2013 Annual Report

BCV

BCV at a glance

2013 highlights

Our business remained on firm track in a mixed environment

- Business volumes in Vaud were up, spurred by a resilient local economy.
- Nevertheless, the low-interest-rate environment and the cyclical slowdown in international trade finance activities weighed on revenues, which came in at CHF 991m.
- Firm cost control kept operating profit at CHF 471m (–3%).

BCV's AA rating was maintained by S&P

- Standard & Poor's confirmed BCV's long-term rating of AA and raised the Bank's outlook from negative to stable.

We launched *stratégie2018*

- We achieved virtually all of the goals we had set in our previous strategy, *BCVPlus*, with concrete results in all targeted areas.
- Our new strategy builds on this success and takes its cue from two key words: onwards and upwards. We intend to:
  - Press onwards with our winning strategy and execute on all planned and ongoing projects.
  - Move upwards by making impeccable service quality our differentiating factor, further improving our internal operations, and adjusting our business-line strategies to take account of changes in regulatory and market environments.

BCV decided to take part in the US Department of Justice's program aimed at settling the tax dispute between Switzerland and the USA

- Given the uncertainty surrounding the program and in keeping with the Bank's sound approach to risk management, BCV decided to participate in the program, for the time being as a category 2 financial institution.

We maintained our distribution policy

- We paid out an ordinary dividend of CHF 22 and distributed 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

	2009	2010	2011	2012	2013
Balance sheet at 31 December					
Total assets	35 733	35 585	37 903	39 800	40 454
Advances to customers	24 312	25 501	27 965	27 958	28 809
Customer deposits and bonds	29 517	29 323	31 300	33 171	34 396
Shareholders' equity	3 222	3 271	3 301	3 315	3 322
Assets under management[1]	74 793	74 426	75 063	79 129	83 850
Income statement					
Total income	976	996	1 017	1 010	991
Operating expenses	506	516	531	524	519
Operating profit	470	480	486	486	471
Depreciation and write-offs	79	78	84	86	86
Value adjustments, provisions and losses	18	5	20	4	43
Net profit	301	314	301	311	280
Headcount					
Full-time equivalents	1 939	1 986	2 042	1 931	1 987
Ratios					
Shareholders' equity/total assets	9.0%	9.2%	8.7%	8.3%	8.2%
FINMA capital adequacy ratio[2]	176%	175%	165%	180%	224%
FINMA Tier 1 capital ratio[2]	14.1%	14.0%	13.2%	14.4%	17.8%
BIS Total capital ratio[2]	17.8%	17.6%	16.8%	18.4%	17.9%
Operating profit/average shareholders' equity	14.7%	14.9%	14.9%	14.8%	14.3%
Cost/income ratio[3]	59.8%	59.5%	60.1%	60.0%	60.6%
Operating profit per employee (in CHF thousands)	244.4	245.0	237.3	246.2	241.0
ROE	9.5%	9.8%	9.3%	9.5%	8.5%
Credit ratings					
Standard & Poor's					
Long term	AA– / stable	AA– / positive	AA / stable	AA / negative	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) 2009-2012 figures for assets under management were adjusted to exclude custody-only assets
2) Determined according to the Basel III approach since 1 January 2013
3) Excluding goodwill amortization and write-downs

The project to give the lobby of BCV's head office at Place St-François in Lausanne a thorough facelift was successfully completed in 2013. But bringing a century-old building into the 21st century with style was no easy feat. One of the main architectural challenges was to restore the building's original structure and space, while at the same time ensuring that the new layout was in line with our customers' needs.

Before the building could be remodeled for present-day use, it first had to be stripped of the heavy-handed renovations of the 1950s in order to convey the spirit of architect Francis Isoz's original 1903 design. To honor his vision and preserve it for future generations, the project sought to bring out four of the building's key features – the lobby's size and structure, the floor and ceiling details, the window design, and the grand central staircase.

Natural materials of the highest quality were used for the renovation, resulting in a solid, timeless feel. Wood, marble and glass combine to give the space an airy, luminous ambiance designed to make our customers and employees feel at ease. This year's annual report features photos illustrating the building's new look, with its harmonious blend of materials, colors and shapes.

Contents

Letter from the Chairman and the CEO

Solid and well positioned

Despite a mixed business environment, we once again delivered firm growth and healthy financial results. This attests to the solidity of the Bank and the soundness of the strategy we adopted in 2008. Volumes grew in our core businesses, supported by a resilient Vaud economy and rising stockmarkets. Customer deposits rose 4%, lending was up 3% and assets under management increased by 6%.

At the same time, our prudent liquidity management, the continuing low-interest-rate environment and our voluntary cap on mortgage lending growth continued to weigh on revenues, which fell 2% to CHF 991m but remained at levels similar to those seen in previous years. At CHF 280m, net profit was also lower (–10%) due to one-off items, which were mainly related to the US Department of Justice's program aimed at settling the tax dispute between Switzerland and the USA.

New strategic phase

Our *BCVPlus* strategy, launched in 2008, came to an end in 2013. The five-year program proved to be a great success overall. We achieved our growth targets in almost all business lines despite ups and downs in the operating environment. Taking just one example, we successfully increased trading revenue while considerably reducing risk levels by pulling out of proprietary trading and refocusing on customer-driven business.

We also completed a number of initiatives aimed at improving and streamlining our day-to-day operations. That gave us more time to focus on serving our customers.

Olivier Steimer
Chairman of the Board of Directors

Pascal Kiener
CEO

Today, for instance, our retail banking advisors are able to meet face-to-face with 25,000 more customers a year than in 2009. Under *BCVPlus*, we also continued to develop our employees' skills sets and adopted an active approach to managing our equity capital.

Building on these achievements, and after carefully considering where we want to be five years from now, the Board of Directors and Executive Board decided that the Bank's next strategic phase – *stratégie2018* – would continue on the course set by *BCVPlus*. *Stratégie2018* takes its cue from two key words: onwards and upwards. We will press onwards with our winning strategy and complete all projects currently underway or in the pipeline. We also intend to move upwards by adjusting our business-line strategies to take account of changes in the market and regulatory environments, improving how we operate internally and setting a new standard for excellence in customer service. Another goal is greater integration between our various customer touch points, i.e., our branches, ATMs, call centers, website and apps for tablets and smartphones. Our customers' needs are changing, and the popularity of BCV-net mobile, our online banking app, shows that we are in tune with them.

Other key developments

During the year we also reaped the benefits of a project launched in 2004 to develop and maintain our own internal-ratings-based system for assessing credit risk. Our system was fully recognized by FINMA, and that has had a positive impact on our capital ratio: it rose from 14.4% at end-2012 to 17.9% at end-2013.

After examining the US Department of Justice's program aimed at settling the tax dispute between Swiss banks and the USA, BCV opted to join the program, for the time being as a category 2 financial institution. Our location in the highly international Lake Geneva region means that we do have clients who qualify as US Persons. However, US Persons have never been a target market for BCV, and we have never conducted business or client-acquisition activities on US soil. We remain committed to resolving this matter and are facing the process with confidence.

Another highlight was last summer's transfer of 80 IBM specialists in charge of maintaining and developing our Osiris IT platform. Having these specialists work directly for BCV will give us greater control over our IT system. We also completed the final stage of the branch network overhaul we began in 2006, with the refurbishment of the lobby in our historic head office building at Place Saint-François in Lausanne.

Finally, our corporate social responsibility efforts continued apace in 2013. We joined Innovaud, a platform designed to support innovation in the Canton, and through this project we will provide the Foundation for Technological Innovation (FIT) with CHF 5m in financial support over ten years.

Rewarding our shareholders

Early last year, we reviewed our financial objectives and decided to maintain the distribution policy we adopted in 2008. BCV intends to pay an ordinary dividend of between CHF 22 and CHF 27 per share, along with a special dividend of CHF 10 per share out of paid-in reserves. Barring significant changes in the economic or regulatory climate or the Bank's situation, we plan to maintain this level of distribution over the next five years.

After receiving approval from shareholders at the Annual Meeting last April, BCV distributed a total of CHF 275 million to shareholders, or CHF 32 per share, for the 2012 financial year. The Board has full confidence in the Bank's prospects and will propose a distribution of the same amount under the same conditions for 2013 – i.e., an ordinary dividend of CHF 22 per share, plus a special dividend of CHF 10 out of paid-in reserves.

In conclusion, on behalf of the Board of Directors and the Executive Board, we would like to thank BCV's shareholders and customers for their trust and loyalty. We also want to thank all of our employees for their hard work and achievements during the year. All of you are making a vital contribution to BCV's ongoing sustainable growth.

Olivier Steimer

Pascal Kiener


CARTE


Retraits

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 of around CHF 1.0bn in 2013 and total assets of CHF 40.5bn, 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 66 staffed branches and more than 220 ATMs throughout the Canton. The Bank's organization is based on four client-oriented divisions: Retail Banking, Private Banking, Corporate Banking and Asset Management & Trading. We offer a comprehensive range of financial services to all client segments. BCV Group had 1,987 full-time-equivalent employees at 31 December 2013. 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 2013 is described on page 119.

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 were 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 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 followed by a growth phase. From 2003 to 2005, we successfully refocused operations on our four core businesses while remaining active in selected niche activities offering strong potential in terms of both growth and profitability.

From 2005 to 2008, we implemented the second phase of 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.

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.

From the end of 2008 to the end of 2013, we carried out our *BCVPlus* strategy, which took a clearly defined and differentiated approach and was based on the business model of a universal bank with solid local roots. This strategy was a great success: almost all the Bank's business lines grew, and through a series of internal initiatives we instilled a performance-based corporate culture and promoted ongoing skills development. We are convinced that operational excellence is a key factor in setting ourselves apart from the competition and driving our success. With this in mind, we introduced measures to simplify our processes, improve customer service and revitalize our sales and marketing approach. Active equity capital management was also a part of *BCVPlus*, with an attractive distribution policy for shareholders.

As part of the growth strategy for the onshore wealth management business, BCV Group acquired Banque Franck Galland & Cie SA in 2011. This bank was merged with Banque Piguet & Cie SA, a BCV subsidiary since 1991, creating Piguet Galland & Cie SA, which is a major wealth manager in French-speaking Switzerland.

In 2013, the Board of Directors and Executive Board once again conducted an in-depth review of the Bank's strategy and trends in the banking sector in general. Management confirmed that the next phase of our strategy – *stratégie2018* – would continue on the same course as *BCVPlus*. In addition, we will aim to make impeccable service quality our differentiating factor, look for new ways to improve our internal operations, and take account of changes in the regulatory environment and customer expectations.

Our strategy

Our business strategy is guided by our ultimate goal of creating value for shareholders, clients and employees. Our business model is that of a universal bank with solid local roots, and we believe this is the best way to ensure profitable growth going forward. Our operations are focused on the Bank's four core businesses, but we remain active in selected niche activities offering potential in terms of both growth and profitability. Our risk profile is moderate, and we take an active approach to equity capital management.

Our current strategy – *stratégie2018* – follows on from our previous strategy, aiming primarily to continue developing all of the Bank's business lines. We also intend to make impeccable service quality our differentiating factor, further improve our internal operations, and adjust our business-line strategies to take account of changes in the regulatory environment. In addition, we will be working to better meet our customers' changing needs and expectations, by achieving greater integration between our various customer touch points, i.e., our branches, ATMs, call centers, website and apps for tablets and smartphones.

We aim to keep up the positive trend in our various businesses. In particular, we are targeting:

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

We will also work to improve our internal processes and sharpen our focus on the customer experience. This will involve:

- Improving customer-service quality through a series of targeted initiatives
- Developing our multi-channel offering in line with our customers' changing expectations
- Embarking on various projects to enhance our internal operations
- Pressing ahead with our proactive human resources strategy and continuing to develop our employees' skills sets to keep pace with increasing customer needs.

In early 2013, we also adjusted our key financial objectives and our distribution policy. In the prevailing low-interest-rate environment, the Group aims to achieve sustainable growth, with revenues and operating profit trending along the same lines as in recent years. We have set long-term targets of 12-13% for ROE, 57-59% for the cost/income ratio, and 13% for Core Equity Tier 1 (CET1). These targets will be reached over a period of several years.

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

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 fields of expertise and constantly seek to expand their skills and knowledge.

Performance

At BCV, we set ourselves ambitious goals across the board. Our people are results-oriented. They systematically seek pragmatic and effective solutions to the challenges that arise every day.

Responsibility

BCV employees demonstrate responsible professional behavior. This includes taking responsibility for their actions, being conscientious in their work and being loyal to the company.

Given the importance that we ascribe to our core values, we have put in place a long-term employee information and training program.

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

Who We Are

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.

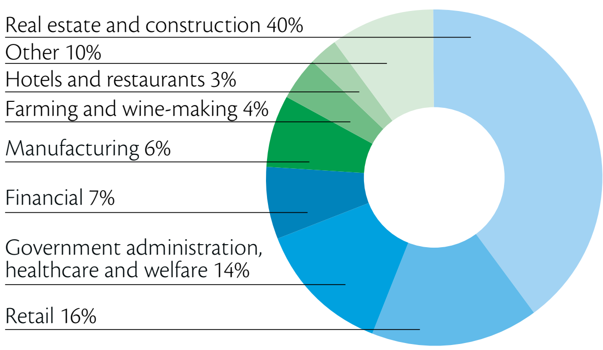
6. Playing an active role in the community.

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 to assess our market position, along with the fact that half of the Canton's people and companies bank with us, show that we are an integral part the social and economic fabric of Vaud. Thanks to our concerted and ongoing efforts to improve service quality, and despite increasingly fierce competition, BCV is perceived as solid, reliable and competent. Indeed, since the 2008-2009 financial crisis we have witnessed a significant influx of new funds as a result of expanded business with existing clients and the arrival of many new clients.

Our strong market position in the Canton is the result of several factors: our extensive on-the-ground presence, our understanding of the needs of both individual and business customers, our know-how, our professionalism, and our responsible approach to banking. As the leading bank in Vaud Canton and in accordance with Article 4 of the LBCV, we are committed to contributing to the development of all sectors of the economy across our home region and to the financing of public-sector entities, as well as to helping meet demand for mortgage lending in the Canton.

Business loans by sector



Source: BCV

As part of our *BCVPlus* strategy, we adopted several concrete initiatives between 2009 and 2013 to align ourselves more closely with the needs of individual and corporate clients in Vaud. This includes ongoing improvements to our products and services. These efforts are continuing as part of *stratégie2018*.

Close ties with our customers

Our local presence is of key strategic importance. We are the Canton's top employer in banking and the most widely accessible bank in Vaud thanks to our dense retail network, which includes nine decision-making centers across the Canton, 66 branch offices, and over 220 ATMs located in our branches and in our 59 automated banking centers (see our retail map and list of branch addresses on pages 160-163).

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 each year to meet those needs. Between 2006 and 2013, all our branch offices were partially or totally renovated, with the aim of making them more comfortable and user-friendly for our customers. This program came to an end with the completion of the renovation work at our head office at Place Saint-François in Lausanne. As in previous years, we installed new branch-based and stand-alone ATMs across Vaud Canton. Some ATMs have also been equipped with a "talking ATM" feature, which helps the visually impaired make withdrawals. Our retail network will continue to develop going forward.

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 or email. Our Customer Service Center is available non-stop every weekday from 7:30am to 7:30pm. In 2013, it handled more than 297,000 incoming calls and over 123,000 emails. Our business banking hotline for companies and self-employed people in Vaud is available between 8am and 6pm, Monday to Friday. This service handled 95,000 enquiries last year.

We also provide 24/7 access to our services through our BCV-net e-banking platform and our network of ATMs. BCV-net is very popular with our customers: 40% of them use it, and seven out of every ten payments are made via this platform. In December 2011, we also launched BCV-net mobile, an app for accessing BCV-net from iPhones, iPads and Android-operated devices. By the end of 2013, individual customers were conducting over 30% of their e-banking sessions via the app. It has been downloaded around 74,000 times since its launch, and with 433,000 payments made in 2013, the app has proven its worth. It allows customers to view balances and transactions on current accounts, securities accounts, and debit and credit cards, and to make all types of payments within Switzerland.

BCV has always been a pioneer in online brokerage, and in 2012 we launched a completely revamped trading platform, TradeDirect. It is one of the most competitively priced online brokers in Switzerland. The www.tradedirect.ch website provides online access to 25 stock exchanges and over 100,000 investment vehicles, and has powerful market-tracking, search and analytical tools. A mobile trading app is also available for iPhones, and an Android version is scheduled for release in the first half of 2014. In 2013, the number of accounts opened was up 50% on 2012 and fund inflows almost doubled.

Our website, www.bcv.ch, continued to expand its audience. In 2013, it attracted 11.5m visits, up 10% relative to 2012. Our free real-estate ad website – www.newhome.ch, a joint venture involving 15 of Switzerland's cantonal banks – also gained traction. For example, the number of ads relating to properties for sale in Vaud Canton rose by 30% last year.

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 businesses of Vaud accounting for 80% of total lending volumes.

At end-2013, 51% of our outstanding loans were to individuals, and 49% 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.

Working with clients in difficulty

In line with our mission, 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 are also continuing 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 products and services cover the full range of banking requirements.

In Retail Banking, our offering for students and trainees includes a popular savings account paying an attractive interest rate of 2%. Customers also appreciate the fact that we get in touch with them directly at key points, such as when a mortgage loan is up for renewal, as well as for important life events like retirement.

All individual customers, regardless of their wealth, can also receive comprehensive financial planning advice. In wealth management, we offer a full range of banking and investment solutions and advisory services. Moreover, clients very much appreciate the availability of our advisors, with whom they can discuss the current economic and financial environment.

In Corporate Banking, BCV's offering covers a wide range of products and services, from financing and treasury management to occupational pension solutions. This means that we can meet the needs of a very diverse clientele, from artisans serving the local market to multinationals conducting business the world over. In 2013, investment financing solutions had strong traction with business customers.

In Asset Management, we offer a range of investment products, from asset allocation funds and structured products to discretionary management mandates for specific asset classes. Equity markets performed well in 2013, and BCV's funds and other investment products generated excellent returns overall, both in absolute terms and relative to their benchmark indexes. There was also renewed interest in equity-based structured products over the year.

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%	12%	11%	7%	8%	16%
Other loans	5%	8%	18%	15%	11%	10%	9%	11%	15%
Workforce distribution (secondary and tertiary sectors)	3%	5%	11%	10%	9%	9%	5%	5%	43%

Sources: BCV; Statistique Vaud
Mortgages: real-estate lending including fixed-term loans secured by mortgage
Workforce distribution: 2011 statistics on enterprise structure (SES)

Given current and upcoming regulatory changes affecting financial products, we have started to analyze and adjust our service model and product range. The aim is to ensure that all retail and corporate customers are well informed and protected.

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. As part of this, BCV works with companies through every stage of their development: from start-up and growth to maturity and succession. Our partnerships with growing and mature businesses are well-known, but our role in business creation and succession is less so. In 2013, we provided around CHF 21m in financing to get 37 start-ups off the ground in Vaud Canton.

In addition, BCV joined Innovaud, the Vaud Cantonal Government's platform for promoting innovation in Vaud Canton. As part of the Innovaud project, we have committed CHF 5m in financial support to the Foundation for Technological Innovation (FIT). This partnership enables us to foster entrepreneurship and innovation in Vaud in a way that would not be possible within the Bank's normal commercial loan business.

To help encourage budding entrepreneurs in Vaud, BCV and other partners set up the Silicon Valley Startup Camp in 2013. Ten students from local colleges and universities were given the chance to spend a week soaking up the atmosphere of Silicon Valley. They followed a packed schedule of university visits, meetings and workshops, all organized by Swissnex, a Swiss organization based in San Francisco whose mandate is to strengthen ties between Switzerland and North America in the areas of science, education, art and innovation. The students learned the basics of starting a business and were given first-hand exposure to the entrepreneurial mindset that is so pervasive in Silicon Valley.

These activities are part of an initiative launched several years ago. In 2011, we published a guide to setting up a business, in collaboration with the Vaud Chamber of Commerce and Industry (CVCI). We also conducted a series of seminars for new business owners of all ages, in collaboration with the CVCI, the SAWI (a marketing and communications organization) and Genilem (a start-up support organization). The success of these endeavors has shown that we are filling a gap.

In order to achieve 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 benefits all our stakeholders. For the 2012 financial year, for example, we paid out CHF 250m to our majority

Corporate Social Responsibility at BCV

Our 2012-2013 Social Responsibility Report will be published at the same time as this annual report. While the previous reports in 2007, 2009 and 2011 focused on our social, environmental and economic development efforts, the fourth edition looks at key initiatives in each of these areas. In terms of the environment, the report covers the Bank's performance as part of the Carbon Disclosure Project (CDP) and its excellent score of 81 out of 100 in the 2013 ranking. As regards economic development, the report discusses the Silicon Valley Startup Camp, which took ten students from Vaud colleges and universities to Silicon Valley and immersed them in the region's entrepreneurial spirit. The report covers social aspects through a review of the first two BCV Solidarity initiatives.

The 2012-2013 Social Responsibility Report is available online (in French only) at www.bcv.ch.

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. A further example of this multidimensional approach is our involvement with the local community.

Protecting the environment is another key pillar of sustainable development, and we continued our efforts to reduce energy consumption and waste production in 2013. We cut our paper consumption by 10% through efforts to promote online services and distribute documents in electronic form. Investments in upgrading our IT infrastructure will also have a positive impact on our power consumption.

We are a major sponsor of PubliBike, Switzerland's first bicycle-sharing network. In 2013, PubliBike merged with velopass, one of Switzerland's pioneering bike-sharing networks, which was started in Vaud and sponsored by BCV.

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 have therefore adopted an attractive dividend policy aimed at generating attractive returns for all our shareholders over the long term.

We paid out a total of around CHF 1.8bn to our shareholders for the 2007 to 2012 financial years. We distributed six ordinary dividends of CHF 14, CHF 20, CHF 21, CHF 22, CHF 22 and CHF 22 per share, amounting to a total of CHF 1.04bn. We also made six special distributions, which were tax free for shareholders. The first distribution was CHF 32.50 per share and the following five were each CHF 10 per share, representing a total of CHF 710m. The first three payments were in the form of par-value reimbursements, while the following three were distributions out of paid-in reserves.

Our financial strength, solid market position and status as a cantonal bank have won recognition from the rating agencies. Standard & Poor's raised our rating to AA on 5 December 2011. The rating has had a stable outlook since 18 June 2013. On 12 October 2011, Moody's raised BCV's Bank Financial Strength Rating to the long-term equivalent of A3 and confirmed its A1 long-term rating on BCV, with a stable outlook. The rating agencies' credit opinions can be found in the Investor Relations section of our website, www.bcv.ch, or via the free BCV Investor Relations iPad app.

5. Being a benchmark employer

BCV is one of Vaud's leading employers and the largest employer in the Canton's banking sector. We consider our dynamic human resources policy to be crucial to both our mission and our strategy. Alongside missions and objectives, skills development is a key employee performance factor. We encourage training as a driver of staff motivation and knowledge management. Moreover, we are dedicated to creating workplace equality and offering the same opportunities to all staff. The issue of women in the workforce is also a focus.

A common corporate culture is an integral part of our human resources policy, which was revised as part of our *BCVPlus* strategy. At the heart of this culture are BCV's four core values: responsibility, performance, professionalism, and close ties with our customers and the broader community. These values are also central to the ethical principles and code of conduct in force within the Group. This code was reviewed and expanded in 2013, and made public in February 2014.

Staff

At the end of 2013, BCV Group had 1,987 employees on a full-time-equivalent (FTE) basis, 56 more than a year earlier. The increase was a result of the transfer of 80 IT specialists from IBM to BCV.

The parent company accounts for the largest share of the workforce, with a total of 1,936 employees, or 1,773 FTEs. In 2013 BCV filled 258 positions: there were 183 outside hires and 75 internal transfers. The internal transfers included 24 young people we kept on after they had completed BCV internships or training programs. Average staff turnover was 8.7% in 2013.

In terms of women in the workforce, the parent company had 804 female employees (42% of the workforce) at the end of 2013. Women accounted for 23% of employees with signing authority (225 positions) and 7% of all senior managers (21 positions). In addition, we now have 13 women serving as branch managers, where they play a key role in running our retail network. There were 381 women (47% of the Bank's female staff) 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 strategy. 83% of employees took part in the 2013 survey. The results showed that employee buy-in remained high and that the perception of management's effectiveness improved. This positive outcome was underpinned by efforts to develop the management culture at BCV.

Focus on training

In 2013 BCV provided job training for 99 entry-level employees, including 47 trainees, 30 students in their final year of school, 12 university interns and ten people taking part in the "Rejoignez-nous" training program.

BCV is one of the Canton's main providers of professional training. We have our own training center with around 200 instructors, more than three-quarters of whom work elsewhere within the Bank.

In 2013, the training center focused on skills development for employees throughout the Bank. Client advisors in particular require regular training to be able to keep pace with constant changes in client needs and the regulatory environment. Sales-force managers continued to receive training on how to improve their leadership and coaching skills. As part of our revised human resources strategy, numerous managers received training regarding BCV's recruitment process.

A new intake of 22 people started BCV's "Micro MBA" study program, organized in collaboration with the Entrepreneurship and Business Development program at the University of Geneva's Business School. This program is intended to develop interdisciplinary and project management skills. In addition, 27 BCV employees received post-secondary degrees from outside institutions, the vast majority with BCV's support. Through these actions, we are laying the groundwork to fill future leadership roles within the Bank.

Employee benefits

BCV Group provides its employees with comprehensive pension cover well in excess of the minimum legal requirements. The staff pension fund is run as a defined-contribution plan for purposes of retirement benefits, and as a defined-benefit plan for purposes of death and disability benefits.

