative replacement values	13.5/14.1	801	820	– 19	– 2
Values of underlyings	14.1	36 163	32 882	3 281	10
Fiduciary investments		739	609	130	21
Fiduciary loans and other fiduciary financial transactions		1	1	0	0
Fiduciary transactions		**740**	**610**	**130**	**21**

[1] The notes are on pages 123 – 138.

3. Customer assets (assets under management) (in CHF millions)

	31 / 12 / 11	31 / 12 / 10	Change absolute	Change as %
Assets held by collective investment vehicles under own management	20 323	20 794	– 471	– 2
Assets under discretionary management agreements	10 136	9 898	238	2
Other assets	46 638	45 157	1 481	3
Total customer assets (incl. double-counted)	**77 097**	**75 849**	**1 248**	**2**
of which double-counted	*7 903*	*7 503*	*400*	*5*
Net new money (incl. double-counted)	**1 122**	**758**	**364**	**48**

The terms "customer assets" and "net new money" are defined in section 9.9 of the accounting principles sub-chapter.

4. Consolidated income statement (in CHF millions)

	Notes[1]	2011	2010	Change absolute	Change as %
Interest and discount income		719.0	725.2	– 6.2	– 1
Interest and dividend income from financial investments		58.4	59.2	– 0.8	– 1
Interest expense		– 261.1	– 273.8	– 12.7	– 5
Net interest income	15.1/15.2/15.13	**516.3**	**510.6**	**5.7**	**1**
Fees and commissions on lending operations		64.0	66.4	– 2.4	– 4
Fees and commissions on securities and investment transactions		291.8	288.2	3.6	1
Fees and commissions on other services		73.1	68.4	4.7	7
Fee and commission expense		– 71.9	– 71.1	0.8	1
Net fee and commission income	15.3/15.4/15.13	**357.0**	**351.9**	**5.1**	**1**
Net trading income	15.5/15.13	**114.9**	**97.9**	**17.0**	**17**
Profit on disposal of financial investments		10.7	26.0	– 15.3	– 59
Total income from holdings		5.5	3.9	1.6	41
of which other non-consolidated holdings		*5.5*	*3.9*	*1.6*	*41*
Real-estate income		10.4	10.3	0.1	1
Miscellaneous ordinary income		9.4	10.0	– 0.6	– 6
Miscellaneous ordinary expenses		– 7.0	– 14.8	– 7.8	– 53
Other ordinary income	15.13	**29.0**	**35.4**	**– 6.4**	**– 18**
Total income from ordinary banking operations		**1 017.2**	**995.8**	**21.4**	**2**
Personnel costs	15.6/15.13	– 339.2	– 325.5	13.7	4
Other operating expenses	15.7/15.13	– 192.3	– 190.2	2.1	1
Operating expenses		**– 531.5**	**– 515.7**	**15.8**	**3**
Operating profit		**485.7**	**480.1**	**5.6**	**1**
Depreciation and write-offs on fixed assets	13.4/15.8	– 83.9	– 77.6	6.3	8
Value adjustments, provisions and losses	13.10/15.9	– 19.8	– 5.2	14.6	281
Profit on ordinary banking operations before extraordinary items and taxes		**382.0**	**397.3**	**– 15.3**	**– 4**
Extraordinary income	13.10/15.10	16.6	45.3	– 28.7	– 63
Extraordinary expenses	15.11	– 7.8	– 35.4	– 27.6	– 78
Taxes	15.12	– 89.7	– 93.1	– 3.4	– 4
Net profit before minority interests		**301.1**	**314.1**	**– 13.0**	**– 4**
Minority interests		1.0	– 0.9	1.9	211
Net profit		**302.1**	**313.2**	**– 11.1**	**– 4**

1) The notes are on pages 123 – 141.

5. Consolidated cash flow statement (in CHF millions)

	Notes[1]	2011 Source of funds	2011 Use of funds	2010 Source of funds	2010 Use of funds
Net profit for the year		301		314	
Depreciation and write-offs on fixed assets	15.8	84		78	
Value adjustments and provisions	13.10	49	35	62	82
Accrued and deferred items			22	25	
Profit / loss (incl. affiliates accounted for using the equity method, sale of fixed assets)				1	
Dividend for the previous year			275		181
		434	**332**	**480**	**263**
Net cash inflow / outflow from operations		**102**	**0**	**217**	**0**
Equity capital					86
Own equity securities		33	33	31	28
Change in scope of consolidation, minority interests, effect of exchange-rate differences		4			1
		37	**33**	**31**	**115**
Net cash inflow / outflow from equity transactions		**4**	**0**	**0**	**84**
Holdings	13.4		1	1	7
Real estate	13.4		43	3	1
Other tangible fixed assets	13.4		24		21
Computer programs	13.4		53		50
Goodwill	13.4		35		
		0	**156**	**4**	**79**
Net cash inflow / outflow from investments		**0**	**156**	**0**	**75**
Cash flow from banking operations					
Due to banks			75	–	–
Customer accounts		1		158	
Medium-term notes		30	96	54	287
Long-term borrowings	13.9	1 741	1 641	1 958	2 280
Savings and investment accounts		735		1 043	
Other liabilities		1		120	
Due from banks			29	58	
Loans and advances to customers			95	24	
Mortgage loans			1 817		1 484
Provisions as allocated	13.10		33		54
Financial investments			94		9
Other receivables			58		217
Medium- and long-term operations (over 1 year)		**2 508**	**3 938**	**3 415**	**4 331**
Money-market paper issued		5			2
Due to banks		411			49
Customer accounts		1 207			842
Money-market instruments		1 907			1 848
Due from banks			81	2 393	
Loans and advances to customers			552	271	
Trading portfolio assets			95		81
Short-term operations		**3 530**	**728**	**2 664**	**2 822**
Cash and cash equivalents			**1 322**	**1 016**	
		6 038	**5 988**	**7 095**	**7 153**
Net cash flow from banking operations		**50**	**0**	**0**	**58**
		156	**156**	**217**	**217**

1) The notes are on pages 123 – 141.

6. Movements in shareholders' equity (in CHF millions)

	Equity capital	Capital reserve	Own equity securities	Retained earnings[1]	Effect of exchange-rate differences	Reserves for general banking risks	Equity - Group	Equity - minority interests	Total equity
Status at 1 January 2010	**172**	**357**	**– 7**	**1 983**	**– 1**	**704**	**3 208**	**14**	**3 222**
2009 dividend				– 181			– 181	0	– 181
Share par-value reduction[2]	– 86						– 86		– 86
Purchases of own equity securities (at cost)			– 28				– 28		– 28
Sales of own equity securities (at cost)			28				28		28
Profit on disposal of own equity securities and dividends		2					2		2
Effect of exchange-rate differences				0	0		0		0
Changes in scope and / or minority interests							0	0	0
Net profit for the year				313			313	1	314
Status at 31 December 2010	**86**	**359**	**– 7**	**2 115**	**– 1**	**704**	**3 256**	**15**	**3 271**
2010 dividend				– 275			– 275		– 275
Purchases of own equity securities (at cost)			– 33				– 33		– 33
Sales of own equity securities (at cost)			32				32		32
Profit on disposal of own equity securities and dividends		1					1		1
Effect of exchange-rate differences					– 1		– 1		– 1
Changes in scope and / or minority interests							0	5	5
Net profit for the year				302			302	– 1	301
Status at 31 December 2011	86	360	– 8	2 142	– 2	704	3 282	19	3 301

Number of shares (in units)	Total	Own equity securities
Status at 1 January 2010	**8 606 190**	**15 070**
Purchases		56 154
Sales		– 56 421
Status at 31 December 2010	**8 606 190**	**14 803**
Purchases		57 028
Sales		– 54 363
Status at 31 December 2011	8 606 190	17 468

1) Including net profit for the year.
2) This transaction is described in section 2.3 of the corporate governance chapter.

Percentage of ownership Main shareholder, with voting rights	31 / 12 / 11	31 / 12 / 10
Canton of Vaud, direct interest	66.95%	66.95%

7. Overview of operations and headcount

7.1 Overview of operations

Banque Cantonale Vaudoise (BCV) is a corporation organized under public law. It operates as a full-service bank with a community focus.

BCV's corporate mandate is to contribute to the economic development of its home region, the Canton of Vaud. It offers a full range of services in retail banking, wealth management, corporate banking and trading. Along with its traditional areas of business (savings & loans and wealth management), BCV engages in large-corporate financing and selected trade-financing operations in commodities (softs and metals). It offers a broad portfolio of stock exchange services, including financial engineering consulting, equity and derivatives trading and operations in interest-rate instruments. It is also active in the field of new issues of fixed-income and structured products as well as foreign-exchange trading.

BCV is the parent company of a banking and financial group, which encompasses a private bank, two fund management companies, an online trading site and a private equity company. BCV also has a branch in Guernsey (Banque Cantonale Vaudoise Guernsey Branch), which is active in structured products and fiduciary investments. Administrative services for this branch, as well as a compliance role, have been entrusted to Butterfield Bank (Guernsey) Ltd.

The Bank has mandated the IBM banking IT center in Prilly to carry out activities that include data storage, operating and maintaining databases, operating IT systems, and printing and mailing banking documents. This form of IT systems management meets the legal requirements relative to outsourcing.

Since the beginning of 2011, BCV has used valuation models supplied by Wüest & Partner (hedonic valuation functions for private residential properties and a capitalization valuation model for income-generating real estate). The contract signed complies with the legal requirements for the outsourcing of data storage.

7.2 Headcount

Full-time equivalents	31 / 12 / 11	31 / 12 / 10
Group	2 042	1 986
of which parent company	1 812	1 832

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

8.1 Significant events

The following significant events took place in 2011:

- In August 2010, Banque Piguet & Cie SA (now Piguet Galland & Cie SA) and BCV were informed that the liquidators of the feeder fund Fairfield Sentry had filed lawsuits against them and around one hundred other financial institutions in an attempt to recover profits from investors that had redeemed their shares in the fund. BCV Group has still not been served notice under the norms of international law and has not yet received details of the claims (only an amount of USD 6.5m was referred to in the case concerning Piguet Galland & Cie SA). Based on an analysis of the legal risk relating to these lawsuits, no provisions were set aside, except to cover the defense of the entities in question. The defense is being coordinated at Group level.
- The purchase of Banque Franck Galland & Cie SA announced in 2010 was completed on 8 February 2011. It was merged with Banque Piguet & Cie SA on 7 April 2011 to create Piguet Galland & Cie SA. The process of integrating teams and operations went ahead as scheduled, and the IT systems were successfully integrated by the end of 2011.

8.2 Events taking place after the closing date

To the Group's knowledge, there was no event liable to have a material influence on the annual financial statements as of 9 March 2012, when the writing of this annual report was completed.

9. Accounting principles

9.1 Basis of preparation of consolidated financial statements

The consolidated financial statements of BCV Group have been prepared in accordance with the provisions of the Federal Act of 8 November 1934 on Banks and Savings Institutions, its Ordinance of 17 May 1972 and the Directives of 20 November 2008 governing the preparation of financial statements.

Changes to accounting principles

No changes were made to the accounting principles in 2011.

9.2 Scope of consolidation

Banks, financial companies and real-estate companies in which BCV directly or indirectly holds a majority of the share capital or voting rights are fully consolidated.

Financial-service companies in which BCV owns between 20% and 50% of the share capital are treated as associated undertakings and accounted for using the equity method.

Holdings of less than 20%, companies of no material significance, subsidiaries that are not in the financial services industry and investments held purely with a view to their subsequent sale are not consolidated. They are stated at cost, less appropriate depreciation.

9.3 Basis of consolidation

Equity is consolidated using the purchase method. The acquisition cost of a holding is offset against the equity existing on the date on which control is transferred. Goodwill is carried on the balance sheet and amortized over its estimated useful life (maximum 20 years). Depending on its nature, any negative goodwill is allocated either to retained earnings or provisions.

The acquisition date for all holdings acquired before 1992 is taken to be 1 January 1992.

9.4 True and fair view

The financial statements give a true and fair view of the assets, financial position and results of BCV Group.

The consolidated financial statements are based on the Group companies' annual accounts, which are prepared in accordance with standard accounting and valuation principles.

9.5 Close of financial year

The accounts are closed at 31 December.

9.6 Proper registration of business transactions

Results of all transactions concluded on a daily basis are carried in the income statement. Cash transactions entered into but not yet executed are recorded in the balance sheet at the date on which the deal is concluded.

9.7 Foreign-currency translation

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

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

Foreign-exchange gains and losses, including unrealized gains and losses on forward foreign-exchange contracts open at the balance-sheet date, are carried in the income statement.

Balance-sheet items and off-balance-sheet operations of foreign holdings are translated at year-end exchange rates fixed for the Group, with the exception of shareholders' equity invested in these holdings, which is translated at historical rates.

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

Major currencies in CHF	Units	Rates at 31 / 12 / 11	Rates at 31 / 12 / 10
Euro	1	1.2139	1.2505
U.S. dollar	1	0.9351	0.9321
Pound sterling	1	1.4532	1.4593
Japanese yen	100	1.2154	1.1493

9.8 Presentation of individual line items

9.8.1 Cash and cash equivalents

Cash and cash equivalents comprise ordinary coins and banknotes and assets held with post offices and central banks. They are stated at nominal value.

9.8.2 Money-market instruments and receivables from banks

Money-market instruments and receivables from banks are carried at their nominal value.

9.8.3 Customer loans and advances, mortgages

Customer loans and advances are recorded at nominal value, as are mortgages. Necessary value adjustments are entered as liabilities under "Value adjustments and provisions."

Customer loans and advances are analyzed on an individual basis. Any provisions for impaired loans are booked in accordance with the principles set out in section 10.2 of the risk-assessment and risk-management principles sub-chapter. Interest and commissions overdue by more than 90 days are not entered in the income statement. They are instead booked directly to "Value adjustments and provisions."

Receivables considered as non-recoverable or recognized by a certificate of insolvency are written off through the appropriate value-adjustment account; any recoveries of receivables that have been written off are booked to "Value adjustments and provisions."