At the end of 2013, pension fund members comprised 2,112 employees, 1,891 of whom were working at the parent company, and another 1,202 pension recipients, including 929 retirees. There was a sharp increase in the overall number of pension fund members, which was due to employees joining BCV Group from Banque Franck Galland (65 people) and IBM (80 people, all IT specialists).

BCV takes several kinds of action in the interest of employees' health. Our focus is on prevention, for instance by prohibiting smoking in our buildings, providing flu shots and financing a sports association.

6. Playing an active role in the community

Our local community is important to us, and we take our responsibilities as a corporate citizen in Vaud Canton seriously. In addition to the purely economic aspects of our mission, we provide support for cultural and sporting activities as well as outreach initiatives.

We regularly organize programs allowing staff members to take part in humanitarian and environmental initiatives in association with non-governmental organizations. In 2013, 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 culture, teaching and training, sports, the environment or events of a social nature.

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 Théâtre de Beausobre, the Cully Jazz Festival, the Festival de la Cité, the Lausanne Chamber Orchestra, the Lausanne Opera, the Vaud Cantonal Music Festival, the Tous en Choeur not-for-profit choir, the MUDAC modern art museum, the Fondation de l'Hermitage museum of fine arts, the Fondation Bex & Arts open-air exhibition, the Fondation Vaudoise pour la Culture, the Fondation du Conservatoire de Lausanne music school, the Prix de Lausanne international ballet competition, and the Livre sur les Quais book festival.

We also support a number of outreach initiatives, which help bring together the local community. In 2013, 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, Terre des Hommes, the Fondation Eben-Hézer, and Don du Sang.

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 sporting facility shared by 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: Lausanne 20K, FC Lausanne-Sport, the Fondation Foot Avenir, the Association cantonale vaudoise de football, Graines de foot, the Lausanne Hockey Club, the International Hot Air Balloon Festival in Château-d'Oex, the Fondation d'aide aux sportifs vaudois, the Montreux–Les Rochers-de-Naye mountain race, the Mérite Sportif Vaudois, and the World Cycling Centre.

We also support various other important initiatives in the Canton, including the Forum de l'économie vaudoise, Forum des 100, AIR14, and PubliBike.

Another event in 2013 deserves special mention. After an initial donation of CHF 140,000 to the Fondation Swissclinical in La Tour-de-Peilz in 2012, the BCV Solidarity project last year supported the Friends of India charity in Nyon. BCV Solidarity grew out of a desire by our employees to make an annual donation in their name to a humanitarian project somewhere in the world, rather than receive a small end-of-the-year gift. A working group selected from a pool of employees chooses the recipient each year. The Solidarity project is set to continue.

In addition, BCV supports its employees' involvement in the community, thereby contributing to their personal development. In 2013, some 270 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 Social Responsibility Report (available in French only).





Year in Review
Economic Environment

Global economic growth eased from 3.1% in 2012 to 3.0% in 2013, according to the International Monetary Fund (IMF). There were several factors behind the slowdown. In the eurozone, the ongoing debt crisis weighed on output despite showing signs of abating. In the USA, federal budget cuts and a government shutdown combined to dampen the recovery. And in the developing world, emerging markets saw another year of softer growth.

Switzerland on the other hand – and the Canton of Vaud in particular – saw growth pick up. Economic activity was spurred by robust domestic demand and by export industries that on the whole proved able to withstand the weakness in foreign markets. Swiss GDP expanded 1.9% in 2013, up from 1.0% in 2012, according to Switzerland's State Secretariat for Economic Affairs (SECO). Vaud Canton did even a bit better, with GDP growth up from 1.2% in 2012 to 2.1% last year, based on figures from the CREA Institute of Applied Macroeconomics (part of the University of Lausanne's Faculty of Business and Economics).

A further deceleration in the global economy

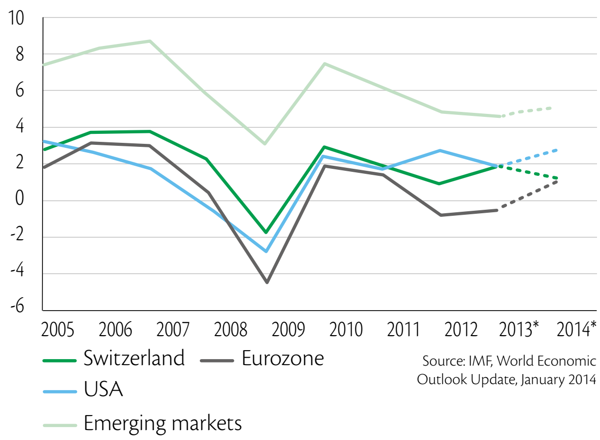
Although analysts were expecting a modest upturn in growth in 2013, those hopes were dashed as the year wore on. The IMF cut its 2013 GDP growth estimate from 3.5% at the start of last year to 3.0% this January, putting it just below the 2012 figure of 3.1%. Lower growth was felt across the board – in the developed and developing world alike.

The eurozone in particular struggled. According to the IMF, GDP in the currency bloc contracted 0.4% in 2013. That is somewhat better than the 0.7% decline in 2012 – thanks largely to action taken by the European Central Bank to steady the financial markets – but the debt crisis continued to hamper both consumer spending and capital investment in the region.

Growth slackened in the USA, falling from 2.8% in 2012 to 1.9% in 2013. While the US private sector fared relatively well, the country as a whole felt the adverse effects of federal budget cuts and a two-week government shutdown.

Global GDP trends

as %

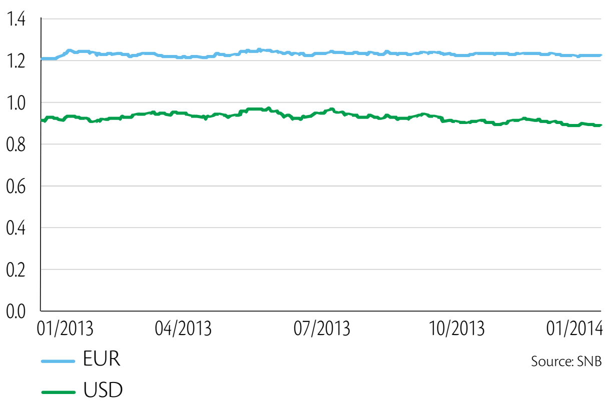


Source: IMF, World Economic Outlook Update, January 2014

* December 2013/January 2014 estimates

Exchange rates

versus CHF



Source: SNB

Emerging markets also saw their growth rate ease last year, from 4.9% in 2012 to 4.7% in 2013. Commodity-exporting nations were hit particularly hard by the decrease in global demand. China, however, posted a steady 7.7% annual GDP increase in both years, according to the IMF.

Mixed trends in financial markets

Stockmarkets had another banner year in 2013 in spite of the sluggish global economy. Switzerland's SMI blue-chip index added 20% to end the year at 8,202, and the Euro Stoxx 50 eurozone blue-chip index was up 18% over the year. However, both those rallies were outstripped by a 30% jump in the S&P 500, which reached a record high during the year.

In contrast, stockmarkets in the developing world had a disappointing year. The MSCI Emerging Markets index fell 5% due to weaker growth in these countries.

Bond yields pushed higher after the US Federal Reserve announced that it would start tapering its liquidity injections. The yield on 10-year Swiss Confederation bonds more than doubled from 0.6% at end-2012 to 1.3% at end-2013. In Germany, the 10-year Bund yield moved up from 1.4% to 1.9%. And in the USA, the 10-year T-bond yield rose from 1.8% to 3.0%.

Inflation had little impact on bond markets. Consumer prices in Switzerland fell an average of 0.2% in 2013, while they increased 1.5% in the USA and 1.4% in the eurozone.

The price of gold tumbled 28% in 2013 to end the year at USD 1,205.55 per ounce. In Swiss francs that translates to a 30% drop and a year-end price of CHF 34,488 per kilo.

In the forex market, the euro gained 1.6% against the Swiss franc to reach CHF 1.23 and move slightly away from the CHF 1.20 floor rate set by the Swiss National Bank (SNB) in September 2011. Because of that floor rate, the Swiss franc moved in tandem with the euro against the US dollar. The greenback slid 2.5% to CHF 0.89 over the year.

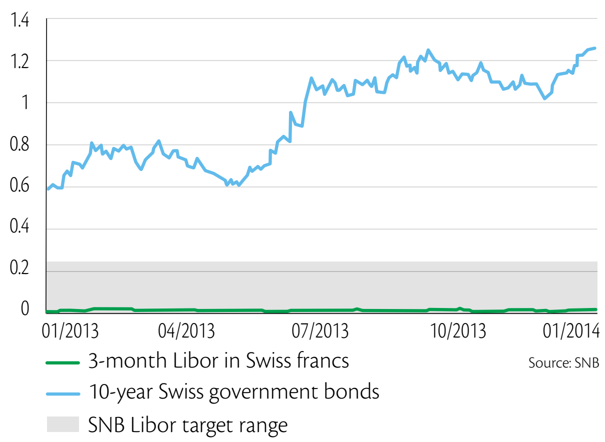
Continued resilience in Switzerland

The Swiss economy was a bright spot against a backdrop of global economic weakness. GDP grew 1.9%, up from 1.0% the prior year according to December 2013 estimates from SECO. Public- and private-sector spending drove this increase, along with investment in construction. Capital spending by other industries stayed low, however.

Foreign trade remained firm despite sluggish export markets and a persistently strong Swiss franc. Exports grew 0.3% in nominal terms to CHF 201.2bn.

Interest rates

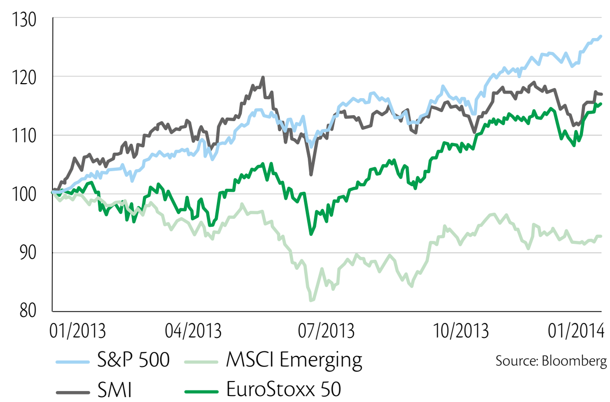
as %



Source: SNB

Stockmarket indexes in local currency terms

base of 100 at 31 December 2012



Source: Bloomberg

All those factors were good news for the Swiss job market. Unemployment barely ticked up, going from 3.3% in December 2012 to 3.5% in December 2013, and job creation continued. Secondary- and tertiary-sector jobs were up 1.0% from a year earlier, at 4.2 million in the fourth quarter of 2013.

Vaud Canton on the up and up

Vaud Canton also stood out last year thanks to its vibrant economy. Analysts beefed up their growth forecasts several times during the year, as they did for Switzerland as a whole. The Canton's GDP grew 2.1% in 2013 after adding 1.2% in 2012, according to January 2014 figures from the CREA Institute. That put the Canton's growth rate just above the national average.

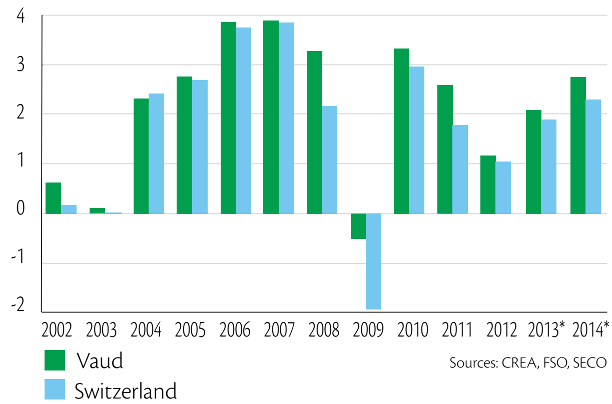
Industries serving the domestic economy saw the best performance, although exporters also held up well in the face of weakness in foreign markets. Vaud Canton exports grew 2.8% in nominal terms to CHF 13.7bn, fueled by the food, chemical, and pharmaceutical industries. Falling demand in Asia was more than offset by higher sales to North America and western Europe.

The Vaud Chamber of Commerce and Industry (CVCI) autumn survey underscored the Canton's bright prospects. Some 40% of companies surveyed said they found business trends either good or excellent; a further 45% found them satisfactory. A mere 16% thought business trends were poor or mediocre. Companies facing the strongest headwinds were small businesses, manufacturers, and firms exporting at least 20% of their products and services.

The Vaud job market remained firm in 2013. Unemployment in the Canton hardly budged, echoing the trend in Switzerland as a whole: it inched up from 5.1% in December 2012 to 5.3% in December 2013. However, that figure masks stark regional differences, with unemployment the lowest in Gros-de-Vaud (3.4%), Lavaux-Oron (3.7%), and Morges (3.9%), and the highest in West Lausanne (6.4%), Aigle (6.5%) and Lausanne (6.9%). In the Canton as a whole, the number of secondary- and tertiary-sector jobs grew to 356,000 in the fourth quarter of 2013 – up 1.5% from a year earlier.

Vaud Canton and Swiss GDP

as %



* December 2013/January 2014 estimates

Signs of cooling in the real estate market

The Vaud property market remained dynamic in 2013, but indicators confirmed the initial signs of cooling seen in 2012. Selling prices for condominium apartments rose 4.3% in 2013 – a smaller increase than in prior years according to Wüest & Partner figures. Selling prices for single-family homes were up only 1.6%. In addition, for the first time in several years, price appreciation in Vaud fell slightly behind the national average.

Construction activity, while still brisk, started to fall off in 2013. Building permit applications totaled CHF 5.0bn, down 8.0% from the record high in 2012 according to data from the Vaud Canton's statistics office. Reversing the trend seen in prior years, applications for residential property fell 10.9% to CHF 3.4bn. Applications for industrial and commercial property increased 4.3% to CHF 765m.

Although the principal factors that have traditionally supported Vaud's real estate market – favorable demographics, a good economic outlook, and low interest rates – are still present, they are being offset by high property prices and measures introduced by banks in 2012 to prevent overheating, most notably by requiring a cash downpayment of at least 10%.

In another effort to cool Switzerland's real estate market, the Swiss Federal Council decided in February 2013 to partially activate a countercyclical capital buffer at the request of the Swiss National Bank (SNB). Under this measure, as of 30 September 2013 Swiss banks were required to hold additional equity capital equal to 1% of their risk-weighted mortgages secured by Swiss residential property. In January 2014 the SNB – considering the 1% measure to be inadequate – asked the Swiss Federal Council to raise the additional capital requirement to 2%. The Council agreed and the higher requirement will go into effect on 30 June 2014.

2013 growth by economic segment in Vaud

Growth above 2%
Finance and insurance
Construction
Real estate, business services, etc.
Machinery, instruments, watches, etc.
Government administration, healthcare, education, sports, etc.

Growth of 0.5% to 2%
Water and electricity production and distribution
Wholesale and retail sales, repairs, etc.
Chemicals, pharmaceuticals, rubber, glass, metallurgy, etc.

Growth of –0.5% to 0.5%
Hotels and restaurants

Growth of –2% to –0.5%
Transport, postal services, telecommunications, publishing

Growth below –2%
Food, textiles, leather, wood, paper
Primary sector

Source: CREA, January 2014 estimates

Vaud Canton and Switzerland in figures

	Vaud	Switzerland
Area	3,212 km²	41,285 km²
Population (end 2012)	734,356 inhabitants	8,039,060 inhabitants
Population density	229 inhabitants/km²	195 inhabitants/km²
Working population (2012)	405,145	5,019,721
Number of companies (2011 federal survey)	55,007	638,685
Primary sector	7.6%	9.3%
Secondary sector	14.3%	14.8%
Tertiary sector	78.0%	65.9%
Jobs (2011 federal survey)	406,790	4,847,398
Primary sector	3.4%	3.5%
Secondary sector	17.4%	22.3%
Tertiary sector	79.2%	74.1%
Unemployment rate (2013 average)	5.0%	3.2%
GDP (2012 est.)	CHF 49.0bn	CHF 591.9bn
GDP/100 inhabitants	CHF 6.7m	CHF 7.4m

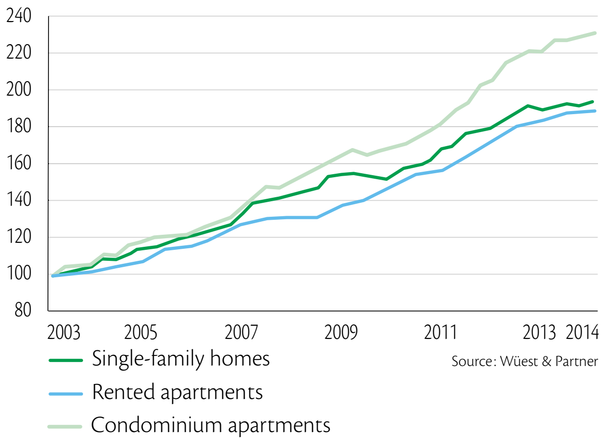
Sources: 2011 federal business survey, FSO, CREA, Statistique Vaud

Outlook

The global economy should perk up in 2014 due to moderate but solidly anchored growth in the USA and an improvement in the eurozone and emerging markets. Global GDP growth should come in at 3.6% for the year.

Real-estate prices in Vaud Canton

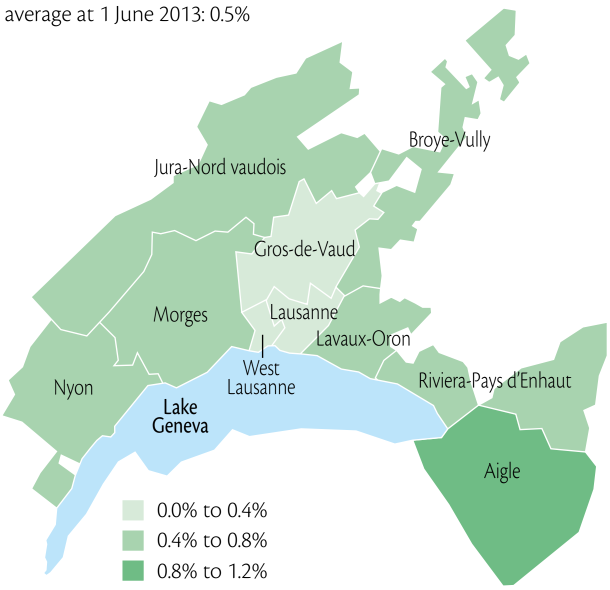
indexes, base of 100 in Q1 2002



Source: Wüest & Partner

Housing vacancy rates in Vaud

average at 1 June 2013: 0.5%



Source: Statistique Vaud

Economic activity in Switzerland will likely continue to accelerate, with GDP expanding some 2.3% according to SECO's December 2013 forecasts. Based on CREA estimates, Vaud should register an increase of 2.8%.

The success of the "against mass immigration" initiative in a February 2014 referendum in Switzerland has prompted concerns about the potential drag on its economy – especially if companies are unable to hire the foreign talent they need. However, it will not be possible to estimate the impact of the initiative until more details are available on how it will be incorporated into Swiss law.

Interest rates should edge up in 2014 as the US Federal Reserve continues its tapering program but will likely remain at historically low levels.

Economic sectors in the Canton

Vaud Canton enjoys a highly diversified economy, which enabled it to weather the difficult years of the global economic crisis and return to healthy growth rates thereafter. For the most part, the Canton's main sectors registered growth in 2013, although the pace varied.

Rising population

Population growth in Vaud reflects the Canton's economic strength. The Canton's population grew by 16.4% between the start of 2002 and the end of 2012, outpacing the national average of 9.9%. Net inflows into the Canton peaked in 2008 at 14,063 and have since declined. That year, the total population grew by 16,341 persons, an increase of 2.4%. In 2013, the Canton welcomed 13,346 net new residents, bringing the total population up 1.8% to 743,317. The "against mass immigration" initiative that recently passed in a nationwide referendum will probably affect the Canton's population growth in the coming years, but not enough details were available at the time of writing to quantify the potential impact.

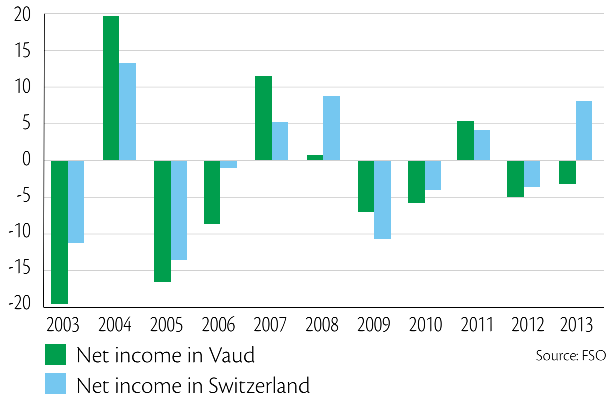
Primary sector

2013 was a mixed year for Vaud's farmers. Data from the Federal Statistics Office (FSO) show that the value of farming output fell 1.8% to CHF 1.1bn in 2013, while total farm incomes decreased 3.4% to CHF 285m. Unfavorable weather conditions – a long winter, cold and wet spring, and hot summer with droughts and violent hailstorms – weighed on crop production. Income from livestock and animal products grew due to consolidation in the pork industry and increases in the value of milk production, but that was not enough to make up for the lost crop income.

The inclement weather in 2013 also hurt the winegrowing industry, with the volume of grapes harvested at its lowest level since 1981. Production of *vin clair* was 21.1 million liters in 2013, some 8.2 million liters below the 10-year average. However, according to the Cantonal Office for Viticulture, the weather did allow for normal grape ripening and the grapes now stored in cellars are in excellent condition due to a rigorous sorting process. So even though not enough grapes were harvested to meet demand, those stored in cellars should be able to make up the shortfall.

Farming income

as %



Vaud is a major contributor to Swiss farming output (11% by value), second only to Bern. The Canton accounts for the largest share (18%) of the country's crop production. It is Switzerland's leading producer of grain, fresh vegetables, industrial crops, fruit, and wine (including both high-quality and standard grades), but is less active in meat and feed crops.

Secondary sector

In the secondary sector 2013 was a mixed year. While exporters struggled with a strong Swiss franc and subdued foreign demand, domestically-oriented firms were buoyed by Vaud's lively economy. According to the CVCI autumn 2013 survey, eight out of ten companies found business trends and short-term prospects at least satisfactory.

Manufacturing

The Vaud market observer, the Commission Conjoncture Vaudoise (CCV), concluded that "2013 saw a return of business confidence after a tough start to the year" in its 2013 economic review. CCV noted that its manufacturing business climate indicator held steady during the year and order backlogs increased. The improvement was seen more among makers of consumer goods than capital goods.

Vaud's exporters stood up well to the global economic headwinds. Exports grew 2.8% in 2013, with some industries doing better than others. Machinery exports shrank, but shipments of food, chemicals, and pharmaceuticals expanded.

Construction

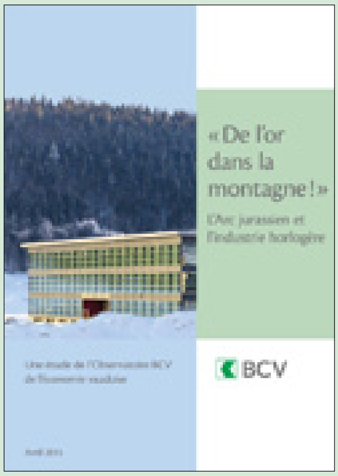
The construction industry saw vigorous activity again in 2013. The CCV's construction business climate indicator moved higher for all industry segments: structural works, finishing works, and architecture & engineering. And weather conditions were generally favorable throughout the year, except for a long wet period in late spring.

As in previous years, two-thirds of construction investment was in residential property. Construction investment in commercial and industrial property picked up after several years of decline. However, the industry's companies are still experiencing pricing pressure and showed signs of pessimism last autumn, initially in structural works and later in other segments as well.

Construction companies in the Vaud Alps braced themselves for the likely consequences of a new Swiss law that restricts the number of second homes in the country. The Vaud building contractors' association (Fédération vaudoise des entrepreneurs) also expressed concern about uncertainty surrounding an amendment to a Swiss urban planning law that would limit the amount of land available for development, after the amendment was passed in a March 2013 referendum.

Tertiary sector

Vaud's resilient economy was a boon for the service industry in 2013. As in the secondary sector, eight out of ten tertiary-sector companies surveyed by the CVCI last autumn were at least satisfied with current business trends and short-term prospects. However, the remaining 20% prove that the benefits of this robust economy were not felt uniformly.



In 2013 BCV's Observatoire de l'économie vaudoise published its 10th economic study, which put the spotlight on the watchmaking industry. The report looks at the remarkable success that Swiss watches enjoy around the world – and the important role that Vaud plays, given that most Swiss watches are made in the Jura mountain region. It explains how the Vallée de Joux has become the Eldorado of complex timepieces and why French-speaking Switzerland has become a major global player in the industry. It also examines how mechanical timepieces and affordable quartz watches are reshaping the trade.