9.8.4 Trading portfolio assets

The item "Trading portfolio assets" comprises positions in equity securities, debt securities and precious metals, held with a view to taking advantage of price fluctuations in their respective markets. These positions are calculated at fair value with reference to quoted market prices. For positions that are not traded on sufficiently liquid markets, fair value is determined using a valuation model.

Gains and losses realized on sales and purchases of these positions, as well as unrealized gains and losses arising from variations in fair value, are reported under "Net trading income." The cost of refinancing securities held in the trading portfolios is netted against interest and dividend income from these portfolios and recorded under "Net trading income."

9.8.5 Financial investments

This item comprises securities and precious metals acquired for medium- and long-term investment purposes, as well as equity securities held neither for trading nor as a long-term investment. Available-for-sale real estate acquired in connection with credit operations is also shown under this heading.

Held-to-maturity interest-bearing securities are carried at cost, with premiums or discounts (yield components) amortized over the term of the instrument using the accrual method. Gains and losses arising from their sale or early redemption are recorded proportionally up to the initial maturity date of the securities.

Interest-bearing securities not intended to be held until maturity are valued at the lower of cost or market. Net adjustments in value are entered under “Miscellaneous ordinary expenses” or “Miscellaneous ordinary income.”

Positions in equity securities and available-for-sale real estate are also valued at the lower of cost or market.

Related-party loans (*prêts partiaires*) to companies in the real-estate sector are recorded in the balance sheet under “Financial investments” on a substance-over-form (i.e., fair value) basis and carried at their net worth (after deduction of appropriate value adjustments).

9.8.6 Holdings

The “Holdings” line item comprises equity securities of nonconsolidated companies, including real-estate companies, which are held as a long-term investment irrespective of voting rights. It also includes the Group's infrastructure-related holdings, particularly joint ventures.

9.8.7 Securities lending and repurchase agreements

Securities sold subject to a repurchase agreement (repos) and those lent (securities lending) remain on the balance sheet as trading or investment securities, provided that the Group continues to be the beneficial owner. Cash amounts received for the sale of these securities or as collateral for these loans are included under “Other customer accounts” or “Due to banks.”

Securities acquired under commitments to sell back (reverse repos) and those borrowed (securities borrowing) are not recognized on the balance sheet as debt securities unless the ownership rights pass to the Group.

Cash amounts paid for the purchase of these securities or as collateral for these borrowings are entered under “Loans and advances to customers” or “Due from banks.”

Interest income and expense relating to these assets and liabilities are recorded in the income statement using the accrual method.

Income and expenses related to securities lending and borrowing are booked to “Trading income” for own-account operations and to “Net fee and commission income” for client operations.

9.8.8 Tangible fixed assets

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

- 50 years for real estate;
- 10 years for technical facilities;
- 5 years for machinery, furniture and fittings;
- 5 years for computer software and hardware.

Any depreciation recorded over the remaining estimated useful life and additional write-downs made subsequent to impairment reviews are charged to the income statement for the period, under “Depreciation and write-offs on fixed assets.”

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

If the factors giving rise to an impairment cease to exist, the carrying value of the asset concerned is increased in order to fully or partly eliminate any depreciation in value recorded in preceding periods.

9.8.9 Intangible assets

Goodwill is entered in the balance sheet and amortized over its estimated useful life (maximum 20 years).

9.8.10 Accrued and deferred items

These items mainly consist of accrued interest, tax payable and other transitory assets and liabilities.

9.8.11 Other assets and other liabilities

These items mainly comprise positive and negative replacement values of derivative financial instruments, along with coupons, indirect taxes and settlement account balances.

9.8.12 Customer savings and investment accounts

Customer deposit accounts with a name incorporating the notion of savings and investment-related accounts with a withdrawal restriction are included in this item.

9.8.13 Other customer accounts

This item encompasses all amounts due to customers except those included in the previous item.

In particular, it includes participation certificates representing a fraction of an equity basket together with yield-enhancement products. They are all stated at fair value, and subsequent re-valuations are carried under "Net trading income."

9.8.14 Medium-term notes

This item consists of medium-term notes issued by the Bank for a term of between two and eight years. They are carried at nominal value.

9.8.15 Bonds and mortgage-backed bonds

This item consists of bonds issued by the Bank and borrowings from the Central mortgage-bond institution of Swiss cantonal banks. They are stated at nominal value; any discount or premium is amortized over the term of the instrument using the accrual method.

For structured products that contain an interest-rate component and that provide a source of financing, the host contract and embedded derivative(s) are treated separately. The host contract is recorded under this item at nominal value as a debt issued by the Bank. Structured products treated in this way include reverse convertibles and capital-protection products whose underlyings are equities or equity indexes.

Embedded derivatives are recorded at fair value as positive or negative replacement values. Subsequent variations in fair value are carried under "Net trading income." Accrued interest is recorded under "Net interest income" using the accrual method.

9.8.16 Own debt securities

Positions in BCV's own debt securities (medium-term notes, bonds and structured products) are offset by corresponding positions on the liabilities side.

9.8.17 Pension-fund liabilities

Pension-fund liabilities are accounted for in accordance with Swiss GAAP RPC 16.

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

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

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

Liabilities are carried on the balance sheet under "Value adjustments and provisions," while benefits are recognized under "Other assets." Changes from the corresponding value in the previous financial year are recognized for each pension fund under "Personnel costs." The same applies to adjusted contributions for the period.

9.8.18 Value adjustments and provisions

In keeping with prudential accounting, value adjustments and provisions are established for all actual and potential risks of loss. See section 10.2.7 of the risk-assessment and risk-management principles sub-chapter.

With the exception of value adjustments for related-party loans to real-estate companies (which are offset under assets), these value adjustments are accounted for as liabilities on the balance sheet.

9.8.19 Taxation

Taxation comprises tax on the profits and capital of BCV Group companies as well as allocations to provisions for deferred taxes. It is calculated in accordance with the matching principle.

9.8.20 Reserves for general banking risks

To cover risks inherent in the banking business which are not addressed in specific provisions, the Group sets aside "Reserves for general banking risks." These reserves are part of shareholders' equity and are taxed or are subject to a deferred tax.

9.8.21 Equity capital

This item consists of equity capital.

9.8.22 Capital reserve

The capital reserve comprises share premiums realized through the issue of equity securities and the exercise of conversion rights and options, along with gains or losses realized when buying back own equity securities.

9.8.23 Own equity securities

Own equity securities held by BCV Group (registered shares) are deducted from shareholders' equity at their acquisition value. Dividend payments and the profit or loss on disposals are allocated directly to the capital reserve.

9.8.24 Retained earnings

Retained earnings consist of equity accumulated by the Group. This item includes differences resulting from the elimination of holdings on first consolidation, appropriated retained earnings, the effect of exchange-rate differences resulting from the translation of accounts of Group companies denominated in foreign currencies, and the effect of changes in the scope of consolidation.

9.8.25 Derivative financial instruments and hedging operations

All derivative financial instruments are carried at fair value. For all positions traded on a liquid and efficient market, fair value is determined by the market value. In the absence of such a market, fair value is established using valuation models.

Gains and losses (realized or unrealized) on derivatives used for trading purposes are recognized in the income statement under "Net trading income."

The Group also employs derivatives as part of its asset and liability management strategy, primarily to hedge interest-rate risk. These operations are recognized as macro and micro hedging operations, and net gains or losses after interest are entered under "Interest and discount income." Changes in the fair value of hedging instruments are recognized in the "Offset account" under "Other assets" or "Other liabilities."

In all cases where derivative instruments are used for hedging, records are kept of the operations, the objectives and strategies of the Bank's balance-sheet market-risk management unit, and the system adopted to monitor the effectiveness of the hedge.

9.9 Customer assets (assets under management)

All customer assets held or managed for investment purposes are included under "Customer assets." As defined in FINMA financial statement presentation standards, this item mainly comprises amounts due to customers in the form of savings and investments, along with term accounts, fiduciary investments and all duly valued assets in custody accounts. Assets held for investment purposes by institutional investors, companies and individual clients, along with investment fund assets, are included unless they are held exclusively for administration purposes, with the Group simply providing safekeeping and corporate-action services. Deposits for which additional services are provided (such as investment management and advice, investment fund administration and securities lending) come under customer assets.

Net new money

Net new money, which is determined in accordance with the same scope as customer assets, is the sum of inflows from new customers, outflows from departing customers, and movements in the assets of existing customers during the financial year. Changes in assets under management resulting from price fluctuations, currency effects and interest and dividend payments are not part of the net new money calculation. Nor does it include changes in customer assets resulting from the acquisition, disposal or closure of companies or complete business lines.

10. Risk-assessment and risk-management principles

10.1 Introduction

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

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

10.2 Credit risk

10.2.1 Exposure to credit risk

Credit risk arises from the possibility that a counterparty might default on its financial obligations to the Bank. Credit risk includes settlement risk. All forms of credit commitments to bank and non-bank counterparties, whether on or off the balance sheet, represent a credit risk for the Bank.

The Bank distinguishes five types of exposure to credit risk:

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

Every position that entails credit risk is clearly assigned to one of these exposure categories. The Bank uses clearly defined methods for determining exposure levels by exposure category. Overall or specific limits are set for financial, off-balance-sheet commercial and OTC derivatives exposures.

Limits are likewise set for settlement exposures to bank counterparties. When positions are unwound through a simultaneous settlement system, such as CLS (Continuous Linked Settlement), settlement risk is not considered.

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

10.2.2 Internal counterparty default ratings

The Bank considers a counterparty to be "in default" if one or more criteria are met (see definition of "in default" in section 10.2.5). Each counterparty is assigned a default rating based on clearly defined models. Each default rating is defined by an interval of default probabilities. Seven main ratings and 17 sub-ratings are used to classify counterparties according to their risk of default.

10.2.3 Loss given default and expected loss

Loss given default is the amount that the Bank stands to lose on a loan at the time that the counterparty defaults. Loss given default is determined for each form of credit granted by taking into account the credit limit and the coverage ratio, which is the value of the risk mitigants expressed as a percentage of the limit. For this purpose, collateral is taken at market value (see section 10.2.4).

For non-impaired loans (see section 10.2.5), the Bank estimates the amount that it expects to lose in an "average" year. This amount is called the expected loss. For credit exposures not relating to trade finance, it is determined by the probability of default (reflected in the counterparty default rating) and the loss given default. For trade-finance exposures, the expected loss is estimated for each transaction, using an approach based on Basel II slotting criteria.

10.2.4 Market value of collateral

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

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

10.2.5 Impaired loans

Impaired loans are the sum of "non-performing" loans and loans to counterparties "reputed to be in financial difficulty."

A counterparty is "in default" and all its debts to the Bank are considered "non-performing" when the counterparty is more than 90 days past due on any material credit obligation to the Bank or when the Bank considers that the counterparty is unlikely to pay its credit obligations to the Bank in full. Non-performing loans for which a provision exists are impaired within the meaning of margin number 226b of the FINMA financial statement presentation standards. For these loans, the Bank deems that the counterparty is unlikely to be able to meet its future credit obligations.

A counterparty is classified as "reputed to be in financial difficulty" when the criteria for "in default" are not met, but when the Bank considers there to be a high risk that part of its exposure to credit risk on the counterparty will not be recovered, or when a significant breach of the contract on any of the forms of credit extended to the counterparty by the Bank has occurred and has not been remedied without a temporary or definitive exemption being granted. These loans are not impaired within the meaning of margin number 226b of the FINMA financial statement presentation standards, as the Bank deems that the counterparty is likely to be able to meet its future credit obligations.

10.2.6 Overdue-interest loans

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

- advances and mortgage loans: interest and fees are more than 90 days overdue;
- current-account credits: the agreed credit limit has been exceeded owing to insufficient payments in respect of interest and fees for more than 90 days;
- the credit has been called in by the Bank.

10.2.7 Provisions for credit risk

The purpose of provisions for credit risk is to recognize the expected loss on impaired loans at the balance-sheet date. Provisions for credit risk include provisions for risks related directly to the counterparty as well as provisions for country risk.

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

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

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

10.2.8 Regulatory capital requirements for credit risks

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

10.3 Market risk on the trading book

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

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

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

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

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

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

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

The Bank determines its capital requirements for market risk using the standard approach.

10.4 Market risk on the banking book

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

10.4.1 Interest-rate risk on the banking book

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

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

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

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

- static indicators: to monitor the economic value of equity capital, the Bank calculates the duration of equity capital, the sensitivity of equity capital to an interest-rate shock, and historical value-at-risk with a confidence interval of 99% and a 3-month time horizon. To monitor the net interest margin, the Bank calculates interest-rate gaps by residual maturity;
- dynamic indicators: every month, the Bank prepares scenarios regarding interest rates and business volumes, combined with various hedging strategies. These dynamic simulations take into account the way in which clients behave with respect to interest rates in order to simulate the interest margin and potential losses in circumstances that lie between a probable scenario and a stress scenario. For each scenario, indicators showing the duration and value of equity capital are calculated for several future dates to measure the future exposure of equity capital to interest-rate risk.

10.4.2 Liquidity risk

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

The Bank monitors its exposure to liquidity risk in the medium/long term, as well as in the short term, by preparing maturity schedules for on-balance-sheet exposures, by calculating balance-sheet ratios and by modelling the future structure of the balance sheet using dynamic simulations. These simulations enable the Bank to determine its long-term approach to funding particularly as regards raising funds from the Central mortgage bond institution of the Swiss cantonal banks and the bond market. The Bank also stress-tests its regulatory liquidity ratio.

10.5 Operational risks

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

- inappropriate or malicious behavior on the part of employees, suppliers, bank counterparties, customers or other parties external to the Bank;
- inappropriate characteristics of information systems (applications, interfaces and hardware) or communication systems (telephone, fax, etc.);
- inappropriate infrastructure;
- an inadequate organization in terms of both conceptual framework (methods, processes, corporate structure, etc.) and organizational framework (rules, policies, directives, manuals, etc.).

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

- internal fraud;
- external fraud;
- incidents related to human resources, including workplace safety;
- incidents linked with customer relations and commercial practices;
- losses of operating resources;
- failure of information systems;
- incidents related to transaction and process management.