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

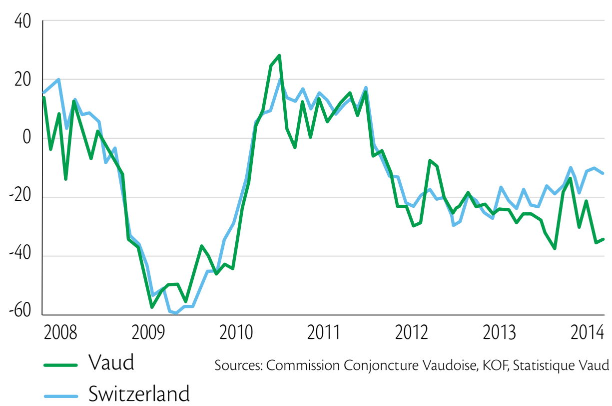
Structure of the Vaud economy

Sectors and segments	Share of Vaud GDP (2004-2013)	Full-year growth (2004-2013)	Jobs (2011)	Share of total jobs (2011)
Primary sector				
Agriculture, forestry, hunting, fishing	1.4%	–2.0%	13,726	3.4%
Secondary sector	**21.6%**	**3.2%**	**70,802**	**17.4%**
Food, textiles, leather, wood, paper	2.9%	2.2%	11,849	2.9%
Chemicals, pharmaceuticals, rubber, glass, metallurgy, etc.	5.2%	4.7%	10,996	2.7%
Machinery, instruments, watches, etc.	6.1%	3.4%	17,793	4.4%
Water and electricity production and distribution	2.3%	1.9%	3,864	0.9%
Construction	5.4%	2.5%	26,300	6.5%
Tertiary sector	**77.0%**	**2.4%**	**322,262**	**79.2%**
Wholesale and retail sales, repairs, etc.	18.3%	3.5%	56,518	13.9%
Hotels and restaurants	2.4%	0.8%	20,045	4.9%
Transport, postal services, telecommunications, publishing	7.1%	1.1%	23,037	5.7%
Finance and insurance	7.5%	2.2%	17,551	4.3%
Real estate, business services, etc.	13.1%	3.6%	74,053	18.2%
Government administration, healthcare, education, sports, etc.	21.0%	2.0%	124,581	30.6%
Other (including rental values)	7.7%	1.3%	6,477	1.6%
Total Vaud GDP (after adjustments)	**100.0%**	**2.5%**	**406,790**	**100.0%**

Sources: CREA, Statistique Vaud, FSO

Composite index of business sentiment in manufacturing

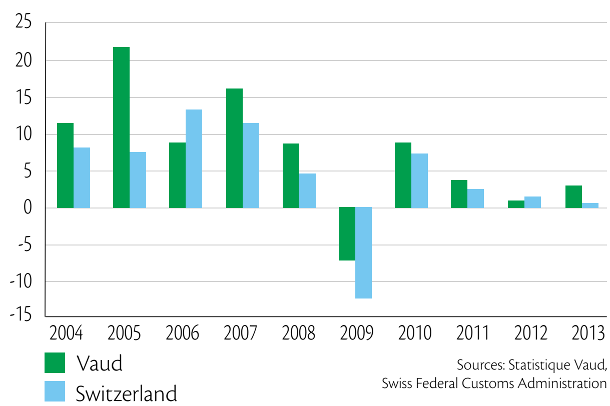
net positive responses



Sources: Commission Conjoncture Vaudoise, KOF, Statistique Vaud

Exports by year

as %



Sources: Statistique Vaud, Swiss Federal Customs Administration

Administration, healthcare and social services

The public and semi-public sectors play a major role in stabilizing the local economy. They make up around a fifth of Vaud's GDP, with healthcare and education being the largest contributors. The Canton's 2014 budget should show a CHF 17m surplus despite an increase in operating expenses (up 3.8% to CHF 8.9bn) and an expansion in capital investment (up 11% to CHF 833m). The higher operating expenses reflect additional requirements in areas such as welfare, healthcare, training, education, and security.

Vaud Canton is in a very strong financial position. Revenue is expected to grow 3.9% to CHF 8.9bn as a result of higher tax income from Vaud's expanding economy and favorable demographics, and public debt should remain below CHF 1.0bn for 2013 – well under the 5%-of-GDP mark. Ten years ago this percentage was much higher.

Services

The service sector – which includes transportation, IT, telecoms, business services, and retail services – had a good year. The CCV's business climate indicator for the sector stayed fairly buoyant throughout 2013. While business and retail services remained flat, transportation, IT and telecoms moved higher.

Wholesale and retail distribution

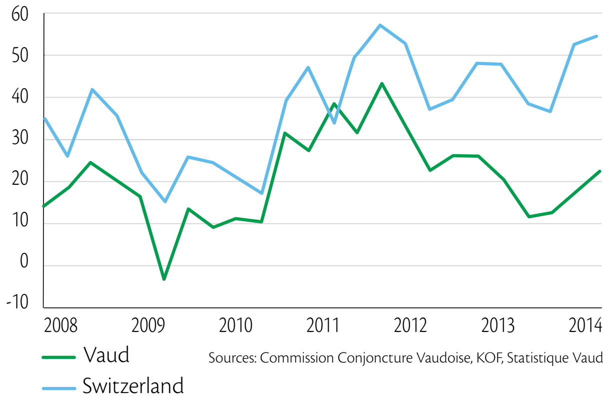
Wholesalers and retailers had a so-so year in 2013 despite sustained consumer spending. Although revenues were higher, the CCV survey showed that prices were under pressure. Retailers faced stiff competition from discount stores and lower prices in neighboring eurozone countries. Consumers were also increasingly on the lookout for promotional offers, especially for big-ticket items. That left many wholesalers and retailers cautious about the future. Companies in the food industry generally had an easier time than those in non-food industries.

Hospitality services

The situation brightened in hospitality services. Although pricing pressure persisted, the number of hotel guest-nights rose 6.0% in 2013 as more travelers visited from Vaud Canton, the rest of Switzerland, and other countries – especially France, Belgium, the UK, and mainland China. However, the upturn in business did not extend to hotels outside Lausanne and the lake and mountain regions. The same regional differences were seen among Vaud restaurants: those in areas where hotel guest-nights increased enjoyed an uptick in revenue, due to the additional travelers as well as the wide variety of cuisine on offer.

Business sentiment in construction

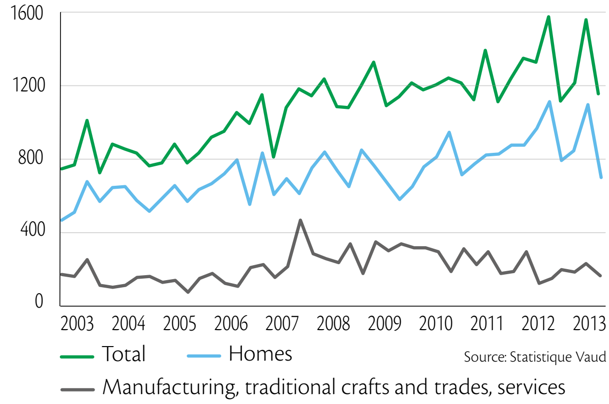
net positive responses



Sources: Commission Conjoncture Vaudoise, KOF, Statistique Vaud

Value of work from building permit applications in Vaud

in CHF millions



Source: Statistique Vaud

Regional roundup

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

Broye

In 2013, several companies announced they would be moving into the Aéropôle business park near the Payerne airfield. These include S3, which aims to become a leader in the orbit delivery of small satellite systems, Boschung, a maker of snow clearing and other municipal maintenance vehicles, and Group E, a local power utility. Broye's construction industry had a prosperous year with contractors reporting full order books. However, the region's farmers struggled on account of inclement weather.

Chablais

Chablais' tourism industry had an excellent year, thanks in large part to abundant snowfall in the winter of 2012-2013. The region's small businesses benefited from the vibrant economy despite concerns about the new Swiss law restricting second homes. The real estate market in the plains was underpinned by favorable demographics and lower prices than in other regions. That contrasted with a flat property market in the Alps. Chablais winegrowers continued to grapple with price pressure.

Gros-de-Vaud

Gros-de-Vaud farmers saw little impact on crop harvests from the adverse weather in 2013; many types of produce had a good year. Construction activity held strong, underpinned by demand from a growing population. All those factors translated into additional business for the region's service industry.

Lausanne

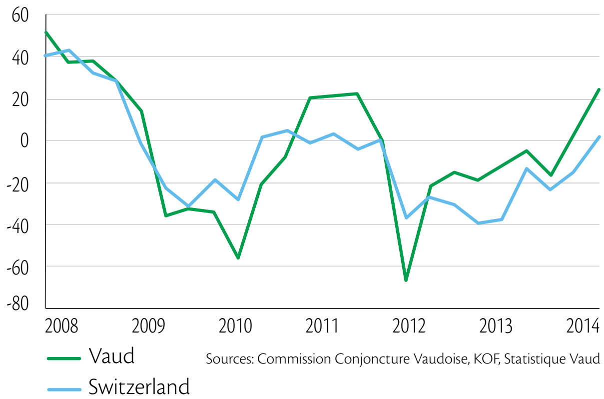
Construction activity was brisk in 2013 due to large projects at the EPFL campus and the Biopôle life sciences park, and new residential projects in the surrounding towns. Earlier restructuring efforts by the region's manufacturers helped them shake off the negative impacts of the strong Swiss franc. In retail, sales in some segments – like jewelry, watchmaking, and cosmetics – were brisk, while in others such as clothing and multimedia they were more sluggish. Hotel guest-nights increased in the region but pricing pressure remained.

Lavaux

While the Lavaux real estate market slowed in areas near Lake Geneva, it picked up further north in Oron and neighboring towns. That reflects a growing population, better public transportation service, and lower prices than in lakeside areas. Lavaux's farming and winegrowing industries continued to consolidate, resulting in fewer jobs and bigger farms and vineyards.

Sales index in the hotel and restaurant industry

net positive responses



Sources: Commission Conjoncture Vaudoise, KOF, Statistique Vaud

Morges

Morges' business parks expanded in 2013 – although at a slower pace than in 2012 – as the region attracted more international firms. Real estate prices remained high but the market showed signs of cooling: property took longer to sell and the number of transactions fell. However, that did not prevent construction businesses from having a good year. Exporters and subcontractors saw business levels hold steady in spite of the strong Swiss franc. And winegrowers continued to fend off foreign competition by offering high-quality wines at competitive prices.

Nord vaudois

The Nord Vaudois watchmaking industry chalked up further growth in 2013, in turn giving its subcontractors a boost. Other manufacturing subcontractors also saw conditions improve, although they continued to struggle with pressure on export margins. The Nord Vaudois construction industry remained strong. The Orbe technology park welcomed its first companies, while the Y-Parc business park drew in more foreign businesses as well as technology spin-offs from the HEIG–VD engineering school. Crop harvests in the region were hit by adverse weather conditions.

Nyon

Nyon's service industry – which accounts for 80% of jobs in the region – is heavily dependent on neighboring Geneva's economy. In 2013 both enjoyed a satisfying year. Nevertheless, the 30% increase in empty office space in Geneva may foreshadow economic weakness ahead and did not pass unnoticed. Construction activity in Nyon continued apace. Two severe hailstorms last summer battered the region's crops, and grape harvests were some 25%-30% smaller than in prior years.

Riviera

The Riviera real estate market slowed in 2013 as nationwide measures to curb demand made mortgages harder to obtain. Selling prices fell for high-end property and leveled off for mid-range property. Riviera businesses were supported by the robust economy, with hotel guest-nights on the rise and buoyant markets for private schools and healthcare. However, retailers and neighborhood shops saw a decline in sales.

Economic structure by BCV region

	Broye	Chablais	Gros-de-Vaud	Lausanne	Lavaux	Morges	Nord vaudois	Nyon	Riviera
Population at end-2013	30,000	47,112	58,612	219,956	57,974	72,273	86,675	90,924	79,791
Population growth in 2013	+2.8%	+2.1%	+2.9%	+1.6%	+1.4%	+2.2%	+2.1%	+1.7%	+1.2%
Proportion of Canton's population	4.0%	6.3%	7.9%	29.6%	7.8%	9.7%	11.7%	12.2%	10.7%
Jobs (2011)	13,650	21,182	21,728	173,217	19,894	36,210	43,293	40,253	37,361
Proportion of Canton's jobs	3.4%	5.2%	5.3%	42.6%	4.9%	8.9%	10.6%	9.9%	9.2%
Jobs in the primary sector	11.7%	8.2%	7.2%	0.2%	6.9%	6.4%	6.0%	4.1%	1.6%
Jobs in the secondary sector	25.8%	22.7%	33.5%	11.5%	18.3%	20.8%	31.3%	14.5%	12.5%
Jobs in the tertiary sector	62.5%	69.2%	59.2%	88.3%	74.9%	72.8%	62.7%	81.3%	85.9%
Unemployment in December 2013	5.3%	6.2%	3.7%	6.8%	3.7%	3.9%	5.2%	4.4%	5.6%
Change in unemployment in 2013	+0.5%	+0.4%	+0.2%	+0.4%	+0.5%	-0.0%	-0.2%	+0.1%	+0.3%

Sources: Statistique Vaud, FSO, SECO

Year in Review

BCV in 2013

BCV Group's financial results for 2013 were in line with recent trends. Business volumes were once again on the rise in a mixed economic environment marked on the one hand by lackluster global growth, and on the other by bullish stockmarkets and a resilient local economy. The low-interest-rate environment, our prudent approach to liquidity management and our voluntary cap on growth in mortgage lending continued to weigh on revenues. Operating profit was nonetheless solid at CHF 471m (−3%) thanks to firm cost control. Net profit was CHF 280m (−10%). The decline reflected one-off items, in particular relating to the US Department of Justice's program aimed at settling the tax dispute between Switzerland and the USA.

Our *BCVPlus* strategy came to an end in 2013. The next phase of our strategy – *stratégie2018* – builds on the success of *BCVPlus* while also taking account of changes in the market and regulatory environment. In addition, we aim to improve our internal operations and make impeccable service quality our differentiating factor.

A mixed economic environment

Global economic growth slowed again in 2013, weighed down in particular by the eurozone debt crisis. However, the economy in Vaud and Switzerland as a whole stayed strong, even though exports and tourism were hit by the EU's economic downturn and the strong Swiss franc.

In the offshore wealth management business, numerous open questions about future developments remain unresolved, particularly regarding the talks to create an international standard for the automatic exchange of information. However, as BCV is primarily focused on the onshore market, we are less affected by this issue than other banks.

There were further signs that the Vaud real estate market was starting to cool off, as the rise in house prices slowed. Price increases had been above the Swiss average in previous years, but fell to just below average last year.

Savings continue to rise

Mortgage lending showed a 2% rise to CHF 23.4bn, in line with BCV's controlled growth target. Other loans increased by 7% to CHF 5.4bn.

On the liabilities side, the solid expansion in customer savings and investment accounts continued, with a 4% rise to CHF 12.8bn, which testifies to the strength of the Bank's customer franchise.

Total assets expanded by 2% to CHF 40.5bn.

Group assets under management grew 6% to CHF 83.9bn. Net new funds amounted to CHF 1.6bn for the period, with CHF 2.9bn in onshore fund inflows significantly outweighing the CHF 1.3bn in offshore fund outflows.

Financial results

Total revenues edged down 2% year-on-year to CHF 991m. Interest income fell 3% to CHF 502m, reflecting the Bank's prudent liquidity management, its voluntary cap on growth in mortgage lending, and the continuing low-interest-rate environment. Fee and commission income was down 2% to CHF 341m due to the mixed effects of rising financial markets and a cyclical downtrend in trade finance activities. Trading income was stable, at a solid CHF 113m. Other ordinary income rose 15% to CHF 35m.

Operating expenses dropped 1% to CHF 519m despite the transfer on 1 July 2013 of 80 IT specialists from IBM. Personnel costs were stable at CHF 337m (+1%) and other operating expenses fell 4% to CHF 182m. This effective cost control partly offset the impact of the downward pressure on revenues, with operating profit declining just 3% to CHF 471m as a result. Depreciation and write-offs were stable at CHF 86m. Value adjustments, provisions and losses amounted to CHF 43m. This included the payment set out in the tax agreement between Switzerland and the UK, provisions relating to credit and operational risk, and a provision for the parent company and subsidiary Piguet Galland & Cie SA's participation in the US Department of Justice's program aimed at settling the tax dispute between Switzerland and the USA. Extraordinary income came in at CHF 21m, mainly reflecting releases of credit-risk provisions, as well as a real-estate disposal in connection with the relocation of Group subsidiary Piguet Galland & Cie SA's activities to a single site in Geneva. Net profit amounted to CHF 280m (–10%).

The cost/income ratio remained stable at 61%. Our prudent approach to liquidity management continued to push down the net interest margin, which stood at 1.23% – a slightly lower level than in 2012 (1.33%). Shareholders' equity was stable at CHF 3.3bn. The Group's CET1 capital ratio at 31 December 2013 stood at 17.8%. Return on equity fell to 8.5% due to the decline in net profit.

Business sector overview

Retail Banking

The Retail Banking Sector continued to develop in 2013, despite a challenging environment marked by low interest rates. The mortgage book grew by 4.0% to CHF 7.2bn, and customer deposits were up 4.1% to CHF 8.0bn. Revenues increased by 2.1% to CHF 196m, and operating profit grew 8.1% to CHF 96m, driven by effective cost control. As in previous years, the Retail Banking Sector continued to improve service quality in order to meet customers' needs ever more effectively.

Corporate Banking

Corporate Banking's business development showed mixed trends across the various segments in 2013. Business developed in the SME segment due to positive economic conditions, while volumes in the Trade Finance segment were down. Lending rose by 2.5% to CHF 15.2bn, while deposits fell by 1.7% to CHF 7.2bn. Revenues dropped 3.9% to CHF 276m and operating profit was down 4.2% to CHF 232m. The corporate loan book remained resilient, with low net new provisioning needs.

Wealth Management

All areas of Wealth Management made progress, with the exception of offshore private banking, where the regulatory environment is seeing some far-reaching changes. Assets under management were up 7.0% to CHF 65.7bn and mortgage lending increased 3.4% to CHF 6.6bn. Revenues rose by 2.6% to CHF 371m and operating profit was up 6.9% to CHF 208m. Piguet Galland & Cie SA maintained efforts to rein in costs, including a move that brought its Geneva-based teams together under one roof at its new office.

Trading

Although business levels in currency trading fell very slightly relative to 2012, they remained high due to trade flows and client-driven demand for currency hedging. Structured products performed well, with an upturn in client-driven issuance activities. The Sector's revenues rose by 7.2% to CHF 61m and operating profit was up 16% to CHF 39m. Risk levels stayed very low, as trading activities were focused primarily on customer-driven transactions.

Highlights of the year

Dividend payment and special distribution

In 2013, we maintained our dividend and capital-management policy for the fifth consecutive year. In May, we distributed CHF 189m to shareholders in the form of an ordinary dividend and made a special distribution of CHF 86m out of paid-in reserves. The Canton of Vaud received CHF 185m of the CHF 275m paid out to shareholders in 2013. For the period 2007 to 2012, BCV returned almost CHF 1.8bn to its shareholders.

We reviewed our financial objectives in early 2013 and extended the distribution policy initially announced in 2008. We intend to pay an ordinary dividend of CHF 22-27 per share, as well as a special distribution of CHF 10 per share out of paid-in reserves. Barring significant changes in the economic and regulatory environment or in the Bank's situation, we plan to maintain this distribution level for the next five years.

AA rating confirmed

Following its decision to upgrade Vaud Canton's rating to AAA, Standard & Poor's announced in its 14 June 2013 press release that it was upgrading the Bank's outlook from negative to stable and was keeping BCV's long-term credit rating at AA. This cemented our position as one of the world's best-rated financial institutions.

Continued partnership with IBM

In order to give us greater control over our IT system going forward, 80 IBM specialists in charge of maintaining and developing our Osiris platform were transferred to BCV in early July. This transfer, which we originally announced in December 2012, was a great success and is in line with our intention to continue using our current IT platform, Osiris, until at least 2018. At the same time, IBM's contract for the management of our IT infrastructure was extended to 2018.

Risk management

During the year we also reaped the benefits of a project launched in 2004 to develop and maintain our own internal-ratings-based system for assessing credit risk. Our system was fully recognized by FINMA, and that has had a positive impact on our capital ratio: it rose from 14.4% at end-2012 to 17.9% at end-2013.

Tax dispute

Like many other Swiss banks, we examined the US Department of Justice's program aimed at settling the tax dispute between Switzerland and the USA. Our location in the highly-international Lake Geneva region means that we do have clients who qualify as US Persons. Most of these clients are Swiss people living in the USA, Americans living in the Canton of Vaud, or dual citizens. US Persons have never been a target market for BCV, and we have never conducted business or client acquisition activities on US soil. However, given the uncertainties surrounding the program, we cannot determine with certainty whether the US authorities will find fault with our handling of US clients. As a result, and in keeping with the Bank's sound approach to risk management, we announced that we are participating in the program, for the time being as a category 2 financial institution.

Branch network

We completed the final stage of the branch network overhaul we began in 2006, with the refurbishment of the lobby in our historic head office building at Place Saint-François in Lausanne.

Supporting innovation

Our corporate social responsibility efforts continued apace in 2013. We joined Innovaud, a platform designed to support innovation in the Canton, and through this project we will provide the Foundation for Technological Innovation (FIT) with CHF 5m in financial support over ten years.

Key projects and investments

Stratégie2018

Our *BCVPlus* strategy, launched in 2008, came to an end in 2013. The five-year program proved to be a great success overall. We achieved our growth targets in almost all business lines despite ups and downs in the operating environment.

Building on these achievements, and after carefully considering where we want to be five years from now, the Board of Directors and Executive Board decided that the Bank's next strategic phase – *stratégie2018* – would continue on the course set by *BCVPlus*. *Stratégie2018* takes its cue from two key words: onwards and upwards. We will press onwards with our winning strategy and complete all projects currently underway or in the pipeline. We also intend to move upwards by keeping our business lines in step with changes in their markets and regulatory environment. We will sharpen our focus on the customer experience by:

- Improving customer service quality through a series of targeted initiatives
- Developing our multi-channel offering in line with our customers' changing expectations
- Embarking on various projects to enhance our internal operations
- Pressing ahead with our proactive human resources strategy and continuing to develop our employees' skills sets to keep pace with increasing customer needs.

Investments

In each of the past three years, we invested between CHF 70m and CHF 80m in infrastructure, equipment and IT maintenance and development.

Strategy and outlook

In 2013, we launched *stratégie2018*, which follows on from the success of *BCVPlus*.

We aim to keep up the positive trend in our various businesses, even as the environment remains challenging for banks. In particular, we are targeting:

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

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 our strategy. From this foundation, we intend to generate sustainable growth and stable earnings going forward.

Financial targets

In today's low-interest-rate environment, we are seeking lasting growth, with revenues and operating profit trending along the same lines as in recent years. Long-term targets include an ROE of 12-13%, a cost/income ratio of 57-59%, and a Core Equity Tier 1 (CET1) ratio of 13%. These strategic objectives should be viewed from a multi-year perspective.

We intend to pay an ordinary dividend of CHF 22-27 per share as well as a special distribution of CHF 10 per share out of paid-in reserves. As announced in the 2012 annual results press release, we plan to maintain this distribution level for five years, barring significant changes in the economic and regulatory environment or in the Bank's situation.

Business trends at the main subsidiaries

Piguet Galland & Cie SA

Piguet Galland & Cie SA continued implementing its business model based on onshore wealth management services for clients based in Switzerland. The bank's product and service offering for these clients was expanded in 2013. Piguet Galland also brought its Geneva-based teams together under one roof at its new office.

Total income from banking operations was stable at CHF 69m and operating expenses were down 4% to CHF 56m. Operating profit increased 19% to CHF 14m, and net profit amounted to CHF 5m. AuM was down 3% to CHF 7.2bn.

Gérifonds SA

Last year, the transfer of 34 Swiss-registered public investment funds administered by Gérifonds on behalf of Swisscanto was completed. This process took two years and came to an end on 10 April 2013. It was the result of Swisscanto's strategic decision to administer its Swiss-registered funds internally. Previously, Gérifonds had been in charge of administering public investment funds, and Balfidor responsible for administering institutional funds. With the exception of one fund, Gérifonds now only administers Swiss-registered funds that it also manages. At 31 December 2013, Gérifonds therefore administered a total of 69 Swiss-registered funds, representing assets of CHF 7.4bn.

Assets of funds under management were up 12% to CHF 9.0bn. Despite a number of mergers and liquidations, there was a rise in the number of funds managed by Gérifonds SA, primarily in Luxembourg. At year-end, Gérifonds managed 103 funds, 68 of which were registered in Switzerland and 35 in Luxembourg.

Revenues fell by 13% to CHF 13.3m, while net profit dropped 33% to CHF 2.0m. Approximately 37% of Gérifonds' Swiss revenues came from the ten distributors other than BCV.

FIR-GEP SA

GEP SA, which manages the Fonds Immobilier Romand (FIR), pressed ahead with its selective development strategy despite high real-estate prices, centering on quality locations and improving its existing property portfolio. FIR invests exclusively in residential property in French-speaking Switzerland and adopts a non-speculative rental pricing policy. In 2013, FIR total assets exceeded the CHF 1bn mark. FIR put 136 new rental properties on the market last year, which led to a 7% rise in rents to CHF 61m. FIR also spent close to CHF 10m on renovation work and energy-efficiency improvements to its properties.

Year in Review
Business Sector Reports

Retail Banking

- **The Retail Banking Sector continued to develop in 2013, despite a challenging environment marked by low interest rates.**
- **The mortgage book grew by 4.0% to CHF 7.2bn, and customer deposits were up 4.1% to CHF 8.0bn.**
- **Revenues increased by 2.1% to CHF 196m, and operating profit grew 8.1% to CHF 96m, driven by effective cost control.**
- **As in previous years, the Retail Banking Sector continued to improve service quality in order to meet customers' needs ever more effectively.**

Business and strategy

In 2013, Retail Banking employed 397 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, TradeDirect, which 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: 66 branch offices providing dense coverage of Vaud, a network of over 220 ATMs across the Canton, a highly efficient Customer Service Center and an internet banking platform – BCV-net – that can also be accessed using mobile devices such as smartphones and tablets. BCV-net is used by nearly 40% of our customers, and seven out of every ten payments are made via this platform. Our retail banking operations are an integral part of our image as the bank of choice for the people of Vaud. We 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 BCV's staff. Many employees working in BCV's other business areas started their careers as trainees, interns or employees in Retail Banking. Retail continues to fulfill this role and frequently transfers staff to BCV's other divisions.

Market and competitive environment

The Vaud economy grew by an estimated 2.1% in 2013, slightly ahead of its 2012 growth rate and that of Switzerland as a whole in 2013.

Swiss interest rates remained historically low last year; combined with population growth, this helped to keep house prices high. The mortgage market continued to grow, albeit at a slower rate than in previous years.

Although stockmarkets rose, fund inflows into traditional savings accounts continued throughout the year, showing that people in Vaud prefer safe, liquid investments.

2013: business report

Retail Banking maintained its momentum in 2013, with further growth in business volumes. The mortgage book expanded by 4.0% to CHF 7.2bn, fully in line with the target of controlled growth set by BCV at the start of 2012. Customer deposits were up 4.1% to CHF 8.0bn.

Revenues showed an increase of 2.1% to CHF 196m, and operating profit was up 8.1% to CHF 96m.

Retail Banking continued to revamp its sales and marketing approach, building on projects initiated in 2009 and pursued in the last few years. This resulted in greater sell-side efficiency and closer ties with our customers. We also added more functions – including bill payments and money transfers – to BCV-net mobile, our e-banking app for smartphones and tablets.

After more than five years in charge of Retail Banking, Markus Gygax took the opportunity to become CEO of Valiant Bank in November 2013. His successor, José François Sierdo, was appointed on 3 March 2014.

2014: objectives and outlook

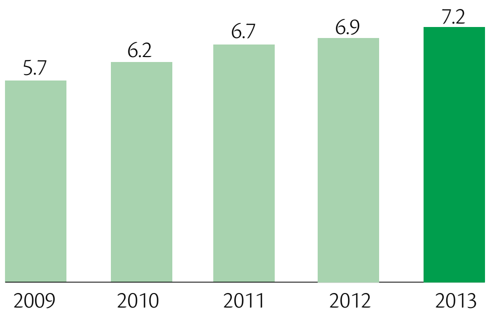
As part of *stratégie2018*, Retail Banking will continue to focus on operational excellence. The Sector will pay close attention to the various touch points with its customers, whether they are in branches, at home or on the move.

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.

2009–2013 financial data

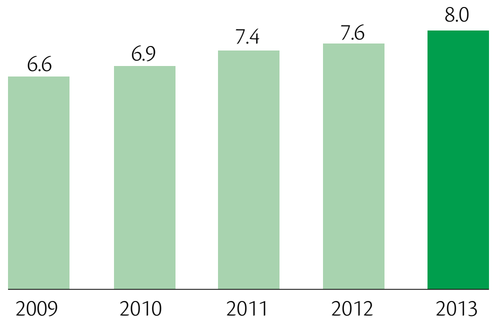
Mortgage loans

in CHF billions



Customer deposits

in CHF billions



Key figures

	2013	2012
Total revenues (CHF millions)	196.2	192.1
Operating profit (CHF millions)	96.3	89.1
Cost/income ratio (excluding goodwill amortization and write-downs)	83%	87%
ROE (based on operating profit after depreciation and write-offs and interdivisional billing)	17.9%	15.5%
Headcount	397	410

2009-2012 figures were adjusted to facilitate like-for-like comparisons

Corporate Banking

- **Corporate Banking's business development showed mixed trends across the various segments in 2013.**
- **Business developed in the SME segment due to positive economic conditions, while volumes in the Trade Finance segment were down.**
- **Lending rose by 2.5% to CHF 15.2bn, while deposits fell by 1.7% to CHF 7.2bn.**
- **Revenues dropped 3.9% to CHF 276m and operating profit was down 4.2% to CHF 232m.**
- **The corporate loan book remained resilient, with low net new provisioning needs.**

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 continues to expand its SME customer base in order to consolidate its already-strong presence in the Vaud economy. More than half of the Canton's SMEs bank with BCV, and BCV has relationships with two-thirds of Vaud's major corporations. The Sector's Large Corporates Department offers a broad range of services to companies elsewhere in French-speaking Switzerland and, on a more selective basis, in German-speaking areas of the country. The Lake Geneva region is a global center for commodities trading and is home to a large number of trading firms. BCV has recognized strengths in serving these companies, particularly in the key markets in which we specialize, such as metals and softs. The Sector systematically monitors all transactions that it finances.

Market and competitive environment

In 2013, Vaud Canton's SMEs maintained their momentum in an improving economic climate, but business levels remained lower than before the financial crisis. Export industries proved robust despite the strong Swiss franc and ongoing very weak growth in neighboring economies. Initial signs of a slowdown in the real-estate sector appeared in 2013, including a decrease in the published asking prices in the Canton.

In the Large Corporates segment, average loans outstanding fell by almost 5% compared with 2012. These companies had large amounts of liquidity, and so had less need to borrow. Low interest rates also led to greater volatility in this client segment, prompting companies to become more proactive in seeking the best return on their cash.

Conditions in the commodity markets remained difficult throughout 2013. The steel price remained low after falling by as much as 20% in 2012. In softs, trade flows were hampered by political instability in several markets, particularly in North Africa. Average loans outstanding in Trade Finance fell by close to 11%, reaching a cyclical low.

2013: business report

There was firm growth in business despite the tough operating environment. Lending rose by 2.5% to CHF 15.2bn while deposits fell 1.7% to CHF 7.2bn.

The Sector had strong traction in the SME segment, with growth in the mortgage book as Corporate Banking drew around 1,300 new customers and experienced an expansion in lending activities. In the Large Corporates segment, lending fell in 2013, while short-term treasury deposit volumes were highly volatile. Trade Finance business volumes remained low, due in particular to weak global demand for steel.

The Sector's revenues fell 3.9% to CHF 276m and operating profit was down 4.2% to CHF 232m.

Credit-risk provisions in Corporate Banking were well below expected average values.

2014: objectives and outlook

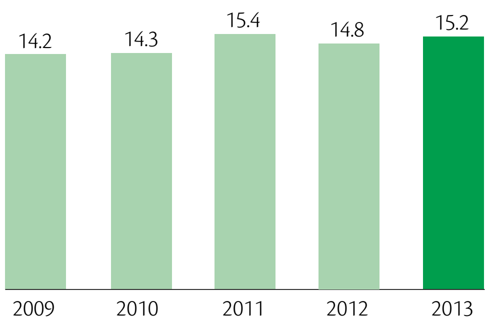
The general operating environment should improve slightly in 2014, although we do not expect a significant rise in interest rates or a sharp fall in the Swiss franc against the euro. Accordingly, Corporate Banking will aim for maximum responsiveness to the needs of its SME customers, continuing to stand with them in still-uncertain economic times.

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

2009–2013 financial data

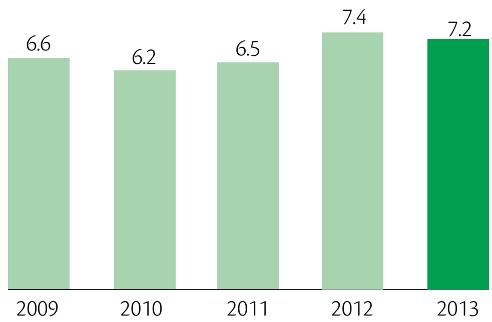
Lending and off-balance-sheet commitments

in CHF billions



Customer deposits

in CHF billions



Key figures

	2013	2012
Total revenues (CHF millions)	276.1	287.4
Operating profit (CHF millions)	232.1	242.2
Cost/income ratio (excluding goodwill amortization and write-downs)	37%	36%
ROE (based on operating profit after depreciation and write-offs and interdivisional billing)	14.4%	16.7%
Headcount	186	191

2012 figures were adjusted to facilitate like-for-like comparisons

Wealth Management

- **All areas of Wealth Management made progress, with the exception of offshore private banking, where the regulatory environment is seeing some far-reaching changes.**

- **Assets under management were up 7.0% to CHF 65.7bn and mortgage lending increased 3.4% to CHF 6.6bn.**

- **Revenues rose by 2.6% to CHF 371m and operating profit was up 6.9% to CHF 208m.**

- **Piguet Galland & Cie SA maintained efforts to rein in costs, including a move that brought together its various teams within a new head office in Geneva.**

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 591 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 over half the 740,000+ 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 deuxième pilier, which has around 550 member companies.

Another strength lies in the discretionary management service we offer to pension funds. Having previously focused our activities in French-speaking Switzerland, we are seeking to expand our business in the German-speaking part of the country in order to maximally leverage our investment policy and our ability to create high-value-added financial products.

Piguet Galland & Cie SA is a 99.8%-owned subsidiary of BCV. It was created following the merger between Banque Piguet & Cie SA and Banque Franck Galland & Cie SA, which BCV acquired in 2011. It operates out of Geneva, Lausanne, Yverdon-les-Bains, Nyon and Neuchâtel. Piguet Galland & Cie SA aims to be one of the leading wealth managers in French-speaking Switzerland, offering an exclusive, high-end service.

Gérifonds SA, which is a wholly owned subsidiary, provides BCV and other partners with valuable expertise in creating, distributing, managing and administering investment funds. Its expertise and leading position in the fund market in French-speaking Switzerland have enabled it to build a solid 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

Overall, financial markets were on the rise in 2013, encouraging investors to dip their toes in the market again, as shown by higher trading volumes. However, there were still some concerns, particularly because of weak economic growth.

The Swiss banking industry is experiencing a period of major change following recent attacks on banking confidentiality. Banks are facing a raft of regulatory changes with far-reaching consequences. We are closely monitoring these developments and allocating the necessary resources to prepare for the challenges they entail. Many of the resulting projects are long-term in nature and set to continue going forward. BCV's private wealth management business has been focused for many years on onshore clients living in Vaud Canton.

2013: business report

Strong financial markets enabled Wealth Management to achieve good results in 2013. Despite increasingly fierce competition, BCV's onshore private banking business continued to perform well in Vaud. In institutional asset management, high market volatility weighed on demand for actively managed investment vehicles. Asset Management's growth strategy in German-speaking Switzerland paid off, with an increase in net new assets. We also developed solutions for the numerous regulatory changes facing the international private banking segment.

In 2013, Wealth Management returned to growth due to an upturn in financial markets. Piguet Galland & Cie SA contributed to the improvement, and continued its integration efforts by bringing its Geneva-based teams together under one roof. At 31 December 2013, assets under management totaled CHF 65.7bn, an increase of 7.0%. The mortgage book grew by 3.4% to CHF 6.6bn, in line with the objectives set for the Sector at the start of 2013. This drove a 2.6% increase in revenue to CHF 371m and a 6.9% increase in operating profit to CHF 208m.

2014: objectives and outlook

In 2014, we will press ahead with our growth strategy in onshore wealth management, aiming to become the market leader in Vaud Canton.

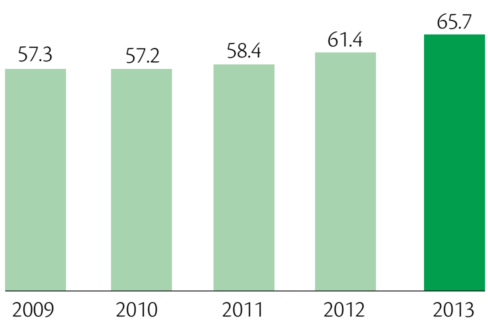
We will continue to leverage our representative office in Zurich and our early successes in German-speaking Switzerland in institutional asset management. Here, our aim is to approach new clients and win new business in the region. As a creator and distributor of investment products, Asset Management 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, after integrating its systems and teams and merging its offices within a single site in Geneva, the aim is to develop its business in French-speaking Switzerland's wealth management market.

2009–2013 financial data

Assets under management

in CHF billions



Fee and commission income

in CHF millions

Key figures

	2013	2012
Total revenues (CHF millions)	371.1	361.5
Operating profit (CHF millions)	208.3	194.8
Cost/income ratio (excluding goodwill amortization and write-downs)	64%	67%
ROE (based on operating profit after depreciation and write-offs and interdivisional billing)	43.7%	44.2%
Headcount	591	599

2012 figures were adjusted to facilitate like-for-like comparisons
2009-2012 figures for assets under management were adjusted to exclude custody-only assets

Trading

- **Although business levels in currency trading fell very slightly relative to 2012, they remained high due to trade flows and client-driven demand for currency hedging.**
- **Structured products performed well, with an upturn in client-driven issuance activities.**
- **The Sector's revenues rose by 7.2% to CHF 61m and operating profit was up 16% to CHF 39m.**
- **Risk levels stayed very low, as trading activities were focused primarily on customer-driven transactions.**

Business and strategy

We aim to meet our customers' trading needs and to offer them a broad array of products and services. To achieve this, we have one of the largest trading 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 focuses on client transactions. This means that risk levels are low.

The Sector's activities come under the Asset Management & Trading Division, which encompasses asset management, investment policy and trading. 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

The mood on the financial markets was optimistic as the global economy recovered in 2013, albeit at a moderate pace. For the first time since the 2008 financial crisis, all equity markets posted substantial gains for the second year in a row, i.e., 20.2% for the SMI, 17.9% for the Euro Stoxx 50, 29.6% for the S&P 500 and 56.7% for the Nikkei. Despite these remarkable performances, trading volumes grew only slightly, showing that investors remain skeptical about the recovery.

In the forex market, the euro rallied 1.6% against the Swiss franc to CHF 1.23, moving away from the CHF 1.20 floor rate set by the Swiss National Bank (SNB) in September 2011. Against the dollar, the Swiss franc was up and down during the year, finishing up 2.5% at CHF 0.89 to the dollar.

2013: business report

Trading income remained at a high level in 2013. Forex activities were still strong, although volumes fell slightly relative to 2012, and the upturn in structured-product issuance volumes continued in 2013.

Overall, trading revenues rose by 7.2% to CHF 61m, while operating profit rose 16% to CHF 39m.

Despite the SNB's floor EUR/CHF rate, exchange rates were relatively volatile, particularly during the first half. This boosted currency trading volumes.

A strong rebound in demand for structured products prompted higher issuance volumes relative to 2012.

The Sector's risk profile remained very low, with VaR[1] (1-day, 99%) of CHF 0.2m at 31 December 2013.

2014: objectives and outlook

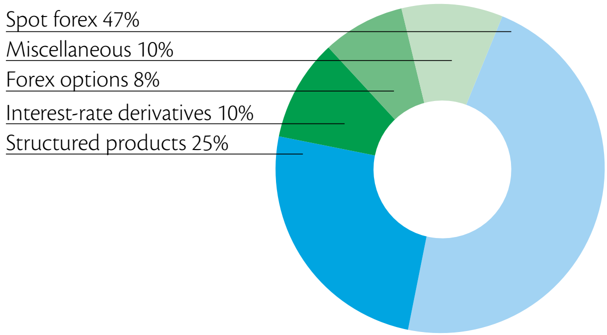
In 2014, the Trading Sector will further develop its range of services to focus on customers' core trading needs. BCV will continue to offer an array of highly transparent products for both hedging and investment purposes.

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.

[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.

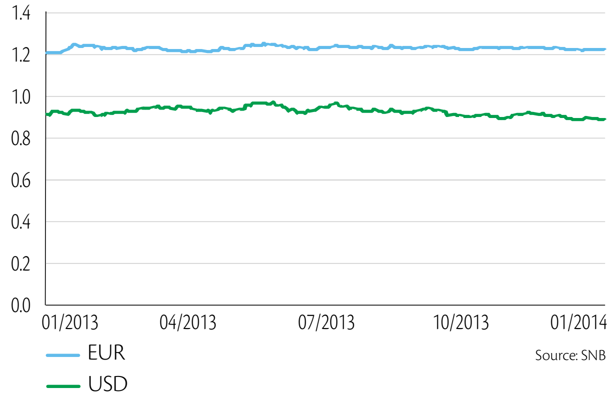
2013 financial data

Breakdown of trading revenues by market segment



Exchange rates

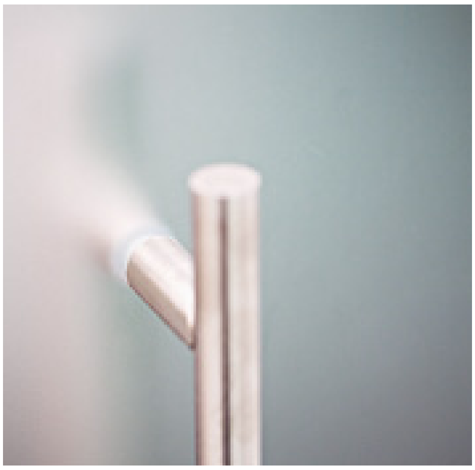
versus CHF



Key figures

	2013	2012
Total revenues (CHF millions)	60.5	56.5
Operating profit (CHF millions)	38.8	33.4
Cost/income ratio (excluding goodwill amortization and write-downs)	34%	40%
ROE (based on operating profit after depreciation and write-offs and interdivisional billing)	57.3%	61.4%
Headcount	60	63

2012 figures were adjusted to facilitate like-for-like comparisons

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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. It monitors strategic and business risk and supervises the Executive Board Risk Management Committee in monitoring and reporting these risks. The committee is chaired by the Chief Financial Officer (CFO), and includes the CEO, other division heads, and the head of the Financial Risk Management Department.
- Division heads are responsible for conducting and monitoring the activities of their divisions, regardless of whether the division has a front-line, steering or business-support role. They have initial responsibility for overseeing, identifying and managing the strategic, business, credit, market and operational risks arising from the activities of their divisions.
- The CFO also assumes the role of Chief Risk Officer. The CFO puts forward risk-management policy and strategy, monitors the Bank's aggregate risk profile, is responsible for capital adequacy, and helps foster a culture of risk management among staff, with the support of the Financial Risk Management Department and the Operational Risk Unit, which report to the CFO.
- 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 Financial Risk Management Department

The Financial Risk Management Department's mission is to develop and continually improve the Bank's methods and principles for managing risk, to monitor the Bank's risk profile, and to oversee and execute risk reporting. The Department is also responsible for the overnight monitoring of market risk for BCV's trading floor.

1.6 BCV risk profile - key indicators

The main indicators of the Bank's risk profile are summarized in the table 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

		31/12/10	31/12/11	31/12/12	31/12/13
BCV Group capital adequacy[1]	• FINMA risk-weighted assets (CHF billions)	20.5	21.6	20.2	16.4
	• FINMA capital ratio	14.0%	13.2%	14.4%	17.9%
	• BIS risk-weighted assets (CHF billions)	16.2	16.9	15.8	16.4
	• BIS Tier 1 capital ratio	17.6%	16.8%	18.4%	17.8%
	• BIS Total capital ratio	17.6%	16.8%	18.4%	17.9%
Non-impaired loans (parent company)	• Customer loans, on and off balance sheet[2] (CHF billions)	26.7	28.9	28.9	29.8
	• Expected loss ratio (relative to amount drawn)	17 bps	14 bps	13 bps	13 bps
Impaired loans (parent company)	• Impaired loans[3] (CHF billions)	0.5	0.4	0.4	0.3
	• As a % of total customer loans and due from banks	1.6%	1.3%	1.2%	0.9%
	• Specific provisioning ratio	45%	44%	41%	41%
Market risk on the trading book (parent company)	• Trading Dept.: VaR[4] (CHF millions, 1-day, 99%)	0.3	0.3	0.3	0.2
	• Asset mgt. nostro portfolio: VaR[4] (CHF millions, 180-day, 99%)	3.5	3.8	3.0	1.9
Market risk on the banking book (parent company)	• VaR (% of economic value of equity capital, 90-day, 99%)	4.0%	4.2%	3.4%	4.2%
Operational risk (parent company)	• New provisions and direct losses (CHF millions)	38.8	1.4	2.4	20.8

1) Determined according to Basel II in 2009-2012 and according to Basel III since 2013

2) Excluding financial investments (bonds)

3) Net commitments (commitments to impaired borrowers for which the provision is above 0)

4) Average VaR for the year

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 required capital. 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 Financial 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 Financial 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 III Accord for Internal Ratings-Based (IRB) approaches. The models are under the responsibility of the Financial 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 III 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, and distribution by internal counterparty default rating, by loss given default, by expected loss, and by risk-weighted assets 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 Financial 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 most of its 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 32.1bn at 31 December 2013, a year-on-year rise of 1%. At CHF 2.0bn, bank-counterparty exposures represented 6% of total commitments.

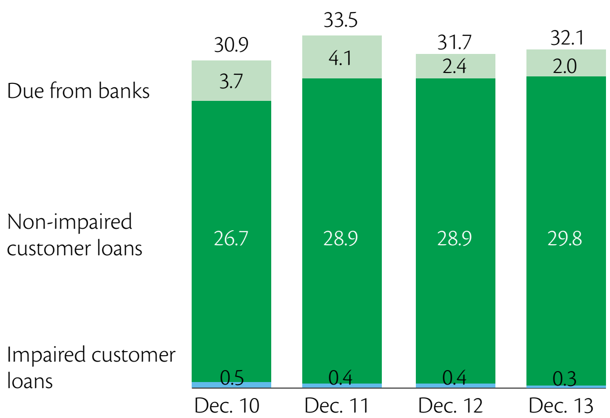
For non-bank-counterparty lending, the Bank's business is largely with customers located in Vaud Canton and accounts for 80% of total lending.

BCV's corporate loan book reflects the economic structure of the Canton, albeit with a somewhat larger exposure to real estate and construction (40%).

The 2013 breakdown by sector was stable compared with 2012. Retail and private banking clients remained the largest sector in total non-impaired loan-book exposures, at 52%.

Customer loans and amounts due from banks

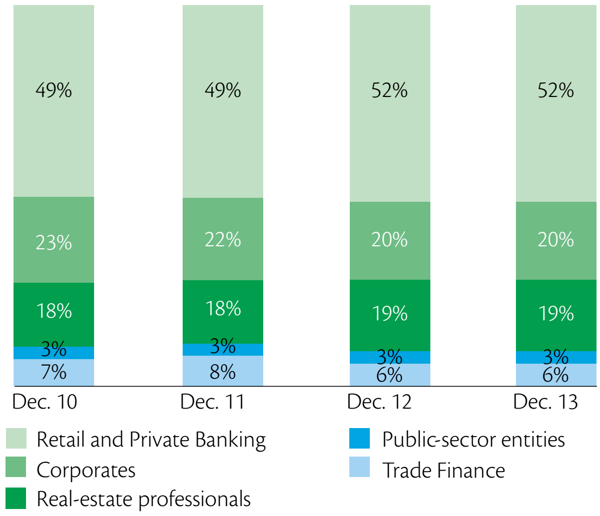
CHF billions, on and off balance sheet, for the parent company[1]



[1] Excluding financial investments

Customer loans by segment

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



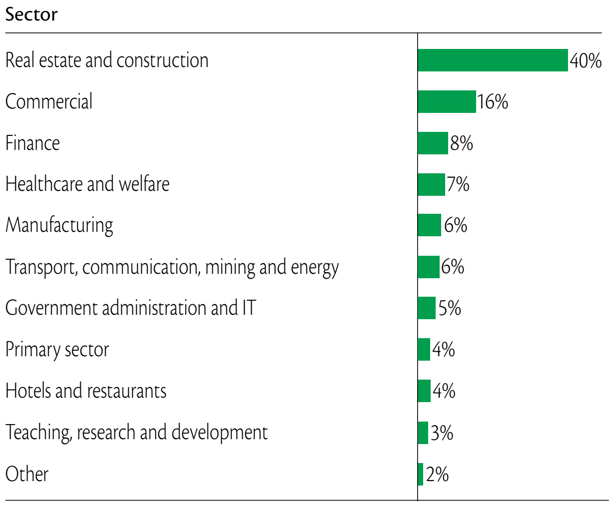
Customer loans by geographical zone

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

Client domicile	31/12/2012	31/12/2013
Vaud Canton	80%	80%
Rest of Switzerland	13%	13%
European Union + North America	2%	2%
Other	5%	5%

Customer loans by economic sector

as a percent of on-balance-sheet customer loan exposure, for the parent company, at 31 December 2013

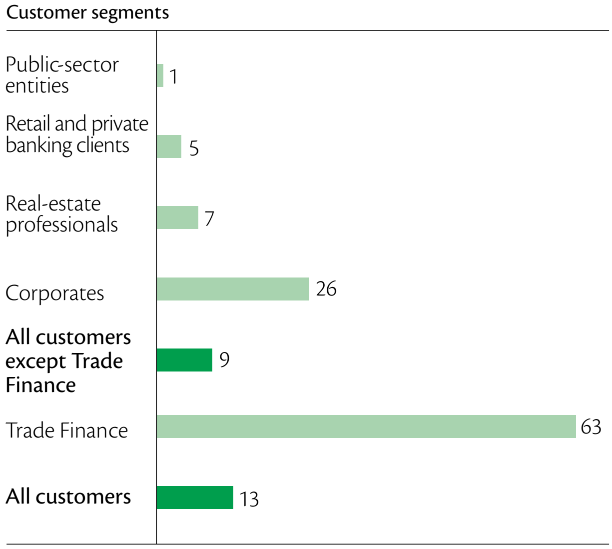


The low expected loss ratio and impaired loan level attest to the quality of the Bank's loan book. The expected loss ratio on drawn loans reflects counterparty quality, the degree of credit coverage and the amount of undrawn limits. For non-impaired customer loans as a whole, the expected loss ratio was 13 basis points, or 9 basis points excluding trade-finance exposures. Impaired loans were less than CHF 300m and represented 0.9% of total exposures.