An operational-risk event that has occurred is booked directly as an outright loss. Provisions are issued for the excess costs expected but not yet incurred. Since the Basel II Accord came into force, the Bank has determined its regulatory capital requirements for operational risk according to the standard approach.

11. Scope of consolidation

With the exception of the parent company, none of the Group companies is listed on a stock exchange.

11.1 Fully consolidated Group companies

			31 / 12 / 11	31 / 12 / 10
		Capital in millions of units	Holding as %	Holding as %
Banking interests:				
Piguet Galland & Cie SA, Yverdon-les-Bains (Switzerland)	CHF	28.4	85.0	85.0
TransOcean Bank & Trust, Ltd, Cayman Islands	USD	1.5	100.0	–
Financial and real-estate companies:				
Franck Asset Management (Cayman) Ltd, Cayman Islands	USD	0.0	100.0	–
Gérifonds SA, Lausanne	CHF	2.9	100.0	100.0
Gérifonds (Luxembourg) SA, Luxembourg	EUR	0.1	100.0	100.0
Initiative Capital SA, Lausanne	CHF	1.7	100.0	100.0
Sociétés pour la gestion de placements collectifs GEP SA, Lausanne	CHF	1.5	100.0	100.0
Unicible SA en liquidation, Prilly (Switzerland)	CHF	20.0	100.0	100.0

Main changes in the scope of consolidation in 2011

BCV Group acquired Banque Franck Galland & Cie SA, Geneva, on 8 February 2011. In April, the bank was merged with Banque Piguet & Cie SA, after the corporate name was changed to Piguet Galland & Cie SA, Yverdon-les-Bains.

The Piguet Galland & Cie SA employee share-ownership foundation, financed primarily by Piguet Galland & Cie SA, holds 12.76% of Piguet Galland & Cie's share capital. This foundation was set up as a means of promoting loyalty for certain employees of Banque Piguet & Cie SA. Due to the nature of the foundation and the fact that it would have no material impact on the Group accounts, it is not consolidated.

12. Other holdings

12.1 Companies accounted for using the equity method

BCV Group does not have any companies that are accounted for using the equity method.

12.2 Other non-consolidated holdings

		Capital in millions of units	31 / 12 / 11 Holding as %	31 / 12 / 10 Holding as %
Finance and service companies jointly owned by the cantonal banks				
Aduno Holding Ltd, Zurich	CHF	25.0	4.8	4.8
Caleas AG, Zurich	CHF	6.0	4.7	4.7
Central mortgage-bond institution of Swiss cantonal banks Ltd, Zurich[1]	CHF	825.0	13.6	13.6
Swisscanto Holding Ltd, Bern	CHF	24.2	7.3	7.3

1) of which CHF 660.0 million unpaid

Finance and service companies jointly owned by the Swiss banks				
SIX Group Ltd, Zurich	CHF	19.5	2.5	2.5
Swiss Bankers Prepaid Services Ltd, Grosshöchstetten (Switzerland)	CHF	10.0	3.2	2.7
Other holdings				
Argant SA, Lausanne	CHF	2.0	100.0	100.0
Coopérative vaudoise de cautionnement hypothécaire CVCH, Pully (Switzerland)	CHF	1.1	–	–
Dynagest SA, Geneva	CHF	1.0	15.0	15.0
Office vaudois de cautionnement agricole société coopérative (OVCA), Lausanne	CHF	1.3	–	–
Société vaudoise pour la création de logements à loyers modérés (SVLM) SA, Lausanne	CHF	2.0	45.0	45.0
VDCapital Private Equity Partners LTD, St Helier (Jersey)	CHF	0.1	25.0	25.0

12.3 Main equity security positions held under “Financial investments”

Companies listed on the SIX Swiss Exchange				
Banque Cantonale du Jura SA, Porrentruy (Switzerland)	CHF	42.0	4.8	4.8
Romande Energie Holding SA, Morges (Switzerland)	CHF	28.5	3.4	3.5

13. Notes to the consolidated balance sheet

13.1 Money-market instruments (in CHF millions)

	31 / 12 / 11	31 / 12 / 10
Book claims	0	1 908
Bills of exchange and checks	28	27
Money-market instruments	**28**	**1 935**

13.2 Breakdown of risk mitigants (collateral and third-party guarantees) for loans and off-balance-sheet transactions (in CHF millions)

		Secured by mortgage	Other risk mitigants	Unsecured	Total
Loans and advances to customers		552	1 656	3 686	5 894
Mortgages		22 071			22 071
Residential real estate		*17 790*			*17 790*
Office and business premises		*2 989*			*2 989*
Commercial and industrial property		*1 264*			*1 264*
Other		*28*			*28*
Loans	31 / 12 / 11	22 623	1 656	3 686	27 965
	31 / 12 / 10	20 698	1 417	3 386	25 501
Contingent liabilities		5	319	1 133	1 457
Irrevocable commitments		210	13	872	1 095
Commitments relating to calls on shares and other equity securities				95	95
Confirmed credits			45		45
Off-balance-sheet transactions	31 / 12 / 11	215	377	2 100	2 692
	31 / 12 / 10	142	389	2 095	2 626

		Gross receivables	Realization value of risk mitigants	Net receivables	Individual value adjustments
Impaired loans[1]	31 / 12 / 11	449	– 159	290	200
	31 / 12 / 10	488	– 186	302	222
Change (absolute)		– 39	– 27	– 12	– 22
Change (as %)		– 8	– 15	– 4	– 10
of which loans to counterparties reputed to be in financial difficulty	31 / 12 / 11	106	– 21	85	28
	31 / 12 / 10	125	– 63	62	21
Change (absolute)		– 19	– 42	23	7
Change (as %)		– 15	– 67	37	33
of which non-performing loans[2]	31 / 12 / 11	343	– 138	205	172
	31 / 12 / 10	363	– 123	240	201
Change (absolute)		– 20	15	– 35	– 29
Change (as %)		– 6	12	– 15	– 14

1) Impaired loans (see definition in section 10.2.5 of the risk-assessment and risk-management principles sub-chapter) are the sum of "non-performing loans" and loans to counterparties "reputed to be in financial difficulty" for which provisions have been set aside.
2) Non-performing loans correspond to the definition of impaired loans set forth in margin number 226b of FINMA's guidelines on accounting standards.

13.3 Trading portfolio assets
Financial investments and holdings (in CHF millions)

	31 / 12 / 11	31 / 12 / 10
Debt securities	372	117
of which listed on a recognized stock exchange	*372*	*116*
of which unlisted	*0*	*1*
Equity securities	173	336
Precious metals	28	25
Trading portfolio assets	**573**	**478**
including securities eligible for repurchase agreements in accordance with liquidity regulations	*21*	*14*

	31 / 12 / 11		31 / 12 / 10	
	Book value	Fair value	Book value	Fair value
Debt securities	2 887	3 020	2 778	2 860
of which securities intended to be held until maturity	*2 856*	*2 989*	*2 747*	*2 829*
of which securities carried at lower of cost or market	*31*	*31*	*31*	*31*
Equity securities	62	113	66	139
of which significant holdings (minimum of 10% of capital or voting rights)	*10*	*11*	*13*	*19*
Available-for-sale real estate	25	30	31	31
Related-party loans for real-estate companies	1	1	4	4
Financial investments	**2 975**	**3 164**	**2 879**	**3 034**
including securities eligible for repurchase agreements in accordance with liquidity regulations	*2 343*	–	*2 186*	–

	31 / 12 / 11	31 / 12 / 10
Holdings without market value	88	87
Holdings	**88**	**87**

13.4 Fixed assets (in CHF millions)

	Cost	Accumulated depreciation and write-offs	Book value at year-end 2010	Changes in allocation or scope	Additions	Disposals	Depreciation and write-offs	Book value at year-end 2011
Holdings accounted for using the equity method	–		–					–
Other holdings	185	– 98	87		1			88
Holdings	**185**	**– 98**	**87**	**0**	**1**	**0**	**0**	**88**
Group premises	358	– 102	256	38	2		– 8	288
Other real estate	312	– 109	203	– 1			– 5	197
Other tangible fixed assets	286	– 239	47	8	20		– 17	58
Computer programs	283	– 201	82		53		– 50	85
Tangible fixed assets	**1 239**	**– 651**	**588**	**45**	**75**	**0**	**– 80**	**628**
Goodwill	9	– 5	4		35		– 4	35
Intangible assets	**9**	**– 5**	**4**	**0**	**35**	**0**	**– 4**	**35**
Fire-insurance value of real estate			635					663
Fire-insurance value of other tangible fixed assets			148					151

13.5 Other assets and other liabilities (in CHF millions)

	31 / 12 / 11 Other assets	31 / 12 / 11 Other liabilities	31 / 12 / 10 Other assets	31 / 12 / 10 Other liabilities
Replacement values of derivative financial instruments (positive / negative)	408	444	427	409
Offset accounts	97	0	3	0
Indirect taxes	10	29	10	33
Coupons / coupons and securities due	16	3	26	5
Settlement accounts	14	30	37	61
Miscellaneous assets and liabilities	21	17	5	14
Other assets and other liabilities	566	523	508	522

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

	31 / 12 / 11 Amount or book value of pledge	31 / 12 / 11 Real liabilities	31 / 12 / 10 Amount or book value of pledge	31 / 12 / 10 Real liabilities
Assets pledged or assigned to Swiss National Bank	190	0	188	0
Mortgages pledged or assigned to Central mortgage-bond institution of Swiss cantonal banks	6 467	4 641	5 868	4 443
Other	246	234	254	242
Assets pledged or assigned	6 903	4 875	6 310	4 685

13.6.2 Securities lending and repurchase agreements (in CHF millions)

	31 / 12 / 11	31 / 12 / 10
Book value of claims arising from cash collateral pledged in connection with securities borrowing or reverse repurchase agreements	191	208
Book value of liabilities arising from cash collateral received in connection with securities lending or repurchase agreements	815	0
Book value of securities held for own account, lent or transferred as collateral in connection with securities borrowing or repurchase agreements	696	0
of which those that can be sold or repledged without restriction	*696*	*0*
Fair value of securities received as collateral in connection with securities lending and those received in connection with securities borrowing and under reverse repurchase agreements, which can be sold or repledged without restriction	804	2 283
of which fair value of above securities sold or transferred as collateral to a third party	*402*	*1 068*

13.7 Own occupational pension funds (in CHF millions)

13.7.1 Balance sheet liabilities

	31 / 12 / 11	31 / 12 / 10
Due to customers, other	32	49
Bonds	7	11
Total	**39**	**60**

13.7.2 Pension plans

Economic benefit / liability and pension expenses	Surplus / deficit	Economic benefit / liability			Contributions adjusted for the period	Pension expenses included in "Personnel Costs"	
	31 / 12 / 11	31 / 12 / 11	31 / 12 / 10	Change	2011	2011	2010
Employer-financed pension funds: "Fonds de prévoyance en faveur du personnel de la BCV"[1]	33	0	0	0	0.0	0.0	0.0
Pension funds with surpluses: "Fondation de prévoyance complémentaire en faveur de l'encadrement supérieur de la BCV"[1]	2	0	0	0	1.4	1.4	1.9
Pension funds with deficits: "Caisse de pensions de la BCV"[2] and one collective fund	– 106	0	0	0	33.9	33.9	30.4
Total	**– 71**	**0**	**0**	**0**	**35.3**	**35.3**	**32.3**

1) Since there is no intention to apply the surpluses to reduce the employer's contributions, to refund the contributions to the employer, or to use them for any economic purpose of the employer other than regulatory benefits, there is no identifiable economic benefit to be capitalized on the balance sheet.
2) The Pension Board has drawn up a series of measures to eliminate the deficit of the "Caisse de pensions de la BCV". As the measures do not involve any contribution from the employer, there is no economic liability to be recorded on the balance-sheet date.

The surplus or deficit of a pension fund is based on its unaudited interim accounts at 30 September 2011.

Pension funds

BCV Group employees are members of the "Caisse de pensions de la Banque Cantonale Vaudoise (CP BCV)." Its purpose is to insure its members against the economic consequences of retirement, disability and death by guaranteeing benefits in accordance with the terms of the pension-fund regulations. It is a provider of the compulsory insurance introduced under the Federal Act on Occupational Retirement, Survivors' and Disability Pension Plans (LPP) and provides coverage in excess of the minimum LPP requirements.

Senior executives insured with the CP BCV are also members of the "Fondation de prévoyance complémentaire de la Banque Cantonale Vaudoise," the purpose of which is to insure its members against the economic consequences of retirement, disability and death by guaranteeing benefits in accordance with the terms of the pension-fund regulations.

The "Fonds de prévoyance en faveur du personnel de la BCV" is an employer-operated fund that assists BCV employees in dealing with the economic consequences of old age, disability, illness and early retirement.

At the end of 2011, employees from Banque Franck Galland & Cie SA were still insured under a membership agreement with a collective pension fund, which provides coverage in excess of the minimum LPP requirements.

13.8 Medium-term notes by rate and maturity (in CHF millions)

	Rate	2012	2013	2014	2015	2016	2017 – 2019	31 / 12 / 11	31 / 12 / 10
	Up to 1.875%	47	28	24	10	8	5	122	128
	2 – 2.875%	29	12	4	2	2	6	55	100
	3 – 3.875%	11	13	2	3	3		32	47
Total		87	53	30	15	13	11	209	275

13.9 Long-term borrowings (in CHF millions)

Rate	Year of issue	Nominal value	Maturity	Group-held	31 / 12 / 11 Amount outstanding	31 / 12 / 10
2.500%	2010	200	25 / 03 / 20	28	172	
1.625%	2011	125	30 / 11 / 26	44	81	
Bond issues[1]		**325**		**72**	**253**	**430**
Central mortgage-bond institution of Swiss cantonal banks					4 641	4 443
Structured products					490	411
Long-term borrowings					**5 384**	**5 284**
of which subordinated bonds		*0*		*0*	*0*	*118*

1) None of these issues can be called in for redemption before the maturity date.