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

Expected loss rate

expressed in basis points of drawn customer loans, including OTC derivatives, at 31 December 2013



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 Department'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. This portfolio is 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 head of the Financial Risk Management Department and the head of the Back Office Department. This process ensures that before a product is launched, all requirements in the areas of risk management, 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 Finance and Risks Division's Financial 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:

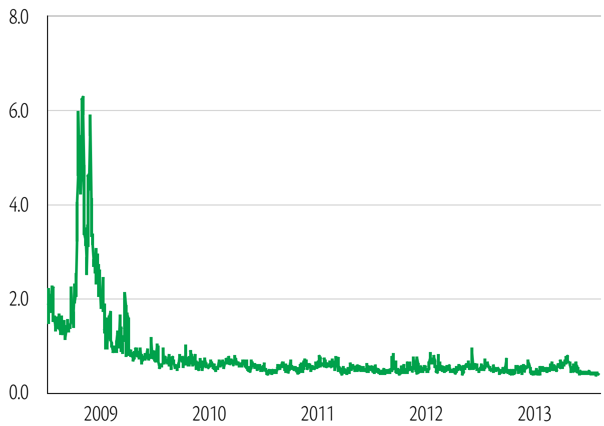
- Historical overnight value-at-risk (VaR) with a 1-day time horizon and a confidence level of 99%
- Analysis of potential losses using static stress tests
- Sensitivity metrics such as delta, gamma, vega, theta and rho.

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 2013, VaR for the trading book stayed close to CHF 0.3m.

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

in CHF millions



3.2 Market risk on the banking book

The main components of market risk on the banking book are interest-rate risk and liquidity risk.

3.2.1 Interest-rate risk on the banking book

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 honor its commitments to its clients and counterparties, meet regulatory requirements, and ensure that it can continue funding its activities. Liquidity risk is addressed through short-term liquidity management and long-term funding management. BCV's strategy is to minimize liquidity risk using these two dimensions. The Bank limits its exposure to liquidity risk by ensuring that it has a sound balance sheet, including a liquidity reserve to cover the impact of a major liquidity outflow, as well as a sustainable and diversified long-term funding structure so that it can expand its activities. This involves maintaining the safety margins set by the Board of Directors relative to regulatory requirements and balance sheet ratios.

The framework for liquidity management is drawn up by the Executive Board's ALCO and approved by the Board of Directors. The ALM-FM Department, which includes the Bank's treasury management team, is responsible for operational management of long-term funding and short-term liquidity.

Exposure to liquidity risk is calculated using a broad spectrum of indicators, including components of the liquidity reserve, market indicators, regulatory ratios, and simulations of funding needs based on several scenarios.

4. Operational risk

The Bank'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:

- Erroneous or malicious actions taken by employees, suppliers, bank counterparties, customers or other parties external to the Bank
- Inadequacies of information systems, infrastructure and/or the Bank's organization.

Potential improvements in terms of processes, IT systems, infrastructure and organization are sought through self-assessments, which involve all the Bank's upper management and are managed by the Operational Risk Unit, which reports to the CFO.

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 Financial 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, Financial 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 head of the Operational Risk Unit, who reports to the CFO, analyzes the appropriateness and effectiveness of the ICS annually and submits the findings to the governing bodies and the external auditor.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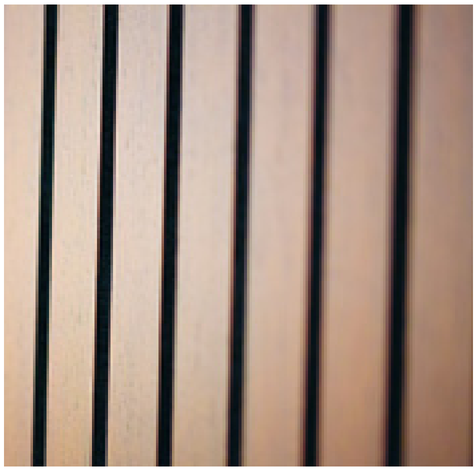

Corporate Governance

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 BCV website.[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 2013)

Details of all BCV Group companies are shown in sub-chapter 11 (Scope of Consolidation) on page 119 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 2013, the value of BCV's listed shares with a par value of CHF 10 was CHF 4.2bn
Security number	1.525.171
ISIN code	CH0015251710

1.1.3 Unlisted companies included in the scope of consolidation (at 31 December 2013)

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.

The share capital of BCV's subsidiaries and the holdings of the parent company are shown in sub-chapter 11 on page 119 of the consolidated financial statements.

1.2 Major shareholders

At 1 January 2014, 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 19.41% of the Group's capital at 31 December 2013.

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 2011, 2012 and 2013 may be found in notes 5.5 and 5.6 to the parent company financial statements (pages 152 and 153). Additional information on the Group's capital is shown on page 107 of the consolidated financial statements.

At 31 December 2013, 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 Authorized and conditional capital

There was no authorized or conditional capital at 31 December 2013.

2.3 Capital structure at the end of the 2011, 2012 and 2013 financial years

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

Number of shares

Equity capital	31/12/2011	31/12/2012	31/12/2013
Share capital (fully paid-in registered shares)	8,606,190	8,606,190	8,606,190

Equity – Group

CHF millions

Equity	31/12/2011	31/12/2012	31/12/2013
Equity capital (fully paid-in)	86	86	86
Capital reserves and retained earnings	2,492	2,524	2,532
Reserves for general banking risks	704	704	704
Minority interests in shareholders' equity	19	1	0
Total	**3,301**	**3,315**	**3,322**

2.4 Shares and participation certificates

Registered shares at 31 December 2013

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 Governing BCV), in compliance with the rules applicable to any resolution of the Shareholders' Meeting.

2.7 Convertible bonds and options

At 31 December 2013, 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 2013, 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 (which ended on 25 May 2012). 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.
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.

3.2 Other activities and business relations

Olivier Steimer	• Vice Chairman of the Board of Directors of Swiss Federal Railways, Bern • Vice Chairman of the Bank Council of the Swiss National Bank, Bern and Zurich • Member of the Board of Directors of Allreal Holding AG, Baar • Member of the Board of Directors of Ace Limited, Zurich • Member of the Board of Governors of Switzerland's Federal Institutes of Technology • 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 (Vice Chairman); Aide sportive suisse (Vice Chairman); and the Centre for Humanitarian Dialogue, Geneva
Stephan A.J. Bachmann	• Member of the Board of Directors and Chairman of the Audit Committee of La Nationale Suisse, Basel • Chairman of the Ethics Committee of the Chambre Fiduciaire • Chairman 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 and of the Audit Committee of Coop, Basel • Member of the Board of Directors of Raymond Weil SA, Geneva • President of the Board of Trustees of the Fondation en Faveur de l'Art Chorégraphique • 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 Board of Directors of QoQa Services SA, Bussigny-Lausanne • Member of the Management Board of the International Federation of the Periodical Press (FIPP) • Member of the Foundation Board of Grand Prix de l'Horlogerie, Geneva
Luc Recordon	• Member of the Board of Directors of SEG Swiss Education Group SA, Lausanne • Chairman of the Board of Directors of the Coopérative Tunnel-Riponne, Lausanne • Member of the following boards of directors: Clavel SA, Bern, and NECC SA, Lausanne • Consultant for the municipality of Jouxtens-Mézery and for ASIGOS • Chairman of the following committees: Verein Energieallianz, Solothurn, and Association Pro AI Vaud, Lausanne • Member of the following foundation boards: Swiss Federation of Private Schools, Bern, and Fondation 50e of the Centre Social Protestant, Lausanne • Member of the Fondation Pour l'Animation Socioculturelle Lausannoise, Lausanne • Chairman of the Joint Labor-Management Commission, Lausanne • Chairman of the committee of the Association romande pour le développement et l'intégration des médecines complémentaires (RoMédCo), Lausanne • Chairman of the general meeting of AVDEMS, Pully • Chairman of the committee of the Association des Amis du Peintre André Gasser, Lausanne • Committee member of the following organizations: Lausanne section of the Swiss Tenants' Association (ASLOCA), Lausanne; the Vaud Section of the Swiss Transport and Environment Association (ATE-VD), Lausanne; E-Changer, Partenaires dans l'échange et pour le changement, Fribourg; and Dachverband Komplementärmedizin (Dakomed), Bern • Member of the Foundation Board of Fondation intégration pour tous (IPT), Lausanne • Local councilor for Jouxtens-Mézery • Member of the Commitee of the Board of Directors of ASIGOS, Prilly • Member of the upper house of the Swiss Parliament • Member of the Advisory Board of the Swiss Centre of Expertise in Human Rights (SCHR), Bern • Member of the Council of Europe Parliamentary Assembly • Member of the Vaud Green Party Committee • Independent counsel
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 following boards of directors: TSM Insurance Company, La Chaux-de-Fonds; Compagnie Benjamin de Rothschild SA, Meyrin; and QNB Banque Privée (Suisse) SA, Geneva • Member of the following foundation boards: FITEC, Delémont; CODECO, Porrentruy; and the Investment Committee of Swiss Solidarity, Geneva • Member of the Foundation Board of Observatoire de la finance, Geneva

Olivier Steimer

Chairman of the Board of Directors

Beth Krasna

Member of the Board of Directors

Stephan A.J. Bachmann

Vice Chairman of the Board of Directors

Luc Recordon

Member of the Board of Directors

Paul-André Sanglard

Member of the Board of Directors

Reto Donatsch

Member of the Board of Directors

Pierre Lamunière

Member of the Board of Directors

3.3 Election and term of office

3.3.1 Principles

Pursuant to the Articles of Incorporation, the Board of Directors is composed of seven, nine or eleven members. The Chairman and half of the other members are appointed by the Vaud Cantonal Government. 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. The Vice Chairman is Stephan A. J. Bachmann. 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 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 2013, the Audit and Risk Committee was made up of Stephan A. J. Bachmann (Chairman), Reto Donatsch and Paul-André Sanglard.

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.

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[4]
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-2017
[2] Term of office renewed until end-2015
[3] Term of office renewed for four years at the 2010 Annual Shareholders' Meeting
[4] Term of office renewed for four years at the 2012 Annual Shareholders' Meeting

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 (available 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 CFO attend all Committee meetings, with exceptions for certain specific subjects. Depending on the agenda, the meetings are also attended by other members of the Executive Board, the Head of the Financial Risk Management Department, the Chief Compliance Officer, the Head of Accounting and the Head of the Legal Department.

In addition to its risk-related role described above, the main task of the Audit and Risk Committee is to assist the Board of Directors in carrying out its supervisory duties and ensuring the integrity of the consolidated financial statements and financial reports. Furthermore, the Committee is responsible for ensuring the quality and independence of the work performed by both the internal and external auditors. It discusses the contents of the parent company's audit reports, together with those of the subsidiaries, as part of a consolidated review. It 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 2013 that focused on a number of risk-related topics, compliance, and governance.

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 2013, the Compensation, Promotions and Appointments Committee consisted of Pierre Lamunière (Chairman), Olivier Steimer and Luc Recordon. The CEO takes part in an advisory capacity.

The Committee provides significant support to the Board of Directors, particularly relating to human resources 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 Board of Directors also 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 three times in 2013.

3.4.3 Operational procedures of the Board of Directors and its committees

In 2013, the Board of Directors held 12 ordinary plenary meetings. Each meeting generally lasted a half day, with the exception of three 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 2013, the Audit and Risk Committee met seven times and took part in a one-day training seminar; the Compensation, Promotions and Appointments Committee met six 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). Since 2009, the Board of Directors has delegated 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. Overall, their report showed 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, though not carried out in 2012 or 2013, 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 bodies 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 has been implemented. The Board regularly discusses its assessment of the appropriateness and effectiveness of the ICS with the Executive Board.

In terms of appointments, the Board of Directors has a number of responsibilities that fall outside the powers defined in Article 24, paragraph 4, of the Articles of Incorporation. 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 and validates 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, 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, and each member certifies 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 has adopted the ICS implementing directive.

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

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

It may issue or decide to participate in public or private bond offerings for the Bank's own account, buy, sell, equip or renovate buildings within the limits set by the Board of Directors and carry out other own-account operations within the criteria specified by the Board of Directors. It may approve the outsourcing of activities in compliance with 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 senior executives in accordance with the powers granted to it under the by-laws. It makes recommendations on the Bank's overall compensation level to the Board of Directors, through the Compensation, Promotions and Appointments Committee.

3.6 Monitoring the Executive Board

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

The CEO attends all meetings of the Board of Directors, including retreats. The CFO is always present when there are items on the agenda concerning the financial statements, risks, asset and liability management (ALM), compliance and legal matters. In principle, Executive Board members attend whenever issues relating to their division are under discussion. Executive Board members in charge of front-office divisions present a business review to the Board of Directors twice a year. In addition to approving the quarterly financial statements provided by the Financial Accounting Department and presented in detail to both the Audit and Risk Committee and the Board of Directors, the Executive Board sends (and in some cases presents) quarterly reports on the following issues to the Board of Directors: risks, ALM, equity capital, investor relations, human resources and investment policy. It also provides half-yearly reports on compliance and legal matters. 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 115-118) explains the principles applied by the Bank in assessing and managing risk. The Bank publishes its Basel III Pillar 3 Report on its website (www.bcv.ch). The report is updated every six months and can be found in 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, including a summary report every six months.

No member of the Board of Directors belongs to the Executive Board or exercises any management function whatsoever at the Bank or its subsidiaries, in compliance with the principle of independence stipulated in 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.

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 nationality	Position and start date	Education	Career experience
Pascal Kiener, 1962, Swiss citizen	CEO since 1 May 2008 and CFO from 1 June 2003 until 31 December 2008	MSc in mechanical engineering from the Swiss Federal Institute of Technology in Lausanne (EPFL) in 1985. MBA from INSEAD in Fontainebleau in 1992.	Between 1985 and 1991, Mr. Kiener worked as an engineer for Fides Informatics in Zurich and Hewlett Packard in Geneva. In 1993, he joined the consulting firm McKinsey & Company. In 2000, he was made partner and a member of the Management Committee of McKinsey Switzerland. He acquired experience in financial services, and in banking in particular, during these years as an advisor for leading financial institutions in Switzerland and other European countries. He managed large projects involving strategy, risk management, controlling, and business process re-engineering. Mr. Kiener joined BCV as CFO on 1 June 2003.
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 from 1 October 2008 to 15 November 2013	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. He left BCV on 15 November 2013 to become CEO of the Swiss regional bank Valiant.

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 in energy trading at EGL. In 1995, he joined the consulting firm McKinsey & Company, where he was elected Principal Associate in 2000. During his time at McKinsey, he managed a large number of strategic projects for financial institutions and major energy companies in Switzerland and throughout Europe, focusing particularly on the risk management aspects of these projects. 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.
José François Sierdo, 1963, Swiss citizen	Member of the Executive Board with responsibility for the Retail Banking Division since 3 March 2014	Degree in economics and business administration from the Business and Economics Faculty of Lausanne University in 1992. MBA from IMD in Lausanne in 2001.	Mr. Sierdo began his banking career in 1993 in retail banking at UBS. He went on to do project finance in New York and lending in Zurich, before working at Lombard Odier & Cie from 1998 to 2002. He then returned to UBS, where he held key managerial positions in retail, private and corporate banking, including: Head of Private Banking for French-speaking Switzerland, CEO of UBS Luxembourg and Head of Corporate Clients for Switzerland. Before becoming a banker, he was a military pilot and a member of the Swiss Surveillance Wing. He joined the Executive Board as Head of the Retail Banking Division on 3 March 2014.

Pascal Kiener

CEO

Aimé Achard

Member of the Executive Board,
Head of Business Support

Jean-François Schwarz

Member of the Executive Board,
Head of Corporate Banking

Stefan Bichsel

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

Thomas W. Paulsen

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

Gérard Haeberli

Member of the Executive Board,
Head of Private Banking

José F. Sierdo

Member of the Executive Board,
Head of Retail Banking

Bertrand Sager

Member of the Executive Board,
Head of Credit Management

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	• Treasurer of the Association Vaudoise des Banques (AVB) • Treasurer of the "Fondation vaudoise pour la formation bancaire" (FVFB)
Stefan Bichsel	• Chairman of the Board of Directors of GEP SA, Lausanne • Chairman of the Board of Directors of Gérifonds SA, Lausanne • Member of the Board of Directors of Banque Cantonale du Jura SA, Porrentruy • Member of the Board of Directors of Swisscanto Holding SA, Bern • Member of the International Orientation Committee of EDHEC, Lille and Nice • Chairman of the Pro Aventico Association, Avenches
Markus Gygax (until 15 November 2013)	• Member of the Board of Directors of Aduno Holding SA • Member of the Board of Directors of Viseca Card Services SA • Member of the Board of the "Fonds de prévoyance en faveur du personnel de la BCV" • Member of the Board of Directors of newhome.ch AG • Member of the Board of Directors of e-research AG
Gérard Haeberli	• Chairman of the Board of Directors of Piguet Galland & Cie SA
Thomas W. Paulsen	• Member of the Board of Directors and the Audit and Risk Committee of Piguet Galland & Cie SA • Chairman of the Swiss Cantonal Bank Issuing Committee • Member of the Board of Directors of the Swiss Cantonal Banks' Central Mortgage Bond Institution • 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
Bertrand Sager	• Committee member of the Chambre Vaudoise Immobilière • Member of the Board of Directors of GEP SA • Member of the Board of the "Fondation de prévoyance en faveur de l'encadrement supérieur de la BCV" • Member of the Board of the "Fonds de prévoyance en faveur du personnel de la BCV" • Judge for property disputes at the Eastern Vaud District Court
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.

In accordance with BCV's by-laws, the CEO has a right of veto, which must be duly recorded when used. In such cases, the CEO must inform the Chairman of the Board of Directors.

4.3 Management contracts

The Bank has not entered into any management contracts.

Committee name, composition (at 1 April 2014)	Main roles
Risk Management Committee Thomas W. Paulsen (Chairman) Pascal Kiener Stefan Bichsel Jean-François Schwarz Bertrand Sager Maxime Mermier	• Submits risk management policy and strategy proposals to the Executive Board for approval by the Board of Directors • Ensures risk management and control processes are implemented and updated for the entire Bank and for all risk categories • Monitors the Bank's overall risk profile • Steers all the Bank's risk management projects
Asset and Liability Management Committee (ALCO) Pascal Kiener (Chairman) Thomas W. Paulsen Gérard Haeberli José François Sierdo Christopher Cherdel Michel Aubry Fernando Martins da Silva	• Examines the exposure of the banking book to interest-rate risk and exchange-rate risk, as well as the Bank's exposure to liquidity risk • Manages interest-rate-risk exposure on the balance sheet • Manages the Bank's liquidity and funding
Credit Committee Bertrand Sager (Chairman) Pascal Kiener Jean-François Schwarz José François Sierdo Christian Zünd 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
Information Technology Committee Aimé Achard (Chairman) Pascal Kiener Thomas W. Paulsen José François Sierdo Frédéric Le Hellard Serge Messin	• Submits IT strategy proposals to the Executive Board for approval by the Board of Directors • Submits proposals on the budgetary framework and the medium-term plan for high priority projects • Monitors the implementation of IT projects • Obtains information on major IT incidents and corrective measures taken

5. Compensation, shareholdings and loans

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

The Board of Directors approved new 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 Hostettler Kramarsch & Partner and Towers Watson 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 are eligible for a long-term variable salary. No stock-option plans are offered as part of compensation.

Detailed compensation figures can be found in the tables on page 130.

Board of Directors

The Board of Directors receives compensation for sitting on the various committees, in recognition of each committee member's role and responsibilities. Overall remuneration therefore comprises fees, compensation for sitting on committees, and expenses.

Only the Chairman of the Board receives both fixed annual compensation and performance-based variable compensation. Variable compensation is assessed according to objectives set at the beginning of 2013.

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 72).

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 110% in 2013.

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.

Annual variable compensation

All employees are eligible for annual 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 annual variable compensation.

The overall level of annual 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.

30% of annual variable compensation for the Executive Board members and department heads must be taken in BCV shares with a lock-up period of 3 to 10 years.

Other employees receiving annual variable compensation of CHF 30,000 or more may opt for full payment in cash, or 70% in cash and 30% in BCV shares with a lock-up period of 3 years. In the latter case, BCV increases the portion of shares by 30%.

For the 2013 financial year, these shares with a par value of CHF 10 were allocated at the closing price on 21 March 2014.

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 compensation

This form of compensation is intended for a limited number of managers, i.e., 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.

Long-term variable compensation is paid exclusively in BCV shares, fully or partially, depending on the extent to which objectives have been achieved (between 0% and 150%).

The objectives for the long-term variable compensation plans 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 is then adjusted to reflect the strategic and qualitative components. Here, a limited number of key objectives related to the Bank's business strategy, main projects, operational excellence initiatives and trends in customer satisfaction are taken into account.

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

The cost of the plan is spread over the entire period. The cost is recalculated in line with the objectives achieved and the number of remaining participants, and adjusted accordingly. The cost of the plans is spread over the relevant three financial years.

At the end of each period, any difference between the number of shares actually distributed to participants and the number originally set aside for this purpose is released, and added to or deducted from "Personnel costs."

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 2011-2013 plan, which ended on 31 December 2013, was based on the Bank's actual cumulative economic profit and the following strategic and qualitative objectives:

- Improved sell-side efficiency in the retail, SME and private banking segments
- Successful development of onshore private banking in Vaud Canton
- Establishing the asset-management business in German-speaking Switzerland
- Achieving goals relating to lending processes
- Finalizing the reorganization of IT services
- Meeting the strategic objectives of the human resources project.

The performance evaluation of Executive Board members and front-office department heads was also based on whether the financial objectives for their respective divisions were achieved.

Overall, 90% of the objectives were met.

Each beneficiary was awarded between 47% and 121% of the shares initially set aside as part of the evaluation.

As a result, 5,537 shares were distributed to beneficiaries in March 2014.

A new three-year plan began in 2013. Its objectives were set in accordance with the above principles.

Other compensation

Compensation also includes taxable entertainment expenses.

In accordance with the staff handbook, a seniority bonus equivalent to a month's salary is payable to all employees who have completed 10, 20, 30 or 40 years' service at BCV. Employees may opt to take extra vacation, i.e., 20 days for full-time staff, instead of the bonus.

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 and 2012 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 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 2013 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 1 May 2014.

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 2013 was also approved at the Shareholders' Meeting of 25 April 2013.

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 1,749,082 for the 2013 financial year.

Fees invoiced by PricewaterhouseCoopers Ltd in Switzerland and abroad for financial and statutory audits of other BCV Group companies were CHF 570,447.

Total fees invoiced by PricewaterhouseCoopers Ltd for audit services supplied to all the companies which make up BCV Group therefore amounted to CHF 2,319,529 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 167,766 for the parent company and CHF 27,520 for the other BCV Group companies. Consulting fees, including but not limited to fees for IT-related projects and tax advice, amounted to CHF 117,720 for the parent company and CHF 12,579 for the other BCV Group companies.

Total additional fees for the 2013 reporting period invoiced by PricewaterhouseCoopers Ltd in Switzerland and abroad for all BCV Group companies therefore amounted to CHF 325,585.

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

8.4 Monitoring of external auditors

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

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

The Chairman of the Board of Directors and the Chairman of the Audit and Risk Committee receive copies of all the reports, certifications and opinions issued by the external auditors in the course of their duties. Every year, the Audit and Risk Committee reviews the parent company's financial statements and regulatory reports and a summary of the reports submitted by the subsidiaries. The external auditors are regularly invited to attend Audit and Risk Committee meetings to discuss the results of their work, make recommendations on internal audit procedures and be informed of reports by other persons invited to the meetings. In 2013, representatives of the external auditors partially attended three meetings of the Board of Directors and all ordinary meetings of the Audit and Risk Committee.

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

9. Disclosure policy

9.1 Transparency

Pursuant to paragraphs 8 and 9 of Article 24 of the Bank's Articles of Incorporation, the Board of Directors shall see that it is kept informed. It shall also see that shareholders are properly and fairly informed about the Bank's situation to the greatest extent possible, consistent with legitimate compliance with business and banking confidentiality and securities laws. In particular, it shall reach an agreement governing disclosure of information to the Canton of Vaud.

9.2 Information-exchange agreement

BCV and the Canton of Vaud entered into an initial information-exchange agreement on 13 September 2004. 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 III Pillar 3 reports, which are published half-yearly, and other data of particular interest to investors may also be consulted in the Investor Relations section of the BCV website (www.bcv.ch). 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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Media relations
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Email: christian.jacot-descombes@bcv.ch

2014 corporate calendar

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

[1] Total distribution comprising an ordinary dividend of CHF 22 per share and CHF 10 per share drawn from paid-in reserves, subject to approval at the Annual Shareholders' Meeting.



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The BCV Share

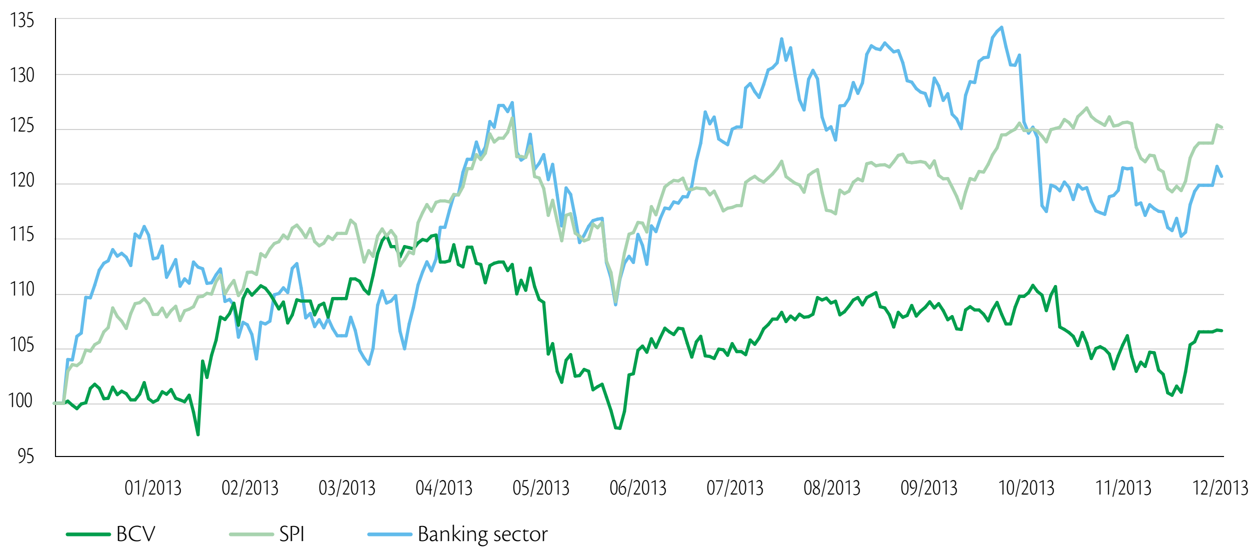
Stockmarkets reacted positively to the moderate global recovery in 2013, with major indexes all posting sharp gains. The SMI climbed 20.2%, the Euro Stoxx 50 17.9%, and the S&P 500 29.6%, while the Nikkei soared 56.7%. Trading volumes were also up compared with 2012, reflecting investors' renewed interest in the stockmarkets.