Long-term borrowings by maturity

	2012	2013	2014	2015	2016	2017 – 2026	Total	31 / 12 / 11 Average rate
Bond issues						253	253	2.2%
Central mortgage-bond institution of Swiss cantonal banks	272	744	510	583	258	2 274	4 641	2.7%
Structured products	307	32	27	60	64		490	1.7%
Total	**579**	**776**	**537**	**643**	**322**	**2 527**	**5 384**	

	Status at year-end 2010	New issues	Redemptions	Net change in own securities	Status at year-end 2011
Bond issues	430	125	– 285	– 17	253
Central mortgage-bond institution of Swiss cantonal banks	4 443	653	– 455		4 641
Structured products	411	963	– 889	5	490
Total	**5 284**	**1 741**	**– 1 629**	**– 12**	**5 384**

13.10 Value adjustments and provisions Reserves for general banking risks (in CHF millions)

	Status at year-end 2010	Used as allocated	Changes in scope of con-solidation	Recoveries, overdue interest, currency differences	New provisions charged to income statement	Releases credited to income statement	Net change in provisions	Status at year-end 2011
Provisions for deferred taxes	1		4			– 3	– 3	2
Counterparty risk	222	– 33	1	14	21	– 25	– 4	200
Country risk	0						0	0
Value adjustments and provisions for credit risk	222	– 33	1	14	21	– 25	– 4	200
Other provisions	9	– 7		1	8	0	8	11
Total value adjustments and provisions	232	– 40	5	15	29	– 28	1	213
Value adjustments directly netted with assets	– 9							– 7
Value adjustments and provisions shown on the balance sheet	223							206
Reserves for general banking risks	704							704

13.11 Maturity structure of current assets and borrowed funds (in CHF millions)

		Sight	Callable	Maturity up to 3 months	Maturity 3 to 12 months	Maturity 12 months to 5 years	Maturity over 5 years	Fixed assets	Total
Cash and cash equivalents		1 711							1 711
Money-market instruments				26	2				28
Due from banks		1 582		1 069	405	72			3 128
Loans and advances to customers		5	2 327	2 127	494	621	320		5 894
Mortgage loans		277	742	3 252	1 908	10 916	4 976		22 071
Trading portfolio assets		573							573
Financial investments		79		172	97	1 775	826	26	2 975
Current assets	31 / 12 / 11	**4 227**	**3 069**	**6 646**	**2 906**	**13 384**	**6 122**	**26**	**36 380**
	31 / 12 / 10	**2 275**	**3 299**	**6 851**	**4 447**	**11 617**	**5 675**	**36**	**34 200**

		Sight	Callable	Maturity up to 3 months	Maturity 3 to 12 months	Maturity 12 months to 5 years	Maturity over 5 years	Fixed assets	Total
Money-market paper issued		6							6
Due to banks		711		1 315	51	125	150		2 352
Customer savings and investment accounts			11 620						11 620
Other customer accounts		12 347		812	320	512	96		14 087
Medium-term notes				29	58	111	11		209
Bonds and mortgage-backed bonds				152	427	2 278	2 527		5 384
Borrowed funds	31 / 12 / 11	**13 064**	**11 620**	**2 308**	**856**	**3 026**	**2 784**		**33 658**
	31 / 12 / 10	**11 628**	**10 885**	**2 198**	**1 249**	**2 883**	**2 497**		**31 340**

13.12 Compensation and loans granted to members of the Board of Directors and Executive Board

13.12.1 Compensation and loans granted to current members of the Board of Directors and the Executive Board

Compensation breakdown

Members of the Board of Directors

For 2011, the seven members of the Board of Directors in office at 31 December 2011 received gross compensation of CHF 1,868,362, including performance-based variable compensation of CHF 320,070 for the Chairman. The variable compensation was paid in two parts: CHF 224,000 in cash in March 2012, and the remaining CHF 96,070 in the form of 200 locked-up shares in April 2012. Benefit expense (social security, unemployment insurance, accident insurance and occupational pension) resulting from compensation to the Board of Directors totaled CHF 384,222.

Compensation comprises fees, compensation and expenses.

As of 1 January 2011, compensation for sitting on the various committees replaced attendance fees. For the members of the three main committees created by the Board of Directors—the Audit and Risk Committee, the Compensation, Promotions and Appointments Committee and the Innovation and Opportunities Committee—annual compensation was set as follows: CHF 40,000 for the chairman and CHF 20,000 for the other members of the Audit and Risk Committee, and CHF 20,000 for the chairmen and CHF 10,000 for the other members of the two other committees.

The average compensation of Board members, excluding the Chairman, amounted to CHF 136,381.

Since 1 November 2002, serving members of the Board of Directors have not been granted any preferential terms for banking services.

Members of the Executive Board
For 2011, the eight members of the Executive Board in office at 31 December 2011 received gross compensation of CHF 9,253,929, including performance-based variable compensation for an aggregate amount of CHF 4,196,458. The variable compensation was paid in two parts: CHF 2,936,500 in cash in March 2012, and the remaining CHF 1,259,958 in the form of 2,623 locked-up shares in April 2012. The figure for gross compensation includes CHF 827,764 which corresponds to 1,739 shares received as long-term variable salary under the 2009-2011 plan. Benefit expense (social security, unemployment insurance, accident insurance, income replacement, family allowances and occupational pension) resulting from compensation to the Executive Board totaled CHF 1,739,204.

Allocation of shares during 2011

No shares were allocated to close relations (closely-linked parties, i.e., persons living under the same roof) of members of the Board of Directors or the Executive Board during the 2011 financial year.

Members of the Board of Directors
For 2011, the Chairman of the Board received 200 locked-up BCV shares as part of his performance-based variable compensation. No other member of the Board of Directors is eligible for any type of share allocation.

Members of the Executive Board
For 2011, Executive Board members in office at 31 December 2011 received 2,623 locked-up BCV shares as part of their performance-based variable compensation. They also subscribed to 1,250 locked-up shares under the employee share-ownership program. They paid a subscription price of CHF 390, while the share price at the time of the purchase was CHF 531.50. Every year the Board of Directors determines the subscription price based on the current share price and defines the number of shares for which the Executive Board may subscribe.

Four out of five of the objectives set out in the 2009-2011 long-term variable salary plan were achieved, and Executive Board members received 75% of the number of shares initially set aside – i.e., 1,739 shares – in March 2012.

Other fees and compensation

Members of the Board of Directors and Executive Board received no fees or gratuities from BCV which are not included in the above compensation. Moreover, all fees and other amounts received by Executive Board members or the Chairman of the Board of Directors (also on the Board of Piguet Galland & Cie SA) representing BCV on boards of directors must be remitted to the Bank. In 2011, such payments to the Bank amounted to CHF 255,626.

Loans to members of the Board of Directors and Executive Board

Serving members of the Board of Directors are not accorded preferential terms on loans granted to them. For members of the Executive Board, as well as for all employees, the interest on variable-rate first mortgages was 1.9% at 31 December 2011. The interest charged on medium- and long-term fixed-rate loans was 0.25% above the base rate.

Share ownership

Members of the Board of Directors
Under a resolution adopted by the Board of Directors on 7 October 2002, each director is required to own a minimum of 100 BCV shares.

At 31 December 2011, directors and their close relations held a total of 9,574 BCV shares.

Members of the Executive Board
At 31 December 2011, Executive Board members and their close relations held 16,525 BCV shares.

Compensation of members of the Board of Directors for the 2011 financial year (in CHF)

	Olivier Steimer	Stephan A.J. Bachmann	Reto Donatsch	Beth Krasna	Pierre Lamunière	Luc Recordon	Paul-André Sanglard	Total	Average compen-sation
	Chairman	Vice Chairman since 6/5	Member since 6/5	Member	Member	Member	Member		Excluding Chairman
Fees	700 008	123 119	72 151	110 001	110 000	110 000	110 001	1 335 280	105 879
Committee-related compensation		40 000	13 119	20 000	13 334	20 000	20 000	126 453	21 076
Variable cash compensation	224 000							224 000	0
Variable compensation paid in shares: 200 shares at CHF 480.35[1]	96 070							96 070	0
Other	30 000	10 000	6 559	10 000	10 000	10 000	10 000	86 559	9 427
Total	**1 050 078**	**173 119**	**91 829**	**140 001**	**133 334**	**140 000**	**140 001**	**1 868 362**	**136 381**
Previous year								**1 870 278**	**131 708**
Benefits	**276 744**	**23 354**	**12 918**	**15 858**	**18 769**	**19 696**	**16 883**	**384 222**	**17 913**
Previous year								**380 638**	**15 648**

1) Average market price between 23 and 29 February 2012.

Compensation of members of the Executive Board for the 2011 financial year (in CHF)

	Total		Pascal Kiener CEO	
	Shares (in units)		Shares (in units)	
Fixed salary		4 030 032		900 000
Variable cash compensation		2 936 500		654 500
Variable compensation paid in shares: CHF 480.35 per share[1]	2 623	1 259 958	584	280 524
Shares acquired under employee share-ownership program: subscription price CHF 141.50 below market value[2]	1 250	176 875	200	28 300
Stock options (BCV has no employee stock-option plan)	0		0	
Other		22 800		6 000
Total	**3 873**	**8 426 165**	**784**	**1 869 324**
Previous year	**3 558**	**8 636 772**		
2009 – 2011 long-term variable salary plan				
Shares allocated at CHF 476 per share[3]	1 739	827 764	394	187 544
Previous year	812	408 842		
Total	**5 612**	**9 253 929**	**1 178**	**2 056 868**
Previous year	**4 370**	**9 045 614**		
Benefits		**1 739 204**		**295 812**
Previous year		**1 711 826**		

1) Average market price between 23 and 29 February 2012.
2) Difference between the subscription price (CHF 390) and the market price on 30 April 2011 (CHF 531.50).
3) Market price on 9 March 2012.

Loans to members of governing bodies (in CHF)

	Position	Nominal	Secured	Unsecured	31 / 12 / 11 Drawn down
Board of Directors					
Olivier Steimer	Chairman	3 200 000	3 200 000	0	3 200 000
Stephan A.J. Bachmann	Vice Chairman	0			0
Reto Donatsch	Member	0			0
Beth Krasna	Member	0			0
Pierre Lamunière	Member	0			0
Luc Recordon	Member	0			0
Paul-André Sanglard	Member	0			0
Total		3 200 000	3 200 000	0	3 200 000
Previous year[1]		3 868 000	3 868 000	0	3 842 000
Executive Board					
Total		11 068 000	11 068 000	0	10 781 000
Previous year		9 341 000	9 341 000	0	9 198 000
Stefan Bichsel[2]	Member	3 000 000	3 000 000	0	3 000 000

1) The total for the previous year includes loans to a member who left the Board before 31 December 2011.
2) Largest individual loan granted to an Executive Board member.

No loans were granted to close relations (i.e., persons living under the same roof) on terms not in keeping with market practice.

Loans to companies with links to members of governing bodies (in CHF)

	Nominal	Secured	Unsecured	31 / 12 / 11 Drawn down
Total	24 600 000	19 000 000	5 600 000	18 600 000
Previous year	24 900 000	19 000 000	5 900 000	21 725 000

Share and option ownership

		31 / 12 / 11 Shares (in units)	31 / 12 / 10 Shares (in units)
Board of Directors			
Olivier Steimer	Chairman	8 074	7 872
Stephan A.J. Bachmann	Vice Chairman	600	600
Reto Donatsch[1]	Member	100	
Beth Krasna	Member	100	100
Pierre Lamunière	Member	100	100
Luc Recordon	Member	100	100
Paul-André Sanglard	Member	500	100
Total		9 574	8 872

Executive Board			
Pascal Kiener	CEO	7 177	6 160
Thomas W. Paulsen	CFO	1 416	1 026
Bertrand Sager	Credit Management	1 566	1 190
Jean-François Schwarz	Corporate Banking	1 583	1 347
Gérard Haeberli	Private Banking	960	327
Markus Gygax	Retail Banking	873	546
Stefan Bichsel	Asset Management & Trading	1 308	704
Aimé Achard	Business Support	1 642	1 474
Total		16 525	12 774

1) Not a member of the Board of Directors in 2010.

Members of the Board of Directors and Executive Board held no options at 31 December 2011.

13.12.2 Compensation and loans granted to former members of the Board of Directors and Executive Board

Compensation of former members of the Board of Directors and Executive Board for the 2011 financial year

Having reached the legal age limit for BCV board members, Jean-Luc Strohm was replaced by Reto Donatsch as of the Annual Shareholders' Meeting on 5 May 2011. Between 1 January and 5 May 2011, Mr. Strohm received compensation of CHF 52,017 and reimbursement of CHF 3,468 in expenses. Benefit expense amounted to CHF 5,753.

No compensation was paid to former members of the Executive Board for the 2011 financial year.

Loans granted to former members of the Board of Directors and Executive Board

Since 1 November 2002, serving members of the Board of Directors have not been granted any preferential terms for banking services, while former members who held office prior to this date continue to receive preferential terms that are identical to those of employees and in line with current market practice.

At 31 December 2011, there were no outstanding loans to former members of the Executive Board on the preferential terms accorded to employees.

13.13 Receivables and commitments in respect of affiliated companies (in CHF millions)

	31 / 12 / 11	31 / 12 / 10
Loans and advances to customers	18	34
Mortgage loans	23	13
Financial investments	5	5
Receivables	**46**	**52**
Customer savings and investment accounts	5	4
Other customer accounts	176	145
Commitments	**181**	**149**

Corporations organized under public law in Vaud Canton and mixed enterprises in which Vaud Canton has a qualified holding are considered affiliated companies. Transactions with these companies are conducted on market terms.

13.14 Breakdown of assets and liabilities by Swiss and foreign origin (in CHF millions)

	31 / 12 / 11 Swiss	Foreign	31 / 12 / 10 Swiss	Foreign
Cash and cash equivalents	1 703	8	380	9
Money-market instruments	28		1 935	
Due from banks	1 515	1 613	1 333	1 685
Loans and advances to customers	4 774	1 120	4 357	890
Mortgage loans	22 058	13	20 244	10
Trading portfolio assets	140	433	137	341
Financial investments	2 390	585	2 285	594
Non-consolidated holdings	88		87	
Tangible fixed assets	628		588	
Intangible assets	35		4	
Accrued income and prepaid expenses	203	3	197	1
Other assets	566		508	
Assets	**34 128**	**3 775**	**32 055**	**3 530**
Total as %	**90**	**10**	**90**	**10**
Money-market paper issued	6		1	
Due to banks	1 652	700	1 565	451
Customer savings and investment accounts	10 957	663	10 300	585
Other customer accounts	11 373	2 714	10 551	2 328
Medium-term notes	209		275	
Bonds and mortgage-backed bonds	4 895	489	4 874	410
Accrued expenses and deferred income	214	1	228	1
Other liabilities	523		522	
Value adjustments and provisions	206		223	
Reserves for general banking risks	704		704	
Equity capital	86		86	
Capital reserve	360		359	
Own equity securities	– 8		– 7	
Retained earnings	1 838		1 801	
Minority interests - equity	20		14	
Net profit before minority interests	301		314	
Total liabilities and shareholders' equity	**33 336**	**4 567**	**31 810**	**3 775**
Total as %	**88**	**12**	**89**	**11**

13.15 Breakdown of assets by country / country group (in CHF millions)

	31 / 12 / 11 Absolute value	as % of total	31 / 12 / 10 Absolute value	as % of total
Europe	3 013	8	3 038	9
United Kingdom	*634*	*2*	*829*	*2*
France	*570*	*2*	*378*	*1*
Germany	*422*	*1*	*412*	*1*
Netherlands	*418*	*1*	*334*	*1*
Luxembourg	*356*	*1*	*343*	*1*
Danemark	*97*	*0*	*96*	*0*
Austria	*83*	*0*	*80*	*0*
Other	*433*	*1*	*566*	*3*
United States, Canada	160	0	79	0
Latin America, the Caribbean	205	1	209	1
Asia	245	1	173	0
Other	152	0	31	0
Foreign assets	**3 775**	**10**	**3 530**	**10**
Switzerland	34 128	90	32 055	90
Assets	**37 903**	**100**	**35 585**	**100**

13.16 Currency structure of the balance sheet (in CHF millions)

		CHF	EUR	USD	Other	Total
Cash and cash equivalents		1 665	42	2	2	1 711
Money-market instruments		24	2	2		28
Due from banks		1 014	1 064	917	133	3 128
Loans and advances to customers		3 821	275	1 751	47	5 894
Mortgage loans		22 071				22 071
Trading portfolio assets		158	134	260	21	573
Financial investments		2 861	101	13		2 975
Non-consolidated holdings		88				88
Tangible fixed assets		628				628
Intangible assets		35				35
Accrued income and prepaid expenses		203	1	2		206
Other assets		470	48	44	4	566
Positions carried as assets		**33 038**	**1 667**	**2 991**	**207**	**37 903**
Delivery claims arising from spot and forward transactions and options		8 552	4 777	8 913	2 133	24 375
Assets	31 / 12 / 11	41 590	6 444	11 904	2 340	62 278
	31 / 12 / 10	41 262	7 030	9 334	1 684	59 310
Money-market paper issued		6				6
Due to banks		1 004	186	969	193	2 352
Customer savings and investment accounts		11 532	85	3		11 620
Other customer accounts		10 316	1 718	1 708	345	14 087
Medium-term notes		209				209
Bonds and mortgage-backed bonds		5 225	135	24		5 384
Accrued expenses and deferred income		210	3	2		215
Other liabilities		464	27	26	6	523
Value adjustments and provisions		205		1		206
Reserves for general banking risks		704				704
Equity capital		86				86
Capital reserve		360				360
Own equity securities		– 8				– 8
Retained earnings		1 838				1 838
Minority interests - equity		20				20
Net profit before minority interests		301				301
Positions carried as liabilities		**32 472**	**2 154**	**2 733**	**544**	**37 903**
Delivery commitments arising from spot and forward transactions and options		9 361	4 222	8 939	1 782	24 304
Total liabilities and shareholders' equity	31 / 12 / 11	41 833	6 376	11 672	2 326	62 207
	31 / 12 / 10	41 484	6 940	9 190	1 667	59 281
Net position by currency	31 / 12 / 11	– 243	68	232	14	71
	31 / 12 / 10	– 222	90	144	17	29

14. Notes to off-balance-sheet transactions

14.1 Open positions in derivative financial instruments (in CHF millions)

		Trading instruments			Hedging instruments		
		Positive replacement values	Negative replacement values	Values of underlyings	Positive replacement values	Negative replacement values	Values of underlyings
Swaps		145	150	4 363	94	207	5 230
Futures				8			
Options (OTC)		1	1	100			18
Interest-rate instruments		**146**	**151**	**4 471**	**94**	**207**	**5 248**
Forward contracts		71	56	3 747			
Combined interest-rate and currency swaps		324	276	18 067			
Options (OTC)		44	48	4 049			
Foreign currencies and precious metals		**439**	**380**	**25 863**	**0**	**0**	**0**
Futures				25			
Options (OTC)		85	63	546			
Options (exchange traded)		1		10			
Equity securities / indices		**86**	**63**	**581**	**0**	**0**	**0**
Total	31 / 12 / 11	**671**	**594**	**30 915**	**94**	**207**	**5 248**
	31 / 12 / 10	**774**	**735**	**29 165**	**64**	**85**	**3 717**

		Positive replacement values	Negative replacement values	Values of underlyings
Recapitulation				
Trading instruments		671	594	30 915
Hedging instruments		94	207	5 248
Total before netting agreements	31 / 12 / 11	**765**	**801**	**36 163**
	31 / 12 / 10	**838**	**820**	**32 882**
Total after netting agreements	31 / 12 / 11	**408**	**444**	**36 163**
	31 / 12 / 10	**427**	**409**	**32 882**
Change	absolute	– 19	35	3 281
	as %	– 4	9	10

15. Notes to the consolidated income statement

15.1 Interest income (in CHF millions)

	2011	2010	Change absolute	Change as %
Money-market paper	7.7	3.8	3.9	103
Banks	17.8	19.3	– 1.5	– 8
Customers	693.3	685.6	7.7	1
Interest and dividends on financial investments	58.4	59.2	– 0.8	– 1
Other interest income	0.2	16.5	– 16.3	– 99
Total	**777.4**	**784.4**	**– 7.0**	**– 1**

15.2 Interest expense (in CHF millions)

Banks	12.8	10.4	2.4	23
Customers	86.7	95.9	– 9.2	– 10
Medium-term notes and bonds	149.4	167.5	– 18.1	– 11
Other interest expense	12.2	0.0	12.2	n / a
Total	**261.1**	**273.8**	**– 12.7**	**– 5**

15.3 Fees and commissions on securities and investment transactions (in CHF millions)

Securities administration	44.7	41.9	2.8	7
Brokerage	63.6	66.5	– 2.9	– 4
Income from new issues	11.5	18.6	– 7.1	– 38
Management fees	40.1	36.8	3.3	9
Investment-fund operations	126.5	118.6	7.9	7
Other	5.4	5.8	– 0.4	– 7
Total	**291.8**	**288.2**	**3.6**	**1**

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

Payment transactions	25.1	25.0	0.1	0
Rental of safes	2.3	2.2	0.1	5
Other	45.7	41.2	4.5	11
Total	**73.1**	**68.4**	**4.7**	**7**

15.5 Net trading income (in CHF millions)

	2011	2010	Change absolute	Change as %
Foreign currency and precious metals	91.9	72.6	19.3	27
Banknotes	11.8	10.7	1.1	10
Securities (less refinancing costs) and derivatives	12.7	16.0	– 3.3	– 21
Trading fee and commission expense	– 1.5	– 1.4	0.1	7
Total	**114.9**	**97.9**	**17.0**	**17**

15.6 Personnel costs (in CHF millions)

Fixed and variable compensation	262.4	251.7	10.7	4
Employee benefits	24.0	22.7	1.3	6
Contributions to staff pension funds	35.3	32.3	3.0	9
Other personnel expenses	17.5	18.8	– 1.3	– 7
Total	**339.2**	**325.5**	**13.7**	**4**

15.7 Other operating expenses (in CHF millions)

Premises	22.2	21.2	1.0	5
IT	77.2	76.5	0.7	1
Machinery, furniture, vehicles, etc.	4.3	4.1	0.2	5
Telecommunications and shipping	9.5	9.3	0.2	2
Marketing and communications	15.2	14.7	0.5	3
Service fees	8.6	10.0	– 1.4	– 14
Miscellaneous operating expenses	55.3	54.4	0.9	2
Total	**192.3**	**190.2**	**2.1**	**1**

15.8 Depreciation and write-offs on fixed assets (in CHF millions)

Real estate	13.4	13.3	0.1	1
Computer programs	49.5	49.1	0.4	1
Other investments	17.0	14.2	2.8	20
Holdings	0.0	0.1	– 0.1	– 100
Goodwill	4.0	0.9	3.1	344
Total	**83.9**	**77.6**	**6.3**	**8**

15.9 Value adjustments, provisions and losses (in CHF millions)

	2011	2010	Change absolute	Change as %
Provisions for credit risk[1]	7.5	0.0	7.5	n / a
Miscellaneous provisions	8.4	2.7	5.7	211
Other losses	3.9	2.5	1.4	56
Total	**19.8**	**5.2**	**14.6**	**281**

15.10 Extraordinary income (in CHF millions)

Release of provisions for credit risk[1]	11.9	32.9	– 21.0	– 64
Release of miscellaneous provisions	0.6	6.2	– 5.6	– 90
Other extraordinary income	4.1	6.2	– 2.1	– 34
Total	**16.6**	**45.3**	**– 28.7**	**– 63**

1) Net releases of credit-risk provisions amounted to CHF 4.4m in 2011; this amount corresponds to the net change in value adjustments and provisions for credit risk in table 13.10.

15.11 Extraordinary expenses (in CHF millions)

Final settlement with Swiss FTA[2]	0.0	34.0	– 34.0	n / a
Other extraordinary expenses	7.8	1.4	6.4	457
Total	**7.8**	**35.4**	**– 27.6**	**– 78**

2) This relates to the settlement concerning withholding tax reimbursed to the Bank from 2004 to 2006 in connection with some of its equity-derivative trading activities. BCV's position was largely accepted in the settlement with the FTA, with the exception of a limited number of transactions corresponding to less than 20% of the withholding tax initially demanded.

15.12 Taxes (in CHF millions)

Direct federal tax	25.7	26.0	– 0.3	– 1
Cantonal and municipal taxes	66.8	67.1	– 0.3	– 0
Deferred taxes	– 2.8	0.0	2.8	n / a
Total	**89.7**	**93.1**	**– 3.4**	**– 4**

15.13 Breakdown of income and expenses arising from ordinary banking operations (in CHF millions)

	2011		2010	
	Swiss	Foreign	Swiss	Foreign
Net interest income	515.6	0.7	509.7	0.9
Net fee and commission income	346.7	10.3	340.9	11.0
Net trading income	101.2	13.7	86.2	11.7
Other ordinary income	29.0		35.4	
Income	**992.5**	**24.7**	**972.2**	**23.6**
Personnel costs	339.1	0.1	325.5	
Other operating expenses	191.1	1.2	189.1	1.1
Expenses	**530.2**	**1.3**	**514.6**	**1.1**

The geographical breakdown of income is not representative insofar as business conducted abroad generates income in Switzerland.

16. Other information

16.1 Regulatory capital requirements (in CHF millions)

	31 / 12 / 11	31 / 12 / 10
Gross core capital	**3 025**	**2 995**
of which equity capital	*86*	*86*
of which disclosed reserves	*2 920*	*2 894*
of which minority interests	*19*	*15*
of which innovative capital instruments	*0*	*0*
Components to be deducted from core capital		
regulatory deduction	– 69	– 61
other components (goodwill, holdings)	– 110	– 73
Eligible Tier 1 capital	**2 846**	**2 861**
Additional and supplementary capital	23	33
Other deductions from additional, supplementary and total capital	– 23	– 33
Total eligible capital	**2 846**	**2 861**

Regulatory capital		
Credit risk	1 122	1 073
Non-counterparty-related assets	69	60
Market risk	24	31
Operational risk	140	134
BIS required capital	**1 355**	**1 298**
Credit risk	233	218
Non-counterparty-related assets	140	120
Market risk	0	0
Operational risk	0	0
Additional FINMA capital buffer	**373**	**338**
FINMA required capital	**1 728**	**1 636**
Capital exceeding minimum BIS requirement	**1 491**	**1 563**
Capital exceeding minimum FINMA requirement	**1 118**	**1 225**

BIS ratios		
BIS Tier 1 capital ratio	16.8%	17.6%
BIS Total capital ratio	16.8%	17.6%

FINMA ratios		
FINMA capital adequacy ratio	165%	175%
FINMA Tier 1 capital ratio	13.2%	14.0%
FINMA Total capital ratio	13.2%	14.0%

In December 2008, the Bank obtained approval from FINMA to use the Basel II Foundation Internal Ratings-Based approach to determine regulatory capital requirements for credit risk. It began applying this approach in 2009.

In accordance with Basel II Pillar 3 disclosure requirements, the Bank now publishes a report containing information on its capital adequacy, risk-assessment methods and the level of risk taken. This report is available in the Investor Relations section of the BCV website.

16.2 Business sector information

16.2.1 Methodology

Results by business sector are presented at BCV Group level and are broken down according to the Bank's activities.

Retail Banking covers operations with retail customers who have up to CHF 250,000 in assets or a mortgage loan worth up to CHF 1.2m.

Corporate Banking handles SMEs (including micro-businesses), large corporations, public-sector enterprises and trade finance.

Wealth Management addresses the needs of private and institutional clients. This sector also includes custody activities and the subsidiaries Piguet Galland & Cie SA, Gérifonds SA and GEP SA.

Trading encompasses financial market transactions (forex, equities, fixed-income instruments, metals, options, derivatives and structured products) conducted by the Bank for its own account and on behalf of customers, as well as custody activities.

The **Corporate Center** comprises executive management, Human Resources, the Strategy & Organization Department, the Finance & Risks Division (Risk Management, Financial Accounting, Controlling, ALM & Financial Management, Compliance and Legal), the Credit Management Division (Credit Analysis, Credit Analysis Support and Credit Recovery Management), and the Business Support Division (Information Systems Management, Facility Management & General Services, Back Office and Communications), as well as certain proprietary activities and the subsidiaries Unicible SA and Initiative Capital SA.