The BCV share gained ground over the first four months of the year on the back of the announcement that the Bank had extended its distribution policy for a further five years. However, external events weighed on the share for the rest of 2013. Firstly, newsflow on the tax dispute between the USA and Switzerland created uncertainty starting in May. Secondly, the BCV share, which had trailed the MSCI Switzerland index, was removed from that index in November following the half-yearly review of the MSCI indexes. On 26 November 2013, the date on which the share officially left the index, more than 247,000 BCV shares changed hands – a record trading volume.

Despite these challenges, total shareholder return – i.e., stockmarket performance plus dividend payments (CHF 32 per share in 2013) – stood at +7% in 2013. Since the *BCVPlus* strategy was announced in November 2008, total shareholder return has reached 139%.

In addition, Standard & Poor's confirmed BCV's long-term AA rating and raised its outlook on BCV from negative to stable, and Moody's reaffirmed BCV's long-term A1 rating with a stable outlook.

Total shareholder return[1]

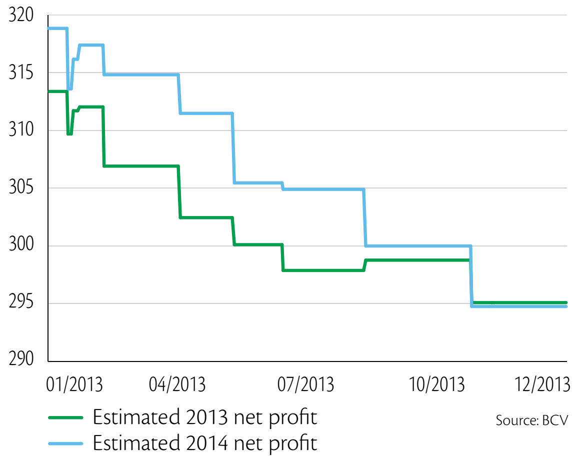


[1)] Stockmarket performance over the period plus dividends and capital distributions

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

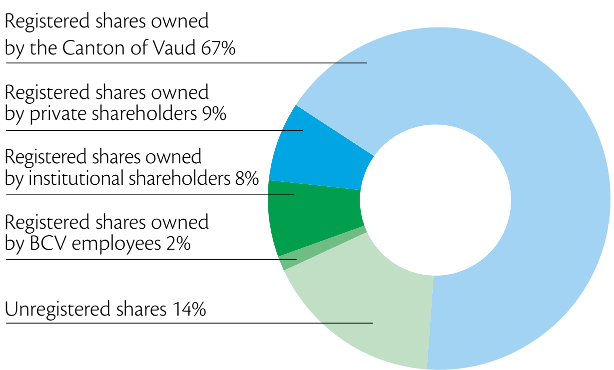
in CHF millions, at 31 December 2013



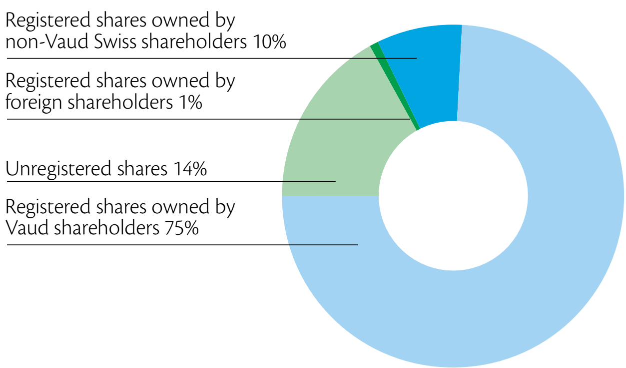
		2009	2010	2011	2012	2013
Number of shares outstanding (in thousands)		8 606	8 606	8 606	8 606	8 606
Period-end share price (in CHF)		411.00	491.00	456.25	484.75	486.50
Share price high / low (unadjusted, in CHF)	– high	427	507	547	519	559
	– low	260	397	392	442	445
EPS[1] (in CHF)		35.0	36.4	35.1	36.1	32.5
Adjusted EPS[2] (in CHF)		35.0	36.4	35.1	36.1	32.5
Dividend per share (in CHF)		21.0	22.0	22.0	22.0	22.0[3]
Dividend yield[4] (in %)		5.1	4.5	4.8	4.5	4.5
Total payout[5] (in CHF)		31.0	32.0	32.0	32.0	32.0[3]
Total payout yield[4] (in %)		7.5	6.5	7.0	6.6	6.6
S&P long-term credit rating		AA– / stable	AA– / positive	AA / stable	AA / negative	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 1 May 2014
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







Financial Statements

Financial Statements

Report on the Consolidated Financial Statements

Continued rise in customer business volumes

1. Assets

Total assets expanded 2% (+CHF 654m) year-on-year, reaching CHF 40.5bn at 31 December 2013.

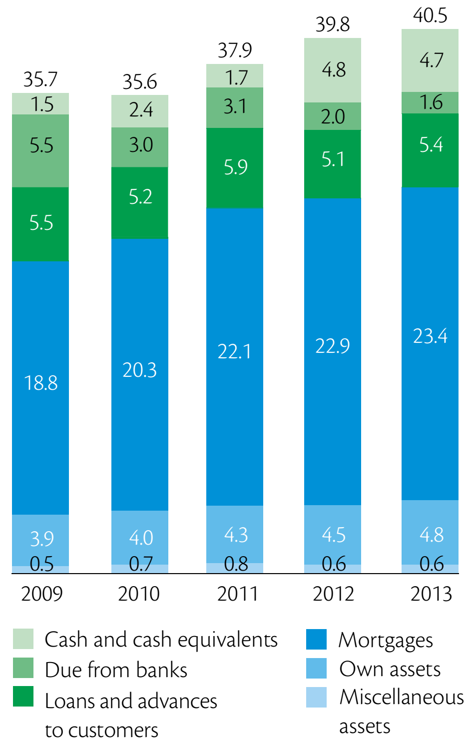
Cash and cash equivalents remained high at CHF 4.7bn, with most of these funds deposited with the Swiss National Bank. Amounts due from banks declined 20% (–CHF 398m) to CHF 1.6bn.

Total loans outstanding were up CHF 851m year-on-year to CHF 28.8bn. Mortgage lending rose 2% (+CHF 511m) to CHF 23.4bn, in line with the Bank's controlled growth target in this area. Other loans increased by 7% (+CHF 340m) to CHF 5.4bn.

Total impaired loans fell by 25% (–CHF 100m) to CHF 300m. These loans represented just under 1% of total lending, testifying to the resilience of the Bank's loan book.

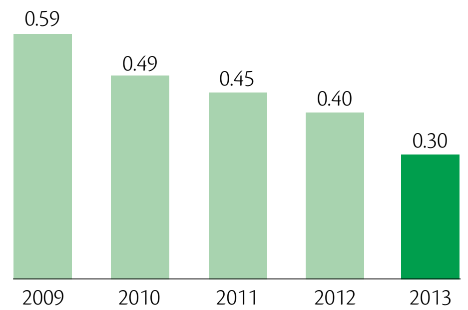
Assets

in CHF billions



Impaired loans

in CHF billions



2. Liabilities

Liabilities amounted to CHF 37.1bn at 31 December 2013, a year-on-year increase of 2% (+CHF 647m).

Amounts due to banks and money-market paper issued declined by CHF 483m to CHF 2.0bn.

Total customer deposits were up 4% (+CHF 1.0bn) to CHF 28.3bn. Savings deposits continued to rise, expanding 4% (+CHF 504m) to CHF 12.8bn, and other customer accounts increased 4% (+CHF 544m) to CHF 15.5bn. Medium-term notes fell a further 38% (–CHF 50m) to CHF 81m.

Long-term borrowings grew CHF 227m to CHF 6.1bn. This increase was mostly due to the rise in outstanding structured product issues, which were up 27% (+CHF 173m) to CHF 0.8bn.

Value adjustments and provisions continued to decline, falling 2% (–CHF 4m) to CHF 171m.

3. Shareholders' equity

Total shareholders' equity remained stable at CHF 3.3bn. The allocation of CHF 280m in net profit for the year was offset by the distribution of CHF 275m approved at the Annual Shareholders' Meeting in April 2013.

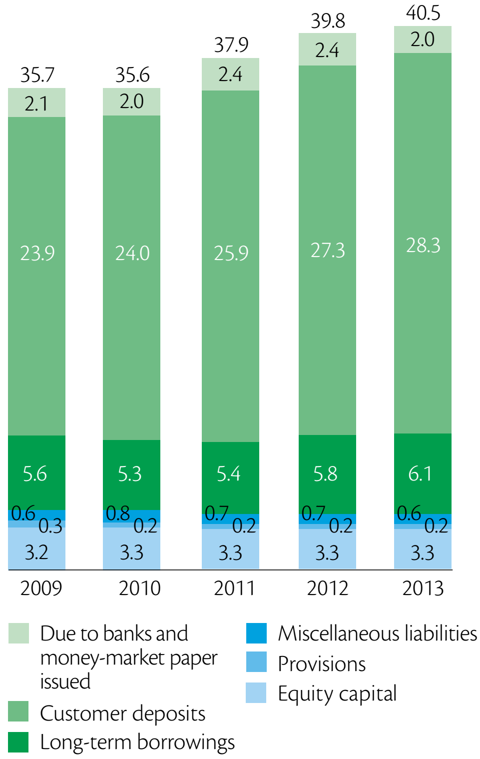
FINMA and BIS capital ratios

At year-end, the FINMA capital adequacy ratio was at a comfortable level of 224%, equating to a Tier 1 ratio of 17.8%. The total capital ratio was 17.9%. These ratios, calculated according to Basel III as of 1 January 2013, attest to the Bank's financial solidity.

See "Regulatory capital requirements" in section 16.1 on page 140.

Liabilities

in CHF billions



Capital ratios	2009	2010	2011	2012	2013
FINMA					
- capital adequacy ratio	176%	175%	165%	180%	224%
- Tier 1 capital ratio	14.1%	14.0%	13.2%	14.4%	17.8%
BIS Total capital ratio	17.8%	17.6%	16.8%	18.4%	17.9%

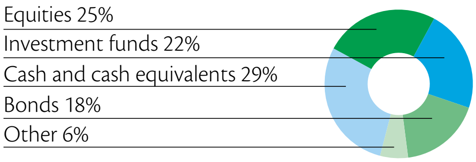
Rise in AuM

4. Assets under management

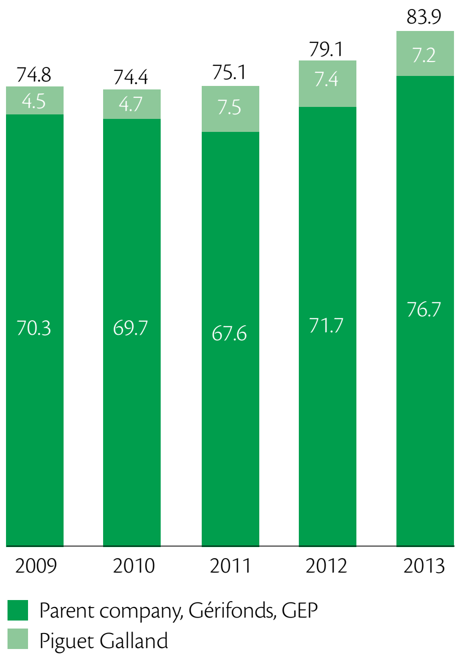
The Group's assets under management were up 6% (+CHF 4.7bn) to CHF 83.9bn. Net new funds amounted to CHF 1.6bn.

Assets under management by currency

Assets under management by investment type



Assets under management [1]
in CHF billions



[1] 2009-2012 figures for assets under management have been adjusted to exclude custody-only assets

Revenues down slightly in a mixed environment

5. Revenues

Group revenues edged down 2% year-on-year to CHF 991m.

The various revenue streams contributed as follows:

- Interest income was down 3% (–CHF 18m) to CHF 502m, compared with CHF 519m in 2012. This decrease, which occured despite higher business volumes, was the result of the Bank's prudent liquidity management and the continuing low-interest-rate environment.

Revenues
in CHF millions

- Fee and commission income declined 2% (–CHF 6m) to CHF 341m. Fees and commissions on lending operations fell 11% (–CHF 6m) to CHF 45m, mostly due to a decrease in documentary credit operations. Fees and commissions on securities and investment transactions rose 1% (+CHF 4m) to CHF 285m. Fees and commissions on other services were down 3% (–CHF 2m) to CHF 77m. Fee and commission expense increased 2% (+CHF 1m) to CHF 65m.

- Trading income remained stable, at a solid CHF 113m. Income from securities trading was up 16% (+CHF 4m) to CHF 26m, while income from forex and precious metals showed a 6% decline (–CHF 5m) to CHF 81m.

- Other ordinary income rose 15% (+CHF 5m) to CHF 35m.

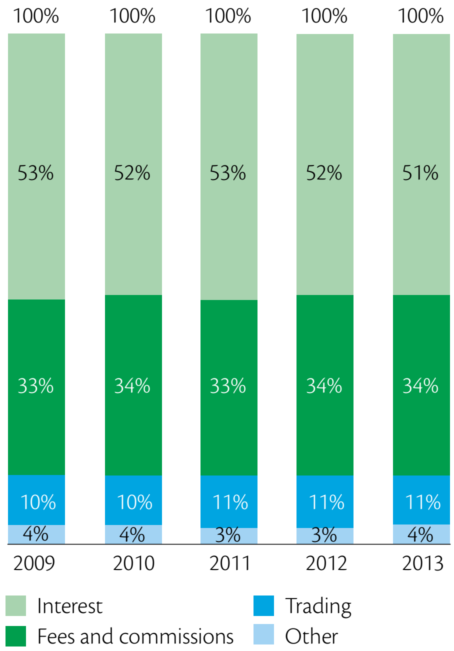
6. Operating expenses

Despite the transfer of 80 IT specialists from IBM on 1 July 2013, operating expenses dropped 1% to CHF 519m compared with CHF 524m in 2012.

Personnel costs were stable at CHF 337m (+1%). Other operating expenses fell 4% (–CHF 7m) to CHF 182m.

Revenues

breakdown as a %



Operating expenses

in CHF millions

7. Operating profit

Effective cost control partly offset the impact of downward pressure on revenues, and operating profit declined just 3% to CHF 471m.

The cost/income ratio, which compares the sum of operating expenses, depreciation, and write-offs (excluding goodwill amortization) with total income, went from 60% to 61%.

8. Net profit

Net profit was CHF 280m, as against CHF 311m in 2012, a decline of 10% (–CHF 31m).

Depreciation and write-offs on fixed assets were stable at CHF 86m.

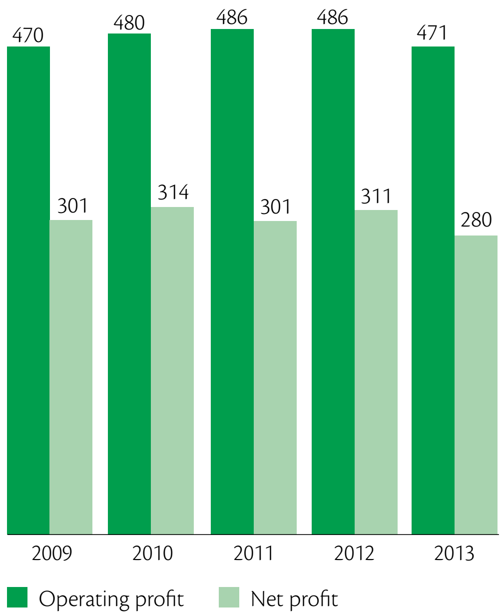
Value adjustments, provisions and losses amounted to CHF 43m, compared with CHF 4m in 2012. This CHF 39m increase included the payment set out in the tax agreement between Switzerland and the UK, provisions relating to credit and operational risk, and a provision for the parent company and subsidiary Piguet Galland & Cie SA's participation in the US Department of Justice's program aimed at settling the tax dispute between Switzerland and the USA.

Extraordinary income came in at CHF 21m, mainly reflecting the release of CHF 9m in credit-risk provisions in H2, as well as a real-estate disposal in connection with the relocation of Group subsidiary Piguet Galland & Cie SA's activities to a single site in Geneva.

The Group's tax burden decreased 9% (–CHF 8m) to CHF 84m, compared with CHF 92m in 2012.

Operating and net profit

in CHF millions



Financial Statements

Consolidated Financial Statements

1. Consolidated balance sheet (in CHF millions)

	Notes[1]	31 / 12 / 13	31 / 12 / 12	Change absolute	Change as %
Cash and cash equivalents	13.11	4 669	4 735	– 66	– 1
Money-market instruments	13.1/13.11	39	26	13	50
Due from banks	13.11	1 609	2 007	– 398	– 20
Loans and advances to customers	13.2/13.11	5 434	5 094	340	7
Mortgage loans	13.2/13.11	23 375	22 864	511	2
Trading portfolio assets	13.3/13.11	932	667	265	40
Financial investments	13.3/13.11	3 146	3 101	45	1
Non-consolidated holdings	13.3/13.4	50	52	– 2	– 4
Tangible fixed assets	13.4	602	621	– 19	– 3
Intangible assets	13.4	32	37	– 5	– 14
Accrued income and prepaid expenses		196	198	– 2	– 1
Other assets	13.5	370	398	– 28	– 7
Assets	13.6/13.14/13.15/13.16	**40 454**	**39 800**	**654**	**2**
Total subordinated assets		0	0	0	0
Total claims on non-consolidated holdings and significant shareholders		8	8	0	0
of which claims on the Canton of Vaud		*5*	*5*	*0*	*0*

Money-market paper issued	13.11	43	3	40	1 333
Due to banks	13.11	1 921	2 444	– 523	– 21
Customer savings and investment accounts	13.11	12 799	12 295	504	4
Other customer accounts	13.11	15 452	14 908	544	4
Medium-term notes	13.8/13.11	81	131	– 50	– 38
Bonds and mortgage-backed bonds	13.9/13.11	6 064	5 837	227	4
Accrued expenses and deferred income		224	231	– 7	– 3
Other liabilities	13.5	377	461	– 84	– 18
Value adjustments and provisions	13.2/13.10	171	175	– 4	– 2
Liabilities	13.7	**37 132**	**36 485**	**647**	**2**
Reserves for general banking risks	13.10	704	704	0	0
Equity capital		86	86	0	0
Capital reserve		192	275	– 83	– 30
Own equity securities		– 11	– 11	0	0
Retained earnings		2 071	1 949	122	6
Minority interests - equity		0	1	– 1	– 100
Net profit before minority interests		280	311	– 31	– 10
Minority interests		*0*	*0*	*0*	*0*
Shareholders' equity		**3 322**	**3 315**	**7**	**0**
Total liabilities and shareholders' equity	13.14/13.16	**40 454**	**39 800**	**654**	**2**
Total subordinated liabilities		0	0	0	0
Total liabilities to non-consolidated holdings and significant shareholders		1 287	1 331	– 44	– 3
of which liabilities to the Canton of Vaud		*1 284*	*1 327*	*– 43*	*– 3*

[1] The notes are on pages 121-135

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

	Notes[1]	31 / 12 / 13	31 / 12 / 12	Change absolute	Change as %
Irrevocable and similar guarantees		642	647	– 5	– 1
Other guarantees		501	589	– 88	– 15
Other contingent liabilities		1	2	– 1	– 50
Contingent liabilities	13.2	**1 144**	**1 238**	**– 94**	**– 8**
Irrevocable commitments	13.2	**1 140**	**1 105**	**35**	**3**
of which commitments to make payments into a depositor protection fund		*138*	*157*	*– 19*	*– 12*
Commitments relating to calls on shares and other equity securities	13.2	**93**	**94**	**– 1**	**– 1**
Commitments arising from deferred payments		23	31	– 8	– 26
Confirmed credits	13.2	**23**	**31**	**– 8**	**– 26**
Derivative financial instruments					
Gross positive replacement values	13.5/14.1	521	509	12	2
Gross negative replacement values	13.5/14.1	585	641	– 56	– 9
Values of underlyings	14.1	52 701	45 821	6 880	15
Fiduciary investments		315	358	– 43	– 12
Fiduciary loans and other fiduciary financial transactions		1	1	0	0
Fiduciary transactions		**316**	**359**	**– 43**	**– 12**

[1] The notes are on pages 121-136

3. Assets under management (in CHF millions)

	31 / 12 / 13	31 / 12 / 12	Change absolute	Change as %
Assets held by collective investment vehicles under own management	25 740	21 922	3 818	17
Assets under discretionary management agreements	11 186	10 622	564	5
Other assets under management	46 924	46 585	339	1
Total assets under management (incl. double-counted)	**83 850**	**79 129**	**4 721**	**6**
of which double-counted	*7 624*	*7 023*	*601*	*9*
Net new money (incl. double-counted)	**1 554**	**160**	**1 394**	**871**

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

The 2012 figure for assets under management was adjusted following a change in the definition of custody-only assets. This related mainly to bank deposits for which the definition of additional service delivery was narrowed, thereby reducing assets under management by more than CHF 2bn.

4. Consolidated income statement (in CHF millions)

	Notes[1]	2013	2012	Change absolute	Change as %
Interest and discount income		672.7	712.3	– 39.6	– 6
Interest and dividend income from financial investments		56.3	57.9	– 1.6	– 3
Interest expense		– 227.5	– 250.9	– 23.4	– 9
Net interest income	15.1/15.2/15.13	**501.5**	**519.3**	**– 17.8**	**– 3**
Fees and commissions on lending operations		44.5	50.2	– 5.7	– 11
Fees and commissions on securities and investment transactions		285.4	281.9	3.5	1
Fees and commissions on other services		76.7	79.1	– 2.4	– 3
Fee and commission expense		– 65.3	– 64.2	1.1	2
Net fee and commission income	15.3/15.4/15.13	**341.3**	**347.0**	**– 5.7**	**– 2**
Net trading income	15.5/15.13	**112.8**	**113.1**	**– 0.3**	**– 0**
Profit on disposal of financial investments		1.8	5.9	– 4.1	– 69
Total income from holdings		9.6	4.8	4.8	100
of which other non-consolidated holdings		*9.6*	*4.8*	*4.8*	*100*
Real-estate income		11.5	11.3	0.2	2
Miscellaneous ordinary income		15.2	9.5	5.7	60
Miscellaneous ordinary expenses		– 3.1	– 1.1	2.0	182
Other ordinary income	15.13	**35.0**	**30.4**	**4.6**	**15**
Total income from ordinary banking operations		**990.6**	**1 009.8**	**– 19.2**	**– 2**
Personnel costs	15.6/15.13	– 337.3	– 334.7	2.6	1
Other operating expenses	15.7/15.13	– 182.1	– 189.3	– 7.2	– 4
Operating expenses		**– 519.4**	**– 524.0**	**– 4.6**	**– 1**
Operating profit		**471.2**	**485.8**	**– 14.6**	**– 3**
Depreciation and write-offs on fixed assets	13.4/15.8	– 85.7	– 86.2	– 0.5	– 1
Value adjustments, provisions and losses	13.10/15.9	– 42.7	– 3.9	38.8	995
Profit on ordinary banking operations before extraordinary items and taxes		**342.8**	**395.7**	**– 52.9**	**– 13**
Extraordinary income	13.10/15.10	21.3	9.0	12.3	137
Extraordinary expenses	15.11	– 0.1	– 1.6	– 1.5	– 94
Taxes	15.12	– 83.9	– 92.0	– 8.1	– 9
Net profit before minority interests		**280.1**	**311.1**	**– 31.0**	**– 10**
Minority interests		0.0	– 0.1	– 0.1	– 100
Net profit		**280.1**	**311.0**	**– 30.9**	**– 10**

1) The notes are on pages 121-139

5. Consolidated cash flow statement (in CHF millions)

	Notes[1]	2013 Source of funds	2013 Use of funds	2013 Net cash inflow / outflow	2012 Source of funds	2012 Use of funds	2012 Net cash inflow / outflow
Net profit for the year		280			311		
Depreciation and write-offs on fixed assets	15.8	86			86		
Value adjustments and provisions	13.10	73	28		56	41	
Accrued and deferred items			5		24		
Profit/loss (incl. affiliates accounted for using the equity method, sale of fixed assets)		8					
Dividend for the previous year			189			189	
Cash flow from operations		**447**	**222**	**225**	**477**	**230**	**247**
Distribution drawn from paid-in reserves			86			86	
Own equity securities		30	27		27	29	
Change in scope of consolidation, minority interests, effect of exchange-rate differences			1			21	
Cash flow from equity transactions		**30**	**114**	**– 84**	**27**	**136**	**– 109**
Holdings	13.4	4	3		36		
Real estate	13.4		3		2	2	
Other tangible fixed assets	13.4		23			25	
Computer programs	13.4		43			49	
Goodwill	13.4				2	8	
Cash flow from investments		**4**	**72**	**– 68**	**40**	**84**	**– 44**
Cash flow from banking operations							
Due to banks			75			50	
Customer accounts			228			1	
Medium-term notes		3	53		9	87	
Long-term borrowings	13.9	1 626	1 399		1 330	877	
Savings and investment accounts		504			675		
Other liabilities			84			62	
Due from banks			20		17		
Loans and advances to customers			340			152	
Mortgage loans			511			793	
Provisions as allocated	13.10		55			47	
Financial investments			39			125	
Other receivables		28			168		
Medium- and long-term operations (over 1 year)		**2 161**	**2 804**	**– 643**	**2 199**	**2 194**	**5**
Money-market paper issued		40				3	
Due to banks			448		142		
Customer accounts		772			822		
Money-market instruments			13		2		
Due from banks		418			1 104		
Loans and advances to customers					952		
Trading portfolio assets			265			94	
Short-term operations		**1 230**	**726**	**504**	**3 022**	**97**	**2 925**
Cash and cash equivalents		**66**		**66**		**3 024**	**– 3 024**
Total		**3 938**	**3 938**	**0**	**5 765**	**5 765**	**0**

1) The notes are on pages 122-139

A net positive amount represents a cash inflow, while a net negative amount represents a cash outflow.