As a general rule, operating profit (including fee and commission income) is allocated to the sector to which the client or his/her advisor is attached.

For sectors dealing with customers, the "Net interest income" item corresponds to the gross commercial margin, i.e., the difference between the customer rate and the Swiss franc rate on the money market, taking into account the nature and duration of the transaction (Funds Transfer Pricing, or "FTP," method).

For the Corporate Center, net interest income comprises the net gain/loss on asset and liability management, interbank activities, and on fixed assets as well as gross interest on impaired loans handled by the Credit Recovery Management Department.

Income from securities trading is broken down by portfolio and allocated to the sector to which the portfolio manager is attached. Income from customer-driven forex and structured-products trading is allocated to Trading, which reallocates part of this income to the business sector to which the client is attached.

"Other income" is allocated account by account, depending on the nature of the item.

Operating expenses are allocated in two stages. The first of these involves charging direct expenses to the sector that uses the resources (personnel, premises, IT, etc.). In the second stage, indirect expenses are allocated on the basis of services provided among sectors.

Credit losses expected by each business sector are carried under "Loan losses." The difference between new provisioning needs and expected loan losses is booked to the Corporate Center.

Taxes are calculated per sector according to the tax rates in effect.

Balance-sheet and off-balance-sheet volumes reflect client-related business. In general, following the same rule used for income, business volumes are allocated to the sector to which the client or his/her advisor is attached.

The definition of customer assets (assets under management) can be found in section 9.9 of the accounting principles sub-chapter.

Shareholders' equity is allocated to the various types of business within each sector in accordance with FINMA regulatory requirements, including FINMA's additional buffer of 20%. Surplus equity is booked to the Corporate Center.

16.2.2 Customer assets by business sector

(in CHF millions)	Retail Banking 2011	Retail Banking 2010	Corporate Banking 2011	Corporate Banking 2010
Balance sheet				
Loans and advances to customers	195	152	4 553	3 948
Mortgage loans	7 177	6 652	8 602	8 119
Advances to customers	**7 372**	**6 804**	**13 155**	**12 067**
Savings and investments	6 774	6 412	942	931
Other liabilities	652	588	5 545	5 298
Medium-term notes	84	107	13	14
Customer deposits	**7 510**	**7 107**	**6 500**	**6 243**
Off-balance-sheet commitments	**92**	**50**	**2 270**	**2 263**
Customer assets (assets under management) (including double-counted)	**8 085**	**7 891**	**9 380**	**9 292**

16.2.3 Results by business sector

(in CHF millions)	Retail Banking 2011	Retail Banking 2010	Corporate Banking 2011	Corporate Banking 2010
Net interest income	135.8	129.2	209.2	209.4
Net fee and commission income	56.2	53.8	64.6	69.1
Net trading income	20.3	17.5	8.6	8.9
Other income	2.0	2.0	4.7	5.1
Operating income	**214.3**	**202.5**	**287.1**	**292.5**
Personnel costs	– 52.6	– 52.6	– 32.7	– 32.4
Operating expenses	– 41.1	– 41.9	– 15.4	– 15.4
Operating profit	**120.6**	**108.0**	**239.0**	**244.7**
Depreciation and write-offs	– 18.1	– 17.4	– 3.5	– 2.9
Interdivisional billing	– 60.6	– 61.9	– 52.4	– 52.8
Operating profit after depreciation and write-offs and interdivisional billing	**41.9**	**28.7**	**183.1**	**189.0**
Loan losses[1]	– 4.3	– 4.3	– 35.0	– 40.9
Other losses and provisions	– 1.3	– 2.9	– 0.1	– 0.1
Extraordinary income and expenses	0.0	0.0	0.0	0.0
Taxes[2] and minority interests	– 8.0	– 4.7	– 32.5	– 32.6
Net profit	**28.3**	**16.8**	**115.5**	**115.4**

16.2.4 Indicators

	Retail Banking 2011	Retail Banking 2010	Corporate Banking 2011	Corporate Banking 2010
Average shareholders' equity at 120% (in CHF millions)	**156**	**147**	**1 035**	**1 027**
Profitability ratios (%)				
ROE (based on operating profit after depreciation and write-offs and interdivisional billing)	26.9	19.5	17.7	18.4
ROE (based on net profit)	18.2	11.4	11.1	11.2
Cost / income[3]	80.4	85.8	36.2	35.4
Average headcount	**427**	**425**	**200**	**197**

2010 figures were adjusted to facilitate like-for-like comparisons.

[1] Expected loan losses are allocated to the business sectors. The difference between new provisioning needs and expected loan losses is booked to the Corporate Center.

Wealth Management		Trading		Corporate Center		BCV Group	
2011	2010	2011	2010	2011	2010	2011	2010
676	470	0	0	469	677	5 894	5 247
6 061	5 247	0	0	231	236	22 071	20 254
6 737	5 717	0	0	700	913	27 965	25 501
3 902	3 538	0	0	2	4	11 620	10 885
6 844	6 163	562	413	484	417	14 087	12 879
112	153	0	0	0	1	209	275
10 858	9 854	562	413	486	422	25 916	24 039
83	60	0	0	247	253	2 692	2 626
59 224	58 250	0	0	408	416	77 097	75 849
118.9	109.6	0.9	1.0	51.5	61.4	516.3	510.6
235.8	227.4	– 0.9	0.3	1.3	1.3	357.0	351.9
15.5	16.2	61.6	53.2	8.9	2.1	114.9	97.9
– 1.8	– 6.4	0.0	0.0	24.1	34.7	29.0	35.4
368.4	346.8	61.6	54.5	85.8	99.5	1 017.2	995.8
– 121.9	– 104.1	– 13.1	– 14.0	– 118.9	– 122.4	– 339.2	– 325.5
– 45.2	– 42.8	– 8.4	– 8.4	– 82.2	– 81.7	– 192.3	– 190.2
201.3	199.9	40.1	32.1	– 115.3	– 104.6	485.7	480.1
– 11.9	– 8.1	– 1.9	– 2.6	– 48.5	– 46.6	– 83.9	– 77.6
– 59.1	– 59.4	3.1	3.3	169.0	170.8	0.0	0.0
130.3	132.4	41.3	32.8	5.2	19.6	401.8	402.5
– 4.5	– 4.3	– 0.7	– 0.6	33.6	20.6	– 10.9	– 29.5
– 10.4	– 1.3	0.0	0.0	– 8.0	– 0.9	– 19.8	– 5.2
– 6.9	2.9	0.0	0.6	26.6	35.9	19.7	39.4
– 22.8	– 29.8	– 9.0	– 7.2	– 16.4	– 19.7	– 88.7	– 94.0
85.7	99.9	31.6	25.6	41.0	55.5	302.1	313.2
260	260	42	42	1 739	1 730	3 232	3 208
50.2	50.8	98.7	77.9			12.4	12.5
33.0	38.3	75.7	60.7			9.3	9.8
63.5	61.6	32.8	39.9			60.1	59.5
630	550	60	60	730	728	2 047	1 960

[2] Taxes are calculated per business sector according to the tax rates in effect.
[3] Costs used for calculating the cost/income ratio per sector comprise personnel costs, operating expenses, depreciation and write-offs, and interdivisional billing.

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

	2007	2008	2009	2010	2011
Interest and discount income	1 024.1	1 023.2	783.3	725.2	719.0
Interest and dividend income from financial investments	40.3	43.1	51.2	59.2	58.4
Interest expense	– 559.4	– 562.2	– 327.0	– 273.8	– 261.1
Net interest income	**505.0**	**504.1**	**507.5**	**510.6**	**516.3**
Fees and commissions on lending operations[1]	39.5	51.5	58.9	66.4	64.0
Fees and commissions on securities and investment transactions	356.0	298.9	276.6	288.2	291.8
Fees and commissions on other services[1]	73.6	62.4	64.6	68.4	73.1
Fee and commission expense	– 84.3	– 72.8	– 71.5	– 71.1	– 71.9
Net fee and commission income	**384.8**	**340.0**	**328.6**	**351.9**	**357.0**
Net trading income	**73.5**	**37.0**	**98.6**	**97.9**	**114.9**
Profit on disposal of financial investments	54.4	24.9	14.9	26.0	10.7
Total income from holdings	5.5	5.0	7.8	3.9	5.5
of which other non-consolidated holdings	*5.5*	*5.0*	*7.8*	*3.9*	*5.5*
Real-estate income	8.6	12.5	11.2	10.3	10.4
Miscellaneous ordinary income	56.9	12.2	11.9	10.0	9.4
Miscellaneous ordinary expenses	– 1.2	– 7.8	– 4.9	– 14.8	– 7.0
Other ordinary income	**124.2**	**46.8**	**40.9**	**35.4**	**29.0**
Total income from ordinary banking operations	**1 087.5**	**927.9**	**975.6**	**995.8**	**1 017.2**
Personnel costs	– 347.8	– 310.3	– 316.4	– 325.5	– 339.2
Other operating expenses	– 210.7	– 194.3	– 189.2	– 190.2	– 192.3
Operating expenses	**– 558.5**	**– 504.6**	**– 505.6**	**– 515.7**	**– 531.5**
Operating profit	**529.0**	**423.3**	**470.0**	**480.1**	**485.7**
Depreciation and write-offs on fixed assets	– 85.2	– 76.8	– 79.0	– 77.6	– 83.9
Value adjustments, provisions and losses	– 9.6	– 16.1	– 18.0	– 5.2	– 19.8
Profit on ordinary banking operations before extraordinary items and taxes	**434.2**	**330.4**	**373.0**	**397.3**	**382.0**
Extraordinary income	282.8	129.5	16.9	45.3	16.6
Extraordinary expenses	– 141.2	– 0.8	– 0.3	– 35.4	– 7.8
Taxes	– 98.5	– 101.4	– 88.2	– 93.1	– 89.7
Net profit before minority interests	**477.3**	**357.7**	**301.4**	**314.1**	**301.1**
Minority interests	– 3.9	– 1.4	– 0.8	– 0.9	1.0
Net profit	**473.4**	**356.3**	**300.6**	**313.2**	**302.1**

1) To facilitate like-for-like comparisons, 2008 figures were adjusted following the reclassification of certain fees and commissions.

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

	31 / 12 / 07	31 / 12 / 08	31 / 12 / 09	31 / 12 / 10	31 / 12 / 11
Cash and cash equivalents	353	546	1 404	389	1 711
Money-market instruments	100	95	88	1 935	28
Due from banks	6 364	7 715	5 469	3 018	3 128
Loans and advances to customers	5 691	5 551	5 542	5 247	5 894
Mortgage loans	16 788	17 283	18 770	20 254	22 071
Trading portfolio assets	2 046	607	397	478	573
Financial investments	1 589	1 552	2 870	2 879	2 975
Non-consolidated holdings	82	82	81	87	88
Tangible fixed assets	635	607	597	588	628
Intangible assets	12	6	5	4	35
Accrued income and prepaid expenses	273	240	219	198	206
Other assets	1 404	955	291	508	566
Assets	**35 337**	**35 239**	**35 733**	**35 585**	**37 903**

Money-market paper issued	5	0	4	1	6
Due to banks	2 472	2 335	2 065	2 016	2 352
Customer savings and investment accounts	8 120	8 539	9 842	10 885	11 620
Other customer accounts	12 432	13 062	13 563	12 879	14 087
Medium-term notes	405	610	507	275	209
Bonds and mortgage-backed bonds	6 533	5 923	5 605	5 284	5 384
Accrued expenses and deferred income	369	257	225	229	215
Other liabilities	1 205	942	403	522	523
Value adjustments and provisions	571	393	297	223	206
Liabilities	**32 112**	**32 061**	**32 511**	**32 314**	**34 602**
Reserves for general banking risks	704	704	704	704	704
Equity capital	538	258	172	86	86
Capital reserve	353	355	357	359	360
Own equity securities	– 7	– 7	– 7	– 7	– 8
Retained earnings	1 145	1 497	1 681	1 801	1 838
Minority interests - equity	15	13	14	14	20
Net profit before minority interests	477	358	301	314	301
Shareholders' equity	**3 225**	**3 178**	**3 222**	**3 271**	**3 301**
Total liabilities and shareholders' equity	**35 337**	**35 239**	**35 733**	**35 585**	**37 903**

17. Report of the statutory auditor on the consolidated financial statements to the general meeting of Banque Cantonale Vaudoise, Lausanne

As statutory auditor, we have audited the consolidated financial statements of Banque Cantonale Vaudoise, which comprise the balance sheet, income statement, statement of cash flows and notes (pages 105 to 141), for the year ended 31 December 2011.

Board of Directors' Responsibility
The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting rules for banks and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements for the year ended 31 December 2011 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with accounting rules for banks, and comply with Swiss law.

Report on other legal requirements
We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers Ltd

Alex Astolfi	Beresford Caloia
Audit expert	*Audit expert*
Auditor in charge	

Lausanne, 13 March 2012

Financial Statements

Parent Company Financial Statements

1. Balance sheet (in CHF millions)

	Notes[1]	31 / 12 / 11	31 / 12 / 10	Change absolute	Change as %
Cash and cash equivalents		1 666	374	1 292	345
Money-market instruments		28	1 935	– 1 907	– 99
Due from banks		3 148	2 885	263	9
Loans and advances to customers	5.8	5 655	5 126	529	10
Mortgage loans	5.2/5.8	21 815	20 056	1 759	9
Trading portfolio assets		573	477	96	20
Financial investments	5.2/5.8	2 921	2 830	91	3
Holdings		226	163	63	39
Tangible fixed assets		564	568	– 4	– 1
Accrued income and prepaid expenses		199	192	7	4
Other assets	5.1	544	508	36	7
Assets		**37 339**	**35 114**	**2 225**	**6**
Total subordinated assets		1	2	– 1	– 50
Total claims on Group companies and significant shareholders		73	17	56	329
of which claims on the Canton of Vaud		*1*	*4*	*– 3*	*– 75*

	Notes[1]	31 / 12 / 11	31 / 12 / 10	Change absolute	Change as %
Money-market paper issued		6	1	5	500
Due to banks		3 065	2 341	724	31
Customer savings and investment accounts	5.8/5.9	11 610	10 875	735	7
Other customer accounts	5.3/5.8	12 991	12 260	731	6
Medium-term notes		209	274	– 65	– 24
Bonds and mortgage-backed bonds	5.3	5 384	5 284	100	2
Accrued expenses and deferred income		195	216	– 21	– 10
Other liabilities	5.1	519	519	0	0
Value adjustments and provisions	5.4	193	216	– 23	– 11
Liabilities		**34 172**	**31 986**	**2 186**	**7**
Reserves for general banking risks	5.4	693	694	– 1	– 0
Equity capital	5.5	86	86	0	0
General legal reserve		693	779	– 86	– 11
of which paid-in reserves		*609*	*695*	*– 86*	*– 12*
Reserve for own equity securities	5.4	8	7	1	14
Other reserves		1 373	1 252	121	10
Profit for the year	7.1	314	310	4	1
Shareholders' equity	5.6	**3 167**	**3 128**	**39**	**1**
Total liabilities and shareholders' equity		**37 339**	**35 114**	**2 225**	**6**
Total subordinated liabilities		0	118	– 118	– 100
Total liabilities to Group companies and significant shareholders		2 030	1 323	707	53
of which liabilities to the Canton of Vaud		*1 246*	*942*	*304*	*32*

[1] The notes are on pages 153 – 158.

2. Income statement (in CHF millions)

	Notes[1]	2011	2010	Change absolute	Change as %
Interest and discount income		710.3	719.9	– 9.6	– 1
Interest and dividend income from financial investments		57.9	58.7	– 0.8	– 1
Interest expense		– 262.0	– 274.7	– 12.7	– 5
Net interest income		**506.2**	**503.9**	**2.3**	**0**
Fees and commissions on lending operations		63.8	66.3	– 2.5	– 4
Fees and commissions on securities and investment transactions		200.8	212.8	– 12.0	– 6
Fees and commissions on other services		68.5	67.5	1.0	1
Fee and commission expense		– 43.5	– 48.4	– 4.9	– 10
Net fee and commission income		**289.6**	**298.2**	**– 8.6**	**– 3**
Net trading income	6.1	**106.7**	**92.5**	**14.2**	**15**
Profit on disposal of financial investments		10.7	26.6	– 15.9	– 60
Income from holdings		12.3	10.8	1.5	14
Real-estate income		9.9	6.3	3.6	57
Miscellaneous ordinary income		9.8	10.2	– 0.4	– 4
Miscellaneous ordinary expenses		– 6.0	– 13.2	– 7.2	– 55
Other ordinary income		**36.7**	**40.7**	**– 4.0**	**– 10**
Total income from ordinary banking operations		**939.2**	**935.3**	**3.9**	**0**
Personnel costs		– 291.0	– 292.8	– 1.8	– 1
Other operating expenses		– 173.2	– 172.8	0.4	0
Operating expenses		**– 464.2**	**– 465.6**	**– 1.4**	**– 0**
Operating profit		**475.0**	**469.7**	**5.3**	**1**
Depreciation and write-offs on fixed assets		– 77.1	– 74.6	2.5	3
Value adjustments, provisions and losses	5.4	– 10.3	– 5.1	5.2	102
Profit on ordinary banking operations before extraordinary items and taxes		**387.6**	**390.0**	**– 2.4**	**– 1**
Extraordinary income	5.4	16.3	42.3	– 26.0	– 61
Extraordinary expenses	5.4	0.0	– 34.2	– 34.2	– 100
Taxes		– 90.2	– 88.2	2.0	2
Profit for the year		**313.7**	**309.9**	**3.8**	**1**
Appropriations					
Profit for the year		313.7	309.9		
Profit shown on the balance sheet		313.7	309.9		
Appropriation of profit	7.1				
– Allocation to other reserves		124.4	120.6		
– Allocation to general legal reserve		0.0	0.0		
– Distribution of dividend on share capital		189.3	189.3		
Other distributions					
Distribution drawn from paid-in-reserves	7.2	86.1	86.1		

1) The notes are on pages 153 – 158.

3. Off-balance-sheet transactions (in CHF millions)

	31 / 12 / 11	31 / 12 / 10	Change absolute	Change as %
Contingent liabilities	1 430	1 372	58	4
Irrevocable commitments	1 090	1 127	– 37	– 3
of which commitments to make payments into a depositor protection fund	*152*	*148*	*4*	*3*
Commitments relating to calls on shares and other equity securities	95	96	– 1	– 1
Confirmed credits	45	14	31	221
Derivative financial instruments				
Gross positive replacement values	768	840	– 72	– 9
Gross negative replacement values	800	820	– 20	– 2
Values of underlyings	36 183	32 932	3 251	10
Fiduciary deposits with other banks	402	297	105	35

Other contingent liabilities
Joint and several liability with respect to subsidiaries within the BCV VAT group.

4. Overview and accounting principles

4.1 Overview of operations and headcount
See sub-chapter 7 of the consolidated financial statements.

4.2 Basis of preparation of company financial statements
The company financial statements have been prepared in accordance with the provisions of the Swiss Code of Obligations, the Federal Act on Banks and Savings Institutions and its Implementing Ordinance, and the Directives of 20 November 2008 governing the preparation of financial statements.

Changes to accounting principles
No changes were made to the accounting principles in 2011.

4.3 Presentation principles for individual line items
The valuation principles used to draw up the parent company's financial statements are the same as those used for the consolidated financial statements, with the exception of the following items:

4.3.1 Trading portfolio
This item contains positions in own equity securities, which are valued and carried on the balance sheet at fair value.

4.3.2 Holdings
This item comprises shares and other equity securities of companies held as long-term investments. Their maximum carrying value is cost less appropriate write-downs.

4.4 Risk-assessment and risk-management principles
See sub-chapter 10 of the consolidated financial statements.

5. Notes to the balance sheet

5.1 Other assets and liabilities (in CHF millions)

	31 / 12 / 11 Other assets	31 / 12 / 11 Other liabilities	31 / 12 / 10 Other assets	31 / 12 / 10 Other liabilities
Replacement values of derivative financial instruments (positive / negative)	412	443	429	409
Offset accounts	92	0	1	0
Indirect taxes	10	26	10	32
Coupons / coupons and securities due	15	3	26	5
Settlement accounts	14	30	37	61
Miscellaneous assets and liabilities	1	17	5	12
Other assets and other liabilities	**544**	**519**	**508**	**519**

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

	31 / 12 / 11 Amount or book value of pledge	31 / 12 / 11 Real liabilities	31 / 12 / 10 Amount or book value of pledge	31 / 12 / 10 Real liabilities
Assets pledged or assigned to Swiss National Bank	190	0	188	0
Mortgages pledged or assigned to Central mortgage-bond institution of Swiss cantonal banks	6 467	4 641	5 868	4 443
Other	234	234	242	242
Assets pledged or assigned	**6 891**	**4 875**	**6 298**	**4 685**

5.3 Own occupational pension funds (in CHF millions)

	31 / 12 / 11	31 / 12 / 10
Due to customers, other	32	49
Bonds	7	11
Balance sheet liabilities	**39**	**60**

5.4 Value adjustments and provisions Reserves for general banking risks Reserve for own equity securities (in CHF millions)

	Status at year-end 2010	Used as allocated	Change in allocation	Recoveries, overdue interest, currency differences	New provisions charged to income statement	Releases credited to income statement	Net change in provisions	Status at year-end 2011
Value adjustments and provisions for default risk (counterparty and country risks)	218	– 32		14	21	– 26	– 5	195
Other provisions	7	– 1		0	0	– 1	– 1	5
Total value adjustments and provisions	**225**	**– 33**		**14**	**21**	**– 27**	**– 6**	**200**
Value adjustments directly netted with assets	– 9							– 7
Total value adjustments and provisions shown on the balance sheet	**216**							**193**
Reserves for general banking risks	**694**		**– 1**					**693**
Reserve for own equity securities	**7**		**1**					**8**

5.5 Equity capital (in CHF millions)

		2011 Number of shares (in units)	2011 Total par value	2010 Number of shares (in units)	2010 Total par value
Share capital					
Registered share, fully paid-in	Par value	CHF 10.00		CHF 20.00, CHF 10.00 from 21 July 2010	
Status at 1 January		8 606 190	86	8 606 190	172
Share par-value reduction[1]					– 86
Status at 31 December		**8 606 190**	**86**	**8 606 190**	**86**
of which share capital qualifying for dividends			*86*		*86*

1) This transaction is described in section 2.3 of the corporate governance chapter.

Participation certificate capital
BCV does not have any participation certificate capital.

Conditional capital
BCV does not have any conditional capital.

Authorized capital
BCV does not have any authorized capital.

	31 / 12 / 11 Number of shares (in units)	Total par value	Stake	31 / 12 / 10 Number of shares (in units)	Total par value	Stake
Major shareholders and share-holder groups with voting ties						
Voting rights						
Vaud Canton, direct interest	5 762 252	57.6	66.95%	5 762 252	57.6	66.95%

5.6 Movements in shareholders' equity (in CHF millions)

	Share capital	General legal reserve: paid-in reserves	General legal reserve: other reserves	Reserves for general banking risks	Reserve for own equity securities	Other reserves	Profit / loss for the year	Total equity capital
Status at 1 January 2009	**258**	**0**	**779**	**694**	**7**	**908**	**358**	**3 004**
Allocation to other reserves						185	– 185	0
2008 dividend							– 172	– 172
Share par-value reduction[1]	– 86							– 86
Change in reserve for own equity securities				0	0			0
Profit / loss for the year							339	339
Status at 31 December 2009	**172**	**0**	**779**	**694**	**7**	**1 093**	**340**	**3 085**
Allocation to other reserves						159	– 159	0
2009 dividend							– 181	– 181
Share par-value reduction[1]	– 86							– 86
Change in reserve for own equity securities				0	0			0
Legal reserve reallocations		695	– 695					0
Profit / loss for the year							310	310
Status at 31 December 2010	**86**	**695**	**84**	**694**	**7**	**1 252**	**310**	**3 128**
Allocation to other reserves						121	– 121	0
2010 dividend							– 189	– 189
Distribution out of paid-in reserves		– 86						– 86
Change in reserve for own equity securities				– 1	1			0
Profit / loss for the year							314	314
Status at 31 December 2011	86	609	84	693	8	1 373	314	3 167

1) This transaction is described in section 2.3 of the corporate governance chapter.

5.7 Compensation and loans to members of governing bodies

More information on compensation and loans to members of the governing bodies can be found in note 13.12 to the consolidated financial statements.

5.8 Receivables and commitments in respect of affiliated companies (in CHF millions)

	31 / 12 / 11	31 / 12 / 10
Loans and advances to customers	18	34
Mortgage loans	23	13
Financial investments	5	5
Receivables	**46**	**52**
Customer savings and investment accounts	5	4
Other customer accounts	176	145
Commitments	**181**	**149**

Corporations organized under public law in Vaud Canton and mixed enterprises in which Vaud Canton has a qualified holding are considered affiliated companies. Transactions with these companies are conducted on market terms.

5.9 Special "Caisse d'Epargne Cantonale Vaudoise" account (in CHF millions)

Guaranteed by the Canton of Vaud and managed by Banque Cantonale Vaudoise, by decree of 20 June 1995

	2011	2010
Capital on deposit at 1 January	381	435
Movements:		
Net payment surplus during the financial year	– 43	– 55
Capitalization of net interest at 31 December	0	1
Net change	– 43	– 54
Total capital on deposit at 31 December	338	381
of which guaranteed by the Canton of Vaud	*247*	*281*

	31 / 12 / 11	31 / 12 / 10	Change
Breakdown by type of service			
Registered savings books and accounts	197	213	– 16
Senior citizens' savings books and accounts	79	94	– 15
Bearer savings books	57	67	– 10
Youth savings books and accounts	5	7	– 2
Total	338	381	– 43

6. Notes to the income statement

6.1 Net trading income (in CHF millions)

	2011	2010	Change absolute	Change as %
Foreign currency and precious metals	83.6	66.4	17.2	26
Banknotes	11.8	10.6	1.2	11
Securities (less refinancing costs) and derivatives	12.8	16.9	– 4.1	– 24
Fee and commission expense	– 1.5	– 1.4	0.1	7
Total	106.7	92.5	14.2	15

7. Proposals by the Board of Directors

At the Annual Shareholders' Meeting to be held on 3 May 2012, the Board of Directors will recommend the following appropriation of profit and distributions:

7.1 Appropriation of profit

The proposed allocation of available earnings of CHF 313.7m is as follows:

	Dividend in CHF per registered share	Number of shares (in units)	Appropriation (in CHF millions)
Payment of an ordinary dividend	22.00	8 606 190	189.3
Allocation to the general legal reserve			0.0
Allocation to other reserves			124.4
			313.7

If this resolution is adopted, the dividend will be payable, after deduction of Swiss withholding tax, at the Bank's head office and branches beginning on 10 May 2012.

7.2 Other distribution

In addition, a distribution of CHF 86.1m drawn from paid-in reserves will be proposed:

	Amount in CHF per registered share	Number of shares (in units)	Distribution (in CHF millions)
Distribution drawn from paid-in reserves	10.00	8 606 190	86.1
			86.1

If this resolution is adopted, the distribution – which will not be subject to Swiss withholding tax – will be payable at the Bank's head office and branches beginning on 10 May 2012.

8. Report of the statutory auditor on the financial statements to the general meeting of Banque Cantonale Vaudoise, Lausanne

As statutory auditor, we have audited the financial statements of Banque Cantonale Vaudoise, which comprise the balance sheet, income statement and notes (pages 150 to 158), for the year ended 31 December 2011.