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 2012	86	360	– 8	2 142	– 2	704	3 282	19	3 301
2011 dividend				– 189			– 189		– 189
Special dividend		– 86					– 86		– 86
Purchases of own equity securities (at cost)			– 29				– 29		– 29
Sales of own equity securities (at cost)			26				26		26
Profit on disposal of own equity securities and dividends		1					1		1
Effect of exchange-rate differences							0		0
Changes in scope and/or minority interests				– 2			– 2	– 18	– 20
Net profit for the year				311			311	0	311
Status at 31 December 2012	86	275	– 11	2 262	– 2	704	3 314	1	3 315
2012 dividend				– 189			– 189		– 189
Special dividend		– 86					– 86		– 86
Purchases of own equity securities (at cost)			– 27				– 27		– 27
Sales of own equity securities (at cost)			27				27		27
Profit on disposal of own equity securities and dividends		3					3		3
Effect of exchange-rate differences					1		1		1
Changes in scope and/or minority interests				– 1			– 1	– 1	– 2
Net profit for the year				280			280	0	280
Status at 31 December 2013	86	192	– 11	2 352	– 1	704	3 322	0	3 322

Number of shares (in units)	Total	Own equity securities
Status at 1 January 2012	8 606 190	17 468
Purchases		51 016
Sales		– 45 985
Status at 31 December 2012	8 606 190	22 499
Purchases		43 495
Sales		– 42 588
Status at 31 December 2013	8 606 190	23 406

1) Including net profit for the year

Percentage of ownership Main shareholder, with voting rights	31 / 12 / 13	31 / 12 / 12
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 equity and derivatives trading and operations in interest-rate instruments. It is also active in foreign-exchange trading and in developing and issuing structured products.

BCV is the parent company of a banking and financial group, which encompasses a private bank and two fund management companies. 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. Eighty IT specialists were transferred from IBM to BCV on 30 June 2013 to continue working on maintenance and development of the Osiris platform. IBM will remain BCV's provider of IT hosting services.

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 / 13	31 / 12 / 12
Group	1 987	1 931
of which parent company	1 773	1 713

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

8.1 Significant events

The following significant event took place in 2013:
In response to appeals by the Swiss authorities and committed to resolving the tax dispute between Switzerland and the USA, BCV and its subsidiary Piguet Galland & Cie SA announced on 13 December that they would be participating in the Department of Justice's (DoJ) program. Given the uncertainties surrounding the program, BCV cannot determine with certainty whether the US authorities will find fault with BCV's handling of US clients. As a result, BCV announced its participation in the program, for the time being as a category 2 financial institution.

Despite the numerous uncertainties as to how the program will unfold and how key aspects will be interpreted, and in keeping with the Bank's sound approach to risk management, BCV set aside a provision to cover the related costs (including administrative and legal fees, and a possible settlement) in 2013. The amount of the provision was determined objectively based on all the factors known at the account closing date, and on pragmatic and transparent hypotheses and scenarios.

The following significant event was also ongoing in 2013:
As well as legal proceedings brought by the trustee of the Fairfield Sentry feeder fund against Banque Piguet & Cie SA (now Piguet Galland & Cie SA) and BCV in the USA in August 2010, the trustee for Bernard L. Madoff Investment Securities LLC (BLMIS) filed another claim in the USA on 6 June 2012 against BCV and other financial institutions in Switzerland and abroad for USD 9.7m with regard to investors that redeemed their shares in Madoff funds via BCV. The Madoff

trustee is seeking to recover funds transferred by BLMIS to the Fairfield feeder fund from investors who had received refunds in the two years prior to BLMIS's bankruptcy. As both these legal actions overlap, there is no additional financial or legal risk. Consequently, and as stated in the 2011 and 2012 annual reports, no provision has been set aside except to cover BCV's defense costs.

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 7 March 2014, 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 2013.

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 / 13	Rates at 31 / 12 / 12
Euro	1	1.2255	1.2068
U.S. dollar	1	0.8894	0.9154
Pound sterling	1	1.4730	1.4879
Japanese yen	100	0.8462	1.0586

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 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 market-price fluctuations, as well as positions necessary for hedging the structured products issued by the Bank. 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 on 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, or at direct production cost for IT software created by the Bank for its own use. They are 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.

Positive and negative replacement values relating to transactions with the same counterparty and hedged by a netting agreement are carried at their net value on the balance sheet. Gross values are entered under off-balance-sheet transactions.

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 accounted for 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 borrowings from the Central mortgage-bond institution of Swiss cantonal banks, as well as bonds issued by the Bank. 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 the share 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 used to monitor the effectiveness of the hedge.

9.9 Assets under management

All customer assets held or managed for investment purposes are included under "Assets under management." 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, all duly valued assets in custody accounts and linked sight accounts. Assets held for investment purposes by institutional investors, companies and individual clients, along with investment fund assets, are included unless they are custody-only assets for which the Group provides only safekeeping and corporate-action services. Deposits for which additional services are provided (such as investment management, advice and fund administration) also come under assets under management.

Net new money

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

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 forward-looking 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 is closely linked to country risk in emerging markets. In order to monitor this type of risk, the Bank analyzes and limits both its financial exposure (financial transfer risk) and non-financial exposure (risk that a physical transaction will not be unwound), particularly with respect to emerging markets.

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 III 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 risk

BCV has been applying the Foundation Internal Ratings-Based (FIRB) approach to determine the regulatory capital requirements for a large part of its credit risk exposure since 2009, having obtained approval from FINMA in December 2008. The scope of this approach is detailed in the Bank's Basel III Pillar 3 Report. The international 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 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. 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. For variable-rate positions (adjustable-rate mortgages, traditional savings deposits with no fixed term, and sight deposits), models are used to reproduce as faithfully as possible the pace and magnitude of changes in customer interest rates according to the market rate.

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

- Loss of interest margin, which is both an economic loss and an accounting loss, 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 client behavior with respect to interest rates in order to simulate the interest margin and potential losses in circumstances that lie between a probable scenario and a stress scenario. For each scenario, indicators showing the duration and value of 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 and changes on the assets side. This risk is determined by the pace of withdrawals, the concentration of liabilities, the Bank's ability to raise funds, and prevailing terms and conditions in the interbank and capital markets.

The Bank monitors its exposure to liquidity risk in the medium/long term, as well as in the short term, by preparing maturity schedules for on-balance-sheet exposures, by calculating balance-sheet ratios and by modeling the future structure of the balance sheet using dynamic simulations. When conducting these simulations, the Bank also calculates regulatory ratios – i.e., the current liquidity II ratio as well as future regulatory ratios such as the liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR) – at different time horizons. These simulations enable the Bank to determine its long-term approach to funding, particularly as regards raising funds from the Central mortgage bond institution of the Swiss cantonal banks and on the bond market, as well as the size and composition of its liquidity reserve. The Bank also stress-tests its regulatory liquidity ratios.

10.5 Operational risk

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

- Erroneous or malicious behavior of employees, suppliers, bank counterparties, customers or other parties external to the Bank
- Inadequate IT systems (applications, interfaces and hardware) or communication systems (telephone, fax, etc.)
- Inadequate infrastructure
- Inadequate organization in terms of the conceptual framework (methods, processes, corporate structure, etc.) or the 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 to customer relations and commercial practices
- Losses of operating resources
- Failure of information systems
- Incidents related to transaction and process management.

An operational-risk event that has occurred is booked directly as an outright loss. Provisions are 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

		Capital in millions of units	31 / 12 / 13 Holding as %	31 / 12 / 12 Holding as %
Banking interests				
Piguet Galland & Cie SA, Yverdon-les-Bains (Switzerland)	CHF	28.4	99.8	99.1
Financial and real-estate companies				
Gérifonds SA, Lausanne	CHF	2.9	100	100
Gérifonds (Luxembourg) SA, Luxembourg	EUR	0.1	100	100
Sociétés pour la gestion de placements collectifs GEP SA, Lausanne	CHF	1.5	100	100

Main changes in the scope of consolidation in 2013

The scope of consolidation was reduced by three companies relative to end-2012. After ceasing operations, TransOcean Bank, its subsidiary Franck Asset Management, and Initiative Capital SA were wound up, and therefore no longer fall within the scope of consolidation.

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 / 13 Holding as %	31 / 12 / 12 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	3.2
Other holdings				
Coopérative vaudoise de cautionnement hypothécaire CVCH, Pully (Switzerland)	CHF	1.1	–	–
Dynagest SA, Geneva	CHF	1.0	7.5	15.0
Initiative Capital SA en liquidation, Lausanne	CHF	1.7	100.0	100.0
newhome.ch AG, Zurich	CHF	0.1	10.7	–
Office vaudois de cautionnement agricole société coopérative (OVCA), Lausanne	CHF	1.4	–	–
Société vaudoise pour la création de logements à loyers modérés (SVLM) SA, Crissier (Switzerland)	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	3.4

13. Notes to the consolidated balance sheet

13.1 Money-market instruments (in CHF millions)

	31 / 12 / 13	31 / 12 / 12
Book claims	0	0
Bills of exchange and checks	39	26
Money-market instruments	**39**	**26**

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		528	1 617	3 289	5 434
Mortgages		23 375			23 375
Residential real estate		*19 092*			*19 092*
Office and business premises		*2 938*			*2 938*
Commercial and industrial property		*1 319*			*1 319*
Other		*26*			*26*
Loans	31 / 12 / 13	**23 903**	**1 617**	**3 289**	**28 809**
	31 / 12 / 12	**23 435**	**1 418**	**3 105**	**27 958**
Contingent liabilities		6	274	864	1 144
Irrevocable commitments		232	13	895	1 140
Commitments relating to calls on shares and other equity securities				93	93
Confirmed credits				23	23
Off-balance-sheet transactions	31 / 12 / 13	**238**	**287**	**1 875**	**2 400**
	31 / 12 / 12	**205**	**416**	**1 847**	**2 468**

		Gross receivables	Realization value of risk mitigants	Net receivables	Individual value adjustments
Impaired loans[1]	31 / 12 / 13	**300**	**– 143**	**157**	**123**
	31 / 12 / 12	**400**	**– 156**	**244**	**166**
Change (absolute)		– 100	– 13	– 87	– 43
Change (as %)		– 25	– 8	– 36	– 26
of which loans to counterparties reputed to be in financial difficulty	31 / 12 / 13	**73**	**– 44**	**29**	**11**
	31 / 12 / 12	**96**	**– 43**	**53**	**20**
Change (absolute)		– 23	1	– 24	– 9
Change (as %)		– 24	2	– 45	– 45
of which non-performing loans[2]	31 / 12 / 13	**227**	**– 99**	**128**	**112**
	31 / 12 / 12	**304**	**– 113**	**191**	**146**
Change (absolute)		– 77	– 14	– 63	– 34
Change (as %)		– 25	– 12	– 33	– 23

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 / 13	31 / 12 / 12
Debt securities	413	411
of which listed on a recognized stock exchange	*413*	*411*
of which unlisted	*0*	*0*
Equity securities	244	236
Precious metals	275	20
Trading portfolio assets	**932**	**667**
including securities eligible for repurchase agreements in accordance with liquidity regulations	*34*	*28*

	31 / 12 / 13 Book value	31 / 12 / 13 Fair value	31 / 12 / 12 Book value	31 / 12 / 12 Fair value
Debt securities	3 081	3 152	3 037	3 181
of which securities intended to be held until maturity	*3 043*	*3 113*	*2 994*	*3 137*
of which securities carried at lower of cost or market	*38*	*39*	*43*	*44*
Equity securities	42	88	45	92
of which significant holdings (minimum of 10% of capital or voting rights)	*13*	*13*	*12*	*12*
Available-for-sale real estate	23	26	19	22
Related-party loans for real-estate companies	0	0	0	0
Financial investments	**3 146**	**3 266**	**3 101**	**3 295**
including securities eligible for repurchase agreements in accordance with liquidity regulations	*2 914*	–	*2 914*	–

	31 / 12 / 13	31 / 12 / 12
Holdings without market value	50	52
Holdings	**50**	**52**

13.4 Fixed assets (in CHF millions)

	Cost	Accumulated depreciation and write-offs	Book value at year-end 2012	Changes in allocation or scope	Additions	Disposals	Depreciation and write-offs	Book value at year-end 2013
Holdings accounted for using the equity method	–		–					–
Other holdings	124	– 72	52	3		– 4	– 1	50
Holdings	**124**	**– 72**	**52**	**3**	**0**	**– 4**	**– 1**	**50**
Group premises	395	– 114	281	– 17	2	– 8	– 8	250
Other real estate	307	– 116	191	17	1		– 5	204
Other tangible fixed assets	263	– 197	66	– 1	23		– 18	70
Computer programs	143	– 60	83	1	43		– 49	78
Tangible fixed assets	**1 108**	**– 487**	**621**	**0**	**69**	**– 8**	**– 80**	**602**
Goodwill	50	– 13	37				– 5	32
Intangible assets	**50**	**– 13**	**37**	**0**	**0**	**0**	**– 5**	**32**
Fire-insurance value of real estate			676					667
Fire-insurance value of other tangible fixed assets			153					151

13.5 Other assets and other liabilities (in CHF millions)

	31 / 12 / 13 Other assets	31 / 12 / 13 Other liabilities	31 / 12 / 12 Other assets	31 / 12 / 12 Other liabilities
Net replacement values of derivative financial instruments (positive/negative)	239	303	246	378
Offset accounts	77	0	103	0
Indirect taxes	5	23	5	26
Coupons/coupons and securities due	14	10	11	1
Settlement accounts	22	22	19	39
Miscellaneous assets and liabilities	13	19	14	17
Other assets and other liabilities	**370**	**377**	**398**	**461**

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

	31 / 12 / 13 Amount or book value of pledge	31 / 12 / 13 Real liabilities	31 / 12 / 12 Amount or book value of pledge	31 / 12 / 12 Real liabilities
Assets pledged or assigned to Swiss National Bank	200	0	190	0
Mortgages pledged or assigned to Central mortgage-bond institution of Swiss cantonal banks	6 745	5 006	6 925	4 963
Other	236	230	517	512
Assets pledged or assigned	**7 181**	**5 236**	**7 632**	**5 475**

13.6.2 Securities lending and repurchase agreements (in CHF millions)

	31 / 12 / 13	31 / 12 / 12
Book value of claims arising from cash collateral pledged in connection with securities borrowing or reverse repurchase agreements	537	311
Book value of liabilities arising from cash collateral received in connection with securities lending or repurchase agreements	860	939
Book value of securities held for own account, lent or transferred as collateral in connection with securities borrowing or repurchase agreements	758	941
of which those that can be sold or repledged without restriction	*758*	*941*
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	566	332
of which fair value of above securities sold or transferred as collateral to a third party	*44*	*0*

13.7 Own occupational pension funds (in CHF millions)

13.7.1 Balance sheet liabilities

	31 / 12 / 13	31 / 12 / 12
Due to customers, other	111	53
Bonds	11	7
Total	**122**	**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 / 13	31 / 12 / 13	31 / 12 / 12	Change	2013	2013	2012
Employer-financed pension funds: "Fonds de prévoyance en faveur du personnel de la BCV"[1]	39	0	0	0	0.0	0.0	0.0
Pension funds with no surplus or deficit: "Caisse de pensions de la BCV"	0	0	0	0	35.1	35.1	33.9
Pension funds with surpluses: "Fondation de prévoyance complémentaire en faveur de l'encadrement supérieur de la BCV"	0	0	0	0	2.0	2.0	1.7
Total	**39**	**0**	**0**	**0**	**37.1**	**37.1**	**35.6**

[1] Since the intention is not to apply the surpluses to reduce or refund the employer's contributions, or for the employer to use them for any economic purpose other than regulatory benefits, there is no identifiable economic benefit to be recognized on the balance sheet

The surplus or deficit of a pension fund is based on its unaudited interim accounts at 30 September 2013.

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.

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

Rate	2014	2015	2016	2017	2018	2019-2021	31 / 12 / 13	31 / 12 / 12
Up to 1.875%	31	12	8	2	3	3	59	85
2 - 2.875%	4	2	2	3	2	1	14	25
3 - 3.500%	2	3	3				8	21
Total	37	17	13	5	5	4	81	131

13.9 Long-term borrowings (in CHF millions)

Rate	Year of issue	Nominal value	Maturity	Group-held	31 / 12 / 13 Amount outstanding	31 / 12 / 12
2.500%	2010	200	25.03.20	44	156	
1.625%	2011	125	30.11.26	32	93	
Bond issues[1]		**325**		**76**	**249**	**238**
Central mortgage-bond institution of Swiss cantonal banks					5 006	4 963
Structured products					809	636
Long-term borrowings					**6 064**	**5 837**
of which subordinated bonds		*0*		*0*	*0*	*0*

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

Long-term borrowings by maturity — 31 / 12 / 13

	2014	2015	2016	2017	2018	2019-2029	Total	Average rate
Bond issues						249	249	2.2%
Central mortgage-bond institution of Swiss cantonal banks	510	583	258	412	307	2 936	5 006	2.3%
Structured products	389	231	186	2	1		809	0.3%
Total	**899**	**814**	**444**	**414**	**308**	**3 185**	**6 064**	

	Status at year-end 2012	New issues	Redemptions	Net change in own securities	Status at year-end 2013
Bond issues	238			11	249
Central mortgage-bond institution of Swiss cantonal banks	4 963	787	– 744		5 006
Structured products	636	839	– 615	– 51	809
Total	**5 837**	**1 626**	**– 1 359**	**– 40**	**6 064**

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

	Status at year-end 2012	Used as allocated	Changes in scope of consolidation	Recoveries, overdue interest, currency differences	*New provisions charged to income statement*	*Releases credited to income statement*	Net change in provisions	Status at year-end 2013
Provisions for deferred taxes	**3**						**0**	**3**
Counterparty risk	166	– 50		14	*19*	*– 26*	– 7	123
Country risk	1					*– 1*	– 1	0
Value adjustments and provisions for credit risk	**167**	**– 50**	**0**	**14**	***19***	***– 27***	**– 8**	**123**
Other provisions	**11**	**– 5**			***40***	***– 1***	**39**	**45**
Total value adjustments and provisions	**181**	**– 55**	**0**	**14**	**59**	**– 28**	**31**	**171**
Value adjustments directly netted with assets	– 6							0
Value adjustments and provisions shown on the balance sheet	**175**							**171**
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		4 669							4 669
Money-market instruments		2		37					39
Due from banks		1 012		493	29	75			1 609
Loans and advances to customers		167	1 877	1 613	344	808	625		5 434
Mortgage loans		404	428	3 819	2 245	10 206	6 273		23 375
Trading portfolio assets		932							932
Financial investments		74		239	269	1 329	1 212	23	3 146
Current assets	31 / 12 / 13	7 260	2 305	6 201	2 887	12 418	8 110	23	39 204
	31 / 12 / 12	8 019	2 181	5 558	3 149	13 225	6 343	19	38 494
Money-market paper issued		43							43
Due to banks		690		1 006	75	150			1 921
Customer savings and investment accounts		10	12 789						12 799
Other customer accounts		14 161		788	124	312	67		15 452
Medium-term notes				11	26	40	4		81
Bonds and mortgage-backed bonds				299	600	1 980	3 185		6 064
Borrowed funds	31 / 12 / 13	14 904	12 789	2 104	825	2 482	3 256		36 360
	31 / 12 / 12	13 754	12 284	2 607	1 276	2 911	2 786		35 618

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 2013, the seven members of the Board of Directors in office at 31 December 2013 received gross compensation of CHF 1,900,010, including performance-based variable compensation of CHF 290,000 for the Chairman. The variable compensation was paid in two parts: CHF 203,000 in cash in March 2014, and the remaining CHF 87,000 in April 2014 in the form of shares locked up for 3 to 10 years as determined by the Chairman. Benefit expense (social security, unemployment insurance, accident insurance and occupational pension) resulting from compensation to the Board of Directors totaled CHF 396,247.

Compensation comprises fees, remuneration 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 other two committees.

The average compensation of Board members, excluding the Chairman, amounted to CHF 146,667.

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 2013, the seven members of the Executive Board in office at 31 December 2013 received gross compensation of CHF 7,694,012, including performance-based variable compensation for an aggregate amount of CHF 3,540,000. The variable compensation was paid in two parts: CHF 2,478,000 in cash in March 2014, and the remaining CHF 1,062,000 in April 2014 in the form of shares locked up for 3 to 10 years as determined by the member. Benefit expense (social security, unemployment insurance, accident insurance, income replacement, family allowances and occupational pension) resulting from compensation to the Executive Board totaled CHF 1,795,753.

Allocation of shares during 2013

Members of the Board of Directors
For 2013, the Chairman of the Board received a number of locked-up BCV shares equivalent to 30% of his performance-based variable compensation. The number of shares was determined in accordance with the closing share price on 21 March 2014. No other member of the Board of Directors is eligible for any type of share allocation.

Members of the Executive Board
For 2013, Executive Board members in office at 31 December 2013 received a number of locked-up BCV shares equivalent to 30% of their performance-based variable compensation. The number of shares was determined in accordance with the closing share price on 21 March 2014. They also subscribed to 1,200 locked-up shares under the employee share-ownership program. They paid a subscription price of CHF 360, while the share price at the time of the purchase was CHF 523. 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.

Under the 2011-2013 long-term variable salary plan, 2,080 shares were allocated to Executive Board members (see chapter 5, page 84).

Close relations
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 2013 financial year.

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 representing BCV on boards of directors must be remitted to the Bank. In 2013, such payments to the Bank amounted to CHF 306,034.

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 2013. The interest charged on medium- and long-term fixed-rate loans was 0.25% above market rates.

Share ownership

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

At 31 December 2013, directors and their close relations held a total of 9,552 BCV shares.

Members of the Executive Board
At 31 December 2013, Executive Board members and their close relations held 21,245 BCV shares.

Compensation of members of the Board of Directors for the 2013 financial year (in CHF)

	Olivier Steimer Chairman	Stephan A.J. Bachmann Vice Chairman	Reto Donatsch Member	Beth Krasna Member	Pierre Lamunière Member	Luc Recordon Member	Paul-André Sanglard Member	Total	Average compen-sation Excluding Chairman
Fees	700 008	130 001	110 000	110 001	110 000	110 000	110 000	1 380 010	113 334
Committee-related compensation		40 000	20 000	20 000	20 000	20 000	20 000	140 000	23 333
Variable cash compensation	203 000							203 000	0
Variable compensation paid in shares[1]	87 000							87 000	0
Other	30 000	10 000	10 000	10 000	10 000	10 000	10 000	90 000	10 000
Total	**1 020 008**	**180 001**	**140 000**	**140 001**	**140 000**	**140 000**	**140 000**	**1 900 010**	**146 667**
Previous year								**1 930 011**	**146 667**
Benefits	**282 831**	**19 658**	**19 765**	**16 941**	**19 765**	**19 765**	**17 522**	**396 247**	**18 903**
Previous year								**393 469**	**18 500**

1) Number of shares calculated according to market price on 21 March 2014 (first day of subscription period), and rounded up to the nearest unit

Compensation of members of the Executive Board for the 2013 financial year (in CHF)

	Total Shares (in units)	Total	Pascal Kiener CEO Shares (in units)	Pascal Kiener CEO
Fixed salary		3 900 012		900 000
Variable cash compensation		2 478 000		595 000
Variable compensation paid in shares	1	1 062 000	1	255 000
Shares acquired under employee share-ownership program: subscription price CHF 163 below market value[2]	1 200	195 600	200	32 600
Stock options (BCV has no employee stock-option plan)	0	0	0	0
Other		58 400		6 000
Total		**7 694 012**		**1 788 600**
Previous year		**8 612 312**		
2011-2013 long-term variable salary plan				
Shares allocated at CHF 514.50 per share[3]	2 080	1 070 160	396	203 742
Previous year	0	0		
Total		**8 764 172**		**1 992 342**
Previous year		**8 612 312**		
Benefits		**1 795 753**		**340 890**
Previous year		**1 889 230**		

1) Number of shares calculated according to market price on 21 March 2014 (first day of subscription period), and rounded up to the nearest unit
2) Difference between the subscription price (CHF 360) and the market price on 30 April 2013 (CHF 523)
3) Market price on 7 March 2014

Loans to members of governing bodies (in CHF)

	Position	Nominal	Secured	Unsecured	31 / 12 / 13 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		**3 200 000**	**3 200 000**	**0**	**3 200 000**
Executive Board					
Total		**23 116 000**	**23 116 000**	**0**	**14 524 000**
Previous year		**19 625 000**	**19 625 000**	**0**	**11 530 000**
Jean-François Schwarz[1]	Member	8 950 000	8 950 000	0	916 000

1) Largest individual loan granted to an Executive Board member

No loans were granted to close relations (i.e., persons living under the same roof) 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 / 13 Drawn down
Total	**6 000 000**	**3 000 000**	**3 000 000**	**0**
Previous year	**6 000 000**	**3 000 000**	**3 000 000**	**0**

Share and option ownership

		31 / 12 / 13 Shares (in units)	31 / 12 / 12 Shares (in units)
Board of Directors			
Olivier Steimer	Chairman	7 952	7 769
Stephan A.J. Bachmann	Vice Chairman	600	600
Reto Donatsch	Member	100	100
Beth Krasna	Member	200	100
Pierre Lamunière	Member	100	100
Luc Recordon	Member	100	100
Paul-André Sanglard	Member	500	500
Total		**9 552**	**9 269**
Executive Board			
Pascal Kiener	CEO	9 088	8 355
Thomas W. Paulsen	CFO	1 533	1 738
Bertrand Sager	Credit Management	2 414	2 042
Jean-François Schwarz	Corporate Banking	1 799	1 382
Gérard Haeberli	Private Banking	2 163	1 604
Stefan Bichsel	Asset Management & Trading	2 410	1 908
Aimé Achard	Business Support	1 838	1 667
Total		**21 245**	**18 696**

Members of the Board of Directors and Executive Board held no options at 31 December 2013.