Board of Directors' Responsibility
The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended 31 December 2011 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers Ltd

Alex Astolfi	Beresford Caloia
Audit expert	*Audit expert*
Auditor in charge	

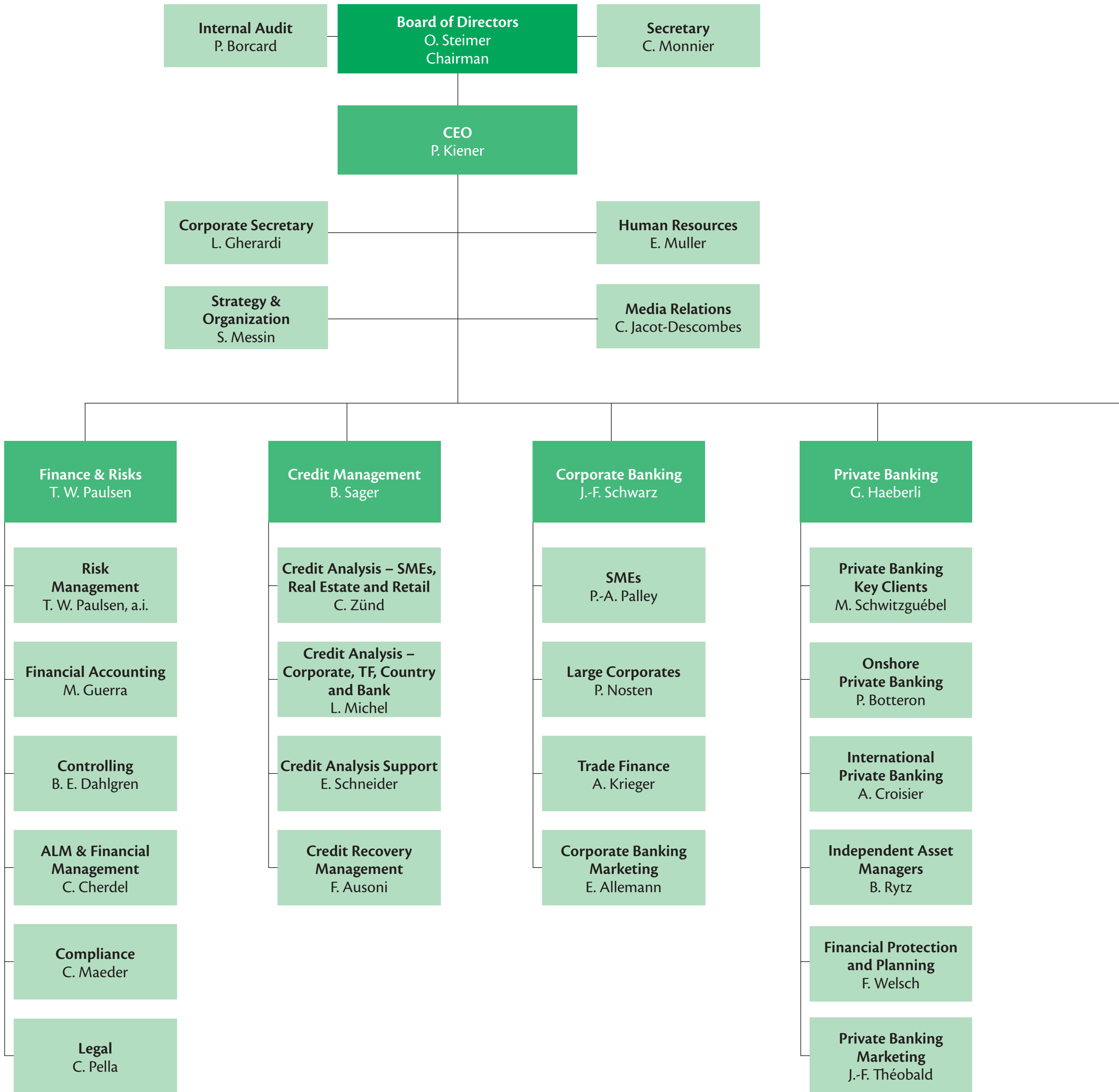
Lausanne, 13 March 2012

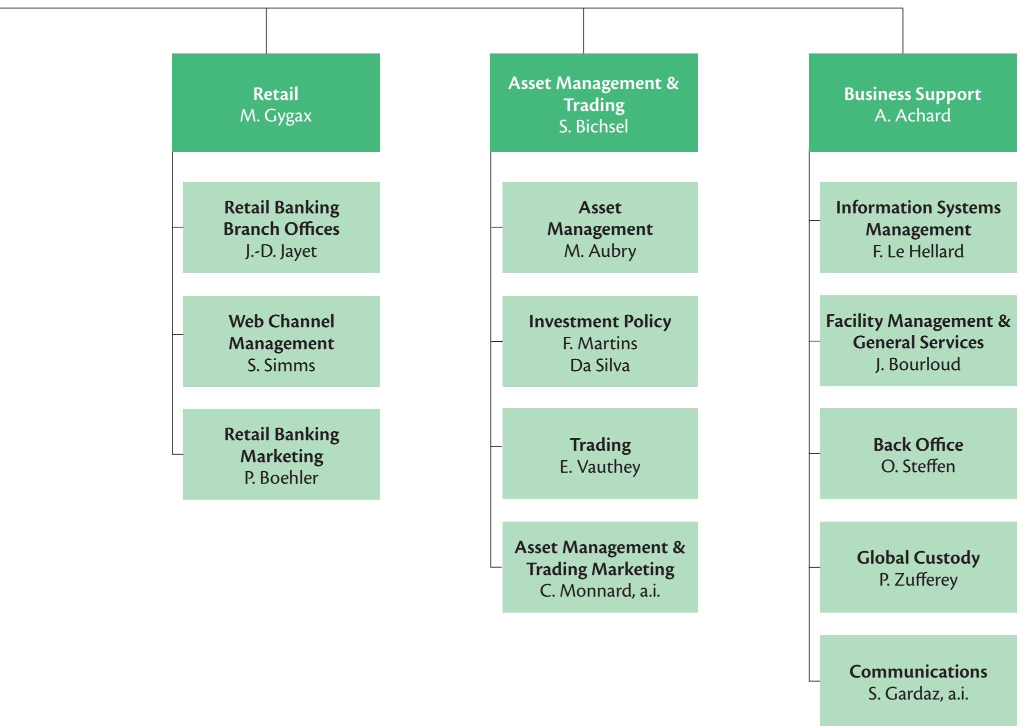
Bex & Arts

From 12 June to 25 September 2011, the 11th edition of Bex & Arts saw the Szilassy Gardens play host to 39 contemporary sculptures. In this pleasant setting overlooking the village of Bex, the work of 45 Swiss artists was arranged as a series of natural compositions to arouse the visitor's curiosity.

Organization Chart

As of 1 March 2012




Retail
M. Gygax
Retail Banking Branch Offices
J.-D. Jayet
Web Channel Management
S. Simms
Retail Banking Marketing
P. Boehler
Asset Management & Trading
S. Bichsel
Asset Management
M. Aubry
Investment Policy
F. Martins Da Silva
Trading
E. Vauthey
Asset Management & Trading Marketing
C. Monnard, a.i.
Business Support
A. Achard
Information Systems Management
F. Le Hellard
Facility Management & General Services
J. Bourloud
Back Office
O. Steffen
Global Custody
P. Zufferey
Communications
S. Gardaz, a.i.

Retail Network

As of 1 March 2012

Regional Managers

As of 1 March 2012

Broye region

Retail banking	Francis Collaud
Private banking	André Cherbuin
SME	Fabrice Chollet

Chablais / Alpes vaudoises region

Retail banking	Eric Barroud
Private banking	Vincent Mottier
SME	Sébastien Roduit

Gros-de-Vaud region

Retail banking	Pascal Udry
Private banking	Pierre-Yves Zimmermann
SME	Alexandre Berthoud

Lausanne region

Retail banking	Thierry Magnin
Private banking	Pascal Aubry
SME	Henri-Pierre Monney

Lavaux region

Retail banking	Sébastien Rod
Private banking	Olivier Engler
SME	Cédric Ottet

Morges region

Retail banking	Philippe Diserens
Private banking	Daniel Vuffray
SME	Patrick Blanc

Nord vaudois region

Retail banking	Steve Magnenat
Private banking	Yves Marguerat
SME	Bernard Mettraux

Nyon region

Retail banking	Grégory Gay
Private banking	Jean-Michel Isoz
SME	Jean-Daniel Gebhard

Riviera region

Retail banking	Pierre-Alain Favre
Private banking	Christophe Millius
SME	Didier Muller

Branch Offices

As of 1 March 2012

Broye region

Avenches
Rue Centrale 4
Case postale 47
1580 Avenches

Lucens
Avenue de la Gare 4 A
Case postale 69
1522 Lucens

Payerne
Rue du Temple 9
Case postale 64
1530 Payerne

Chablais / Alpes vaudoises region

Aigle
Rue du Collège 2
Case postale 449
1860 Aigle

Bex
Rue Centrale 5
Case postale 62
1880 Bex

Château-d'Oex
Grand-Rue 82
Case postale 172
1660 Château-d'Oex

Les Diablerets
Les Ormonts 7
Case postale 27
1865 Les Diablerets

Leysin
Place du Marché
Case postale 83
1854 Leysin

Villars
Rue Centrale 119
Case postale 7
1884 Villars

Villeneuve
Grand-Rue 1
Case postale 27
1844 Villeneuve

Gros-de-Vaud region

Cheseaux-sur-Lausanne
Rue des Pâquis 1
Case postale 68
1033 Cheseaux-sur-Lausanne

Cugy
Centre commercial Migros
Route de Bottens 1
1053 Cugy

Echallens
Place de la Gare 7
Case postale 31
1040 Echallens

Moudon
Rue du Temple 10
Case postale 32
1510 Moudon

Penthalaz
Place Centrale 3
Case postale 7
1305 Penthalaz

Romanel
Marché Migros Romanel
En Félezin
1032 Romanel

Lausanne region

Bellevaux
Route Aloys-Fauquez 116
Case postale 30
1000 Lausanne 8

Bergières
Avenue Bergières 42
Case postale 60
1000 Lausanne 22

Bussigny
Chemin du Parc 6
Case postale 44
1030 Bussigny

Chauderon
Place Chauderon 8
Case postale 300
1001 Lausanne

CHUV
Rue du Bugnon 46
Case postale 8
1011 Lausanne

Crissier
Centre MMM
Case postale 210
1023 Crissier

Ecublens
Chemin du Croset 3
Case postale 47
1024 Ecublens

Epalinges
Place de la Croix-Blanche 17
Case postale 119
1066 Epalinges

Flon
Rue de Genève 33
Case postale 300
1001 Lausanne

La Sallaz
Route d'Oron 2
Case postale 32
1000 Lausanne 10

Lausanne - Cour
Avenue de Cour 38 A
Case postale 163
1000 Lausanne 3

Lausanne - Gare
Place de la Gare 10
Case postale 192
1001 Lausanne

Ouchy
Avenue d'Ouchy 76
Case postale 22
1000 Lausanne 6

Prilly
Route de Cossonay 21
Case postale 48
1008 Prilly

Renens
Rue du Midi 15
Case postale 608
1020 Renens

UNIL
Internef - Dorigny
Case postale 125
1015 Lausanne

WTCL
Avenue Gratta-Paille 2
1018 Lausanne

Lausanne - St-François
Place St-François 14
Case postale 300
1001 Lausanne

Lavaux region

Chailly
Avenue de Chailly 10
Case postale 79
1000 Lausanne 12

Cully
Place de l'Hôtel de Ville 7
Case postale 16
1096 Cully

Lutry
Route de Lavaux 166
Case postale 265
1095 Lutry

Mézières
Rue du Théâtre 2
Case postale 41
1083 Mézières

Oron-la-Ville
Le Bourg 16
Case postale 103
1610 Oron-la-Ville

Pully
Rue de la Poste 8
Case postale 62
1009 Pully

Savigny
Place du Forum 2
Case postale 120
1073 Savigny

Morges region

Allaman
Littoral Centre
A la forêt
1165 Allaman

Aubonne
Chemin du Mont-Blanc 2
Case postale 37
1170 Aubonne

Cossonay-Ville
Rue des Etangs 5
Case postale 35
1304 Cossonay-Ville

Denges
Route de Genève 107 B
Case postale 74
1026 Denges

Morges Hôtel-de-Ville
Place de l'Hôtel-de-Ville 2
Case postale 144
1110 Morges 1

Morges - Charpentiers
Rue Centrale 12
Case postale 144
1110 Morges 1

St-Prex
Route de Rolle 2
Case postale 24
1162 St-Prex

Nord vaudois region

Chavornay
Route d'Yverdon 2
Case postale 62
1373 Chavornay

Grandson
Place du Château 8
Case postale 28
1422 Grandson

Le Sentier
Grand-Rue 36
Case postale 62
1347 Le Sentier

Orbe
Place du Marché 9
Case postale 27
1350 Orbe

Ste-Croix
Rue Neuve 2
Case postale 17
1450 Ste-Croix

Vallorbe
Rue de l'Horloge 1
Case postale 36
1337 Vallorbe

Yverdon-les-Bains
Rue des Remparts 17
Case postale 256
1400 Yverdon-les-Bains 1

Nyon region

Coppet
Place du Four
Case postale 30
1296 Coppet

Gland
Avenue du Mont-Blanc 14 A
Case postale 338
1196 Gland

Nyon
Rue Perdtemps 6
Case postale 1048
1260 Nyon 1

Rolle
Grand-Rue 60
Case postale 232
1180 Rolle

Signy
Centre Commercial
Rue des Fléchères
Case postale 245
1274 Signy-Centre

Riviera region

Blonay
Route du Village 7
Case postale 91
1807 Blonay

Chexbres
Grand-Rue
Case postale 113
1071 Chexbres

Clarens
Avenue Vinet 15
Case postale 51
1815 Clarens

La Tour-de-Peilz
Grand-Rue 38
Case postale 64
1814 La Tour-de-Peilz

Montreux
Grand-Rue 50
Case postale 1026
1820 Montreux

Vevey - Gare
Place de la Gare
Case postale 160
1800 Vevey 1

Vevey - Nestlé
Avenue Nestlé 55
1800 Vevey

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Artists whose work was photographed for the Bex & Arts exhibition
Front cover: Alexandre Joly
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