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 2013 financial year

A former member of the Executive Board received total compensation of CHF 404,898 in 2013.

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 2013, 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 / 13	31 / 12 / 12
Loans and advances to customers	36	34
Mortgage loans	14	14
Financial investments	5	5
Receivables	**55**	**53**
Customer savings and investment accounts	4	6
Other customer accounts	276	292
Commitments	**280**	**298**

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 / 13 Swiss	31 / 12 / 13 Foreign	31 / 12 / 12 Swiss	31 / 12 / 12 Foreign
Cash and cash equivalents	4 659	10	4 725	10
Money-market instruments	39		26	
Due from banks	704	905	1 223	784
Loans and advances to customers	4 574	860	4 250	844
Mortgage loans	23 375		22 864	
Trading portfolio assets	448	484	214	453
Financial investments	2 206	940	2 388	713
Non-consolidated holdings	50		52	
Tangible fixed assets	602		621	
Intangible assets	32		37	
Accrued income and prepaid expenses	194	2	197	1
Other assets	217	153	398	
Assets	**37 100**	**3 354**	**36 995**	**2 805**
Total as %	**92**	**8**	**93**	**7**
Money-market paper issued	43		3	
Due to banks	1 546	375	2 033	411
Customer savings and investment accounts	12 082	717	11 616	679
Other customer accounts	12 912	2 540	12 195	2 713
Medium-term notes	81		131	
Bonds and mortgage-backed bonds	5 774	290	5 437	400
Accrued expenses and deferred income	223	1	230	1
Other liabilities	244	133	461	
Value adjustments and provisions	171		175	
Reserves for general banking risks	704		704	
Equity capital	86		86	
Capital reserve	192		275	
Own equity securities	– 11		– 11	
Retained earnings	2 071		1 949	
Minority interests - equity	0		1	
Net profit before minority interests	280		311	
Total liabilities and shareholders' equity	**36 398**	**4 056**	**35 596**	**4 204**
Total as %	**90**	**10**	**89**	**11**

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

	31 / 12 / 13 Absolute value	31 / 12 / 13 as % of total	31 / 12 / 12 Absolute value	31 / 12 / 12 as % of total
Europe	2 847	7	2 255	6
United Kingdom	*738*	*3*	*377*	*1*
France	*580*	*1*	*567*	*2*
Luxembourg	*401*	*1*	*360*	*1*
Netherlands	*240*	*1*	*274*	*1*
Germany	*239*	*1*	*165*	*0*
Austria	*159*	*0*	*95*	*0*
Other	*490*	*0*	*417*	*1*
Asia	226	1	228	1
Latin America, the Caribbean	131	0	151	0
United States, Canada	77	0	112	0
Other	73	0	59	0
Foreign assets	**3 354**	**8**	**2 805**	**7**
Switzerland	37 100	92	36 995	93
Assets	**40 454**	**100**	**39 800**	**100**

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

		CHF	EUR	USD	Other	Total
Cash and cash equivalents		4 619	44	3	3	4 669
Money-market instruments		35	3	1		39
Due from banks		232	545	724	108	1 609
Loans and advances to customers		3 764	430	1 210	30	5 434
Mortgage loans		23 373	2			23 375
Trading portfolio assets		430	272	171	59	932
Financial investments		2 766	379	1		3 146
Non-consolidated holdings		50				50
Tangible fixed assets		602				602
Intangible assets		32				32
Accrued income and prepaid expenses		187	7	1	1	196
Other assets		329	17	13	11	370
Positions carried as assets		**36 419**	**1 699**	**2 124**	**212**	**40 454**
Delivery claims arising from spot and forward transactions and options		15 486	6 896	14 539	2 195	39 116
Assets	31 / 12 / 13	51 905	8 595	16 663	2 407	79 570
	31 / 12 / 12	49 321	6 736	13 671	2 518	72 246
Money-market paper issued		43				43
Due to banks		538	637	605	141	1 921
Customer savings and investment accounts		12 710	89			12 799
Other customer accounts		11 193	1 856	2 038	365	15 452
Medium-term notes		81				81
Bonds and mortgage-backed bonds		5 914	117	33		6 064
Accrued expenses and deferred income		210	10	3	1	224
Other liabilities		336	28	10	3	377
Value adjustments and provisions		155	16			171
Reserves for general banking risks		704				704
Equity capital		86				86
Capital reserve		192				192
Own equity securities		– 11				– 11
Retained earnings		2 071				2 071
Minority interests - equity						0
Net profit before minority interests		280				280
Positions carried as liabilities		**34 502**	**2 753**	**2 689**	**510**	**40 454**
Delivery commitments arising from spot and forward transactions and options		17 401	5 947	13 873	1 872	39 093
Total liabilities and shareholders' equity	31 / 12 / 13	51 903	8 700	16 562	2 382	79 547
	31 / 12 / 12	49 677	6 609	13 461	2 512	72 259
Net position by currency	31 / 12 / 13	2	– 105	101	25	23
	31 / 12 / 12	– 356	127	210	6	– 13

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	93	95	4 440	87	182	7 449
Futures			65			
Options (OTC)						48
Interest-rate instruments	**93**	**95**	**4 505**	**87**	**182**	**7 497**
Forward contracts	21	24	3 355			
Combined interest-rate and currency swaps	257	233	34 202			
Options (OTC)	21	19	2 543			
Foreign currencies and precious metals	**299**	**276**	**40 100**	**0**	**0**	**0**
Futures			15			
Options (OTC)	41	32	581			
Options (exchange traded)	1		3			
Equity securities / indices	**42**	**32**	**599**	**0**	**0**	**0**
Total 31 / 12 / 13	434	403	45 204	87	182	7 497
31 / 12 / 12	403	415	38 332	106	226	7 489

		Positive replacement values	Negative replacement values	Values of underlyings
Recapitulation				
Trading instruments		434	403	45 204
Hedging instruments		87	182	7 497
Total before netting agreements	31 / 12 / 13	521	585	52 701
	31 / 12 / 12	509	641	45 821
Total after netting agreements	31 / 12 / 13	239	303	52 701
	31 / 12 / 12	246	378	45 821
Change	absolute	– 7	– 75	6 880
	as %	– 3	– 20	15

15. Notes to the consolidated income statement

15.1 Interest income (in CHF millions)

	2013	2012	Change absolute	Change as %
Money-market paper	4.1	6.2	– 2.1	– 34
Banks	2.4	6.7	– 4.3	– 64
Customers	666.2	699.4	– 33.2	– 5
Interest and dividends on financial investments	56.3	57.9	– 1.6	– 3
Total	**729.0**	**770.2**	**– 41.2**	**– 5**

15.2 Interest expense (in CHF millions)

Banks	9.0	12.0	– 3.0	– 25
Customers	53.4	69.4	– 16.0	– 23
Medium-term notes and bonds	128.2	141.9	– 13.7	– 10
Other interest expense	36.9	27.6	9.3	34
Total	**227.5**	**250.9**	**– 23.4**	**– 9**

15.3 Fees and commissions on securities and investment transactions (in CHF millions)

Securities administration	48.4	45.0	3.4	8
Brokerage	63.9	58.6	5.3	9
Income from new issues	12.2	11.0	1.2	11
Management fees	42.9	42.6	0.3	1
Investment-fund operations	114.2	120.8	– 6.6	– 5
Other	3.8	3.9	– 0.1	– 3
Total	**285.4**	**281.9**	**3.5**	**1**

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

Payment transactions	24.3	26.9	– 2.6	– 10
Account charges	15.4	16.1	– 0.7	– 4
Rental of safes	2.7	2.4	0.3	13
Other	34.3	33.7	0.6	2
Total	**76.7**	**79.1**	**– 2.4**	**– 3**

15.5 Net trading income (in CHF millions)

Foreign currency and precious metals	80.7	85.4	– 4.7	– 6
Banknotes	11.8	11.0	0.8	7
Securities (less refinancing costs) and derivatives	26.1	22.5	3.6	16
Trading fee and commission expense	– 5.8	– 5.8	0.0	0
Total	**112.8**	**113.1**	**– 0.3**	**– 0**

15.6 Personnel costs (in CHF millions)

	2013	2012	Change absolute	Change as %
Fixed and variable compensation	259.4	259.1	0.3	0
Employee benefits	23.8	23.8	0.0	0
Contributions to staff pension funds	37.1	35.6	1.5	4
Other personnel expenses	17.0	16.2	0.8	5
Total	**337.3**	**334.7**	**2.6**	**1**

15.7 Other operating expenses (in CHF millions)

Premises	21.9	23.1	– 1.2	– 5
IT	75.2	76.4	– 1.2	– 2
Machinery, furniture, vehicles, etc.	4.2	4.1	0.1	2
Office supplies	11.8	16.7	– 4.9	– 29
Telecommunications and shipping	8.6	9.0	– 0.4	– 4
Marketing and communications, gifts and subscriptions	18.1	15.3	2.8	18
Financial information	14.1	14.4	– 0.3	– 2
Service fees	7.9	10.2	– 2.3	– 23
Issuing fees	8.1	6.9	1.2	17
Miscellaneous operating expenses	12.2	13.2	– 1.0	– 8
Total	**182.1**	**189.3**	**– 7.2**	**– 4**

15.8 Depreciation and write-offs on fixed assets (in CHF millions)

Real estate	13.2	13.5	– 0.3	– 2
Computer programs	48.7	51.0	– 2.3	– 5
Other investments	17.9	17.2	0.7	4
Holdings	0.8	0.3	0.5	167
Goodwill	5.1	4.2	0.9	21
Total	**85.7**	**86.2**	**– 0.5**	**– 1**

15.9 Value adjustments, provisions and losses (in CHF millions)

	2013	2012	Change absolute	Change as %
Provisions for credit risk[1, 3]	0.7		0.7	n/a
Miscellaneous provisions	40.0	1.4	38.6	2 757
Miscellaneous losses	2.0	2.5	– 0.5	– 20
Total	**42.7**	**3.9**	**38.8**	**995**

1) For 2013, this corresponds to the net provision made in H1

15.10 Extraordinary income (in CHF millions)

Release of provisions for credit risk[2, 3]	8.9	4.4	4.5	102
Release of miscellaneous provisions	1.2	0.9	0.3	33
Disposal of tangible fixed assets	9.0	1.9	7.1	374
Other extraordinary income	2.2	1.8	0.4	22
Total	**21.3**	**9.0**	**12.3**	**137**

2) For 2013, this corresponds to the net release made in H2

3) The net release of credit-risk provisions was CHF 8.2m for the full year; this corresponds to the net change in value adjustments and provisions for credit risk in table 13.10

15.11 Extraordinary expenses (in CHF millions)

Other extraordinary expenses	0.1	1.6	– 1.5	– 94
Total	**0.1**	**1.6**	**– 1.5**	**– 94**

15.12 Taxes (in CHF millions)

Direct federal tax	23.4	25.3	– 1.9	– 8
Cantonal and municipal taxes	60.4	65.3	– 4.9	– 8
Deferred taxes	0.1	1.4	– 1.3	– 93
Total	**83.9**	**92.0**	**– 8.1**	**– 9**

15.13 Breakdown of income and expenses arising from ordinary banking operations (in CHF millions)

	2013		2012	
	Swiss	Foreign	Swiss	Foreign
Net interest income	501.4	0.1	519.6	– 0.3
Net fee and commission income	332.8	8.5	338.0	9.0
Net trading income	104.7	8.1	104.2	8.9
Other ordinary income	35.0		30.4	
Income	**973.9**	**16.7**	**992.2**	**17.6**
Personnel costs	337.1	0.2	334.3	0.4
Other operating expenses	180.4	1.7	187.9	1.4
Expenses	**517.5**	**1.9**	**522.2**	**1.8**

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 / 13 (Basel III)	31 / 12 / 12 (Basel II)
Common Equity Tier 1 (CET1) capital	**2 914**	**2 908**
Instruments and reserves	**3 046**	**3 040**
of which equity capital	*86*	*86*
of which disclosed reserves	*2 960*	*2 953*
Regulatory adjustments	**– 81**	**– 132**
of which goodwill	*– 32*	*– 37*
of which shortfall of provisions to regulatory expected loss	*– 48*	*– 62*
Countercyclical buffer	**– 51**	
Additional Tier 1 (AT1) capital	**0**	**0**
Instruments	0	0
Regulatory adjustments	0	0
Tier 2 (T2) capital	**21**	**0**
Compulsory reserves in equities and general provisions	21	22
Regulatory adjustments	0	– 22
Total eligible capital	**2 935**	**2 908**
Risk-weighted assets		
Credit risk	13 528	12 809
Non-counterparty-related assets	736	847
Market risk	340	360
Operational risk	1 774	1 775
BIS required capital	**16 377**	**15 790**
Credit risk	0	2 697
Non-counterparty-related assets	0	1 693
Market risk	0	0
Operational risk	0	0
FINMA buffer	**0**	**4 390**
FINMA required capital	**16 377**	**20 180**
BIS ratios		
CET1 ratio	17.8%	18.4%
T1 ratio	17.8%	18.4%
Total capital ratio	17.9%	18.4%
FINMA ratios		
CET1 ratio	17.8%	14.4%
T1 ratio	17.8%	14.4%
Total capital ratio	17.9%	14.4%

In December 2008, the Bank obtained approval from FINMA to use the Basel Foundation Internal Ratings-Based approach to determine regulatory capital requirements for credit risk. It began applying this approach in 2009.

Capital adequacy has been determined in accordance with Basel III standards since 1 January 2013.

In accordance with Basel III 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, the Human Resources Department, the Strategy & Organization Department, the Corporate Communications 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 (IT Systems Management, IT Development, Facility Management & General Services, and the Back Office), as well as certain proprietary activities and the subsidiary Initiative Capital SA.

As a general rule, operating profit is allocated to the sector to which the client or his/her advisor is attached.

For sectors dealing with clients, the "Net interest income" item corresponds to the gross commercial margin, i.e., the difference between the customer rate and the money-market rate, taking into account the nature and duration of the transaction (Funds Transfer Pricing, or "FTP," method).

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 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 regulatory requirements. In 2012 it was allocated based on Basel II rules, at 9.6% of risk-weighted assets (120% under FINMA rules); in 2013 it was allocated based on Basel III rules, at 13% of risk-weighted assets. Surplus equity is booked to the Corporate Center.

16.2.2 Customer business volumes by sector (in CHF millions)

	Retail Banking 2013	Retail Banking 2012	Corporate Banking 2013	Corporate Banking 2012
Balance sheet				
Loans and advances to customers	158	205	4 353	3 996
Mortgage loans	7 198	6 920	8 800	8 777
Advances to customers	**7 356**	**7 125**	**13 153**	**12 773**
Savings and investments	7 115	6 898	1 104	1 038
Other liabilities	809	694	6 134	6 319
Medium-term notes	36	54	4	7
Customer deposits	**7 960**	**7 646**	**7 242**	**7 364**
Off-balance-sheet commitments	**49**	**60**	**2 061**	**2 072**
Assets under management[1] (including double-counted)	**8 427**	**8 151**	**9 219**	**8 949**

16.2.3 Results by business sector (in CHF millions)

	Retail Banking 2013	Retail Banking 2012	Corporate Banking 2013	Corporate Banking 2012
Net interest income	118.5	113.9	212.1	216.6
Net fee and commission income	58.1	56.9	51.7	58.9
Net trading income	17.5	19.3	7.7	7.2
Other income	2.1	2.0	4.6	4.7
Operating income	**196.2**	**192.1**	**276.1**	**287.4**
Personnel costs	– 50.5	– 53.2	– 31.4	– 31.9
Operating expenses	– 49.4	– 49.8	– 12.6	– 13.3
Operating profit	**96.3**	**89.1**	**232.1**	**242.2**
Depreciation and write-offs	– 17.9	– 18.1	– 3.4	– 3.5
Interdivisional billing	– 44.7	– 46.1	– 54.6	– 55.6
Operating profit after depreciation and write-offs and interdivisional billing	**33.7**	**24.9**	**174.1**	**183.1**
Loan losses[2]	– 3.4	– 3.3	– 29.9	– 31.6
Other losses and provisions	– 1.2	– 1.8	– 0.5	– 0.1
Extraordinary income and expenses	0	0	0	0
Taxes[3] and minority interests	– 6.4	– 4.4	– 31.6	– 33.3
Net profit	**22.7**	**15.4**	**112.1**	**118.1**

16.2.4 Indicators

	Retail Banking 2013	Retail Banking 2012	Corporate Banking 2013	Corporate Banking 2012
Average shareholders' equity (in CHF millions)[4]	**188**	**161**	**1 212**	**1 095**
Profitability ratios (%)				
ROE (based on operating profit after depreciation and write-offs and interdivisional billing)[5]	17.9	15.5	14.4	16.7
ROE (based on net profit)[5]	12.0	9.6	9.2	10.8
Cost/income[6]	82.8	87.0	36.9	36.3
Average headcount	**397**	**410**	**186**	**191**

2012 figures were adjusted to facilitate like-for-like comparisons.

1) The 2012 figure for assets under management was adjusted following a change in the definition of custody-only assets. This related mainly to bank deposits for which the definition of additional service delivery was narrowed, thereby reducing assets under management by more than CHF 2bn

2) Expected loan losses are allocated to the business sectors. The difference between new provisioning needs and expected loan losses is booked to the Corporate Center

3) Taxes are calculated per business sector according to the tax rates in effect

Wealth Management		Trading		Corporate Center		BCV Group	
2013	2012	2013	2012	2013	2012	2013	2012
640	628	0	1	283	264	5 434	5 094
6 616	6 399	0	0	761	768	23 375	22 864
7 256	**7 027**	**0**	**1**	**1 044**	**1 032**	**28 809**	**27 958**
4 410	4 178	0	0	170	181	12 799	12 295
7 547	6 784	694	742	268	369	15 452	14 908
39	67	2	3	0	0	81	131
11 996	**11 029**	**696**	**745**	**438**	**550**	**28 332**	**27 334**
66	**69**	**14**	**14**	**210**	**253**	**2 400**	**2 468**
65 670	**61 375**	**0**	**0**	**534**	**654**	**83 850**	**79 129**
119.1	113.9	1.8	1.3	50.0	73.6	501.5	519.3
229.9	228.1	0.6	0.1	1.0	3.0	341.3	347.0
19.4	17.6	58.1	55.1	10.1	13.9	112.8	113.1
2.7	1.9	0	0	25.6	21.8	35.0	30.4
371.1	**361.5**	**60.5**	**56.5**	**86.7**	**112.3**	**990.6**	**1 009.8**
– 117.1	– 118.3	– 13.3	– 14.1	– 125.0	– 117.2	– 337.3	– 334.7
– 45.7	– 48.4	– 8.4	– 9.0	– 66.0	– 68.8	– 182.1	– 189.3
208.3	**194.8**	**38.8**	**33.4**	**– 104.3**	**– 73.7**	**471.2**	**485.8**
– 18.3	– 16.2	– 2.0	– 1.9	– 44.1	– 46.5	– 85.7	– 86.2
– 60.6	– 61.5	3.5	2.2	156.4	161.0	0	0.0
129.4	**117.1**	**40.3**	**33.7**	**8.0**	**40.8**	**385.5**	**399.6**
– 3.5	– 3.5	– 0.8	– 0.8	27.3	12.8	– 10.3	– 26.4
– 0.9	– 2.6	0	0	– 39.6	0.6	– 42.2	– 3.9
10.6	2.5	0	0	20.4	31.3	31.0	33.8
– 32.0	– 26.1	– 8.7	– 7.2	– 5.2	– 21.1	– 83.9	– 92.1
103.6	**87.4**	**30.8**	**25.7**	**10.9**	**64.4**	**280.1**	**311.0**
296	**265**	**70**	**55**	**1 514**	**1 684**	**3 280**	**3 260**
43.7	44.2	57.3	61.4			11.8	12.3
35.0	33.0	43.8	46.7			8.5	9.5
63.8	67.4	33.5	40.3			60.6	60.0
591	**599**	**60**	**63**	**722**	**710**	**1 956**	**1 973**

[4] In 2012 shareholders' equity was allocated based on Basel II rules, at 9.6% of risk-weighted assets (120% under FINMA rules); in 2013 it was allocated based on Basel III rules, at 13%. Surplus equity is booked to the Corporate Center

[5] Allocated based on Basel II rules, at 9.6% of risk-weighted assets (120% under FINMA rules), in 2012; allocated based on Basel III rules, at 13%, in 2013

[6] 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)

	2009	2010	2011	2012	2013
Interest and discount income[1]	790.1	739.1	735.8	712.3	672.7
Interest and dividend income from financial investments	51.2	59.2	58.4	57.9	56.3
Interest expense	– 327.0	– 273.8	– 261.1	– 250.9	– 227.5
Net interest income	**514.3**	**524.5**	**533.1**	**519.3**	**501.5**
Fees and commissions on lending operations[1]	52.1	52.5	47.2	50.2	44.5
Fees and commissions on securities and investment transactions	276.6	288.2	291.8	281.9	285.4
Fees and commissions on other services[1]	64.6	68.4	73.1	79.1	76.7
Fee and commission expense	– 71.5	– 71.1	– 71.9	– 64.2	– 65.3
Net fee and commission income	**321.8**	**338.0**	**340.2**	**347.0**	**341.3**
Net trading income	**98.6**	**97.9**	**114.9**	**113.1**	**112.8**
Profit on disposal of financial investments	14.9	26.0	10.7	5.9	1.8
Total income from holdings	7.8	3.9	5.5	4.8	9.6
of which other non-consolidated holdings	*7.8*	*3.9*	*5.5*	*4.8*	*9.6*
Real-estate income	11.2	10.3	10.4	11.3	11.5
Miscellaneous ordinary income	11.9	10.0	9.4	9.5	15.2
Miscellaneous ordinary expenses	– 4.9	– 14.8	– 7.0	– 1.1	– 3.1
Other ordinary income	**40.9**	**35.4**	**29.0**	**30.4**	**35.0**
Total income from ordinary banking operations	**975.6**	**995.8**	**1 017.2**	**1 009.8**	**990.6**
Personnel costs	– 316.4	– 325.5	– 339.2	– 334.7	– 337.3
Other operating expenses	– 189.2	– 190.2	– 192.3	– 189.3	– 182.1
Operating expenses	**– 505.6**	**– 515.7**	**– 531.5**	**– 524.0**	**– 519.4**
Operating profit	**470.0**	**480.1**	**485.7**	**485.8**	**471.2**
Depreciation and write-offs on fixed assets	– 79.0	– 77.6	– 83.9	– 86.2	– 85.7
Value adjustments, provisions and losses	– 18.0	– 5.2	– 19.8	– 3.9	– 42.7
Profit on ordinary banking operations before extraordinary items and taxes	**373.0**	**397.3**	**382.0**	**395.7**	**342.8**
Extraordinary income	16.9	45.3	16.6	9.0	21.3
Extraordinary expenses	– 0.3	– 35.4	– 7.8	– 1.6	– 0.1
Taxes	– 88.2	– 93.1	– 89.7	– 92.0	– 83.9
Net profit before minority interests	**301.4**	**314.1**	**301.1**	**311.1**	**280.1**
Minority interests	– 0.8	– 0.9	1.0	– 0.1	0.0
Net profit	**300.6**	**313.2**	**302.1**	**311.0**	**280.1**

1) To facilitate like-for-like comparisons, 2009 to 2011 figures were adjusted following the reclassification of certain income

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

	31 / 12 / 09	31 / 12 / 10	31 / 12 / 11	31 / 12 / 12	31 / 12 / 13
Cash and cash equivalents	1 404	389	1 711	4 735	4 669
Money-market instruments	88	1 935	28	26	39
Due from banks	5 469	3 018	3 128	2 007	1 609
Loans and advances to customers	5 542	5 247	5 894	5 094	5 434
Mortgage loans	18 770	20 254	22 071	22 864	23 375
Trading portfolio assets	397	478	573	667	932
Financial investments	2 870	2 879	2 975	3 101	3 146
Non-consolidated holdings	81	87	88	52	50
Tangible fixed assets	597	588	628	621	602
Intangible assets	5	4	35	37	32
Accrued income and prepaid expenses	219	198	206	198	196
Other assets	291	508	566	398	370
Assets	**35 733**	**35 585**	**37 903**	**39 800**	**40 454**

Money-market paper issued	4	1	6	3	43
Due to banks	2 065	2 016	2 352	2 444	1 921
Customer savings and investment accounts	9 842	10 885	11 620	12 295	12 799
Other customer accounts	13 563	12 879	14 087	14 908	15 452
Medium-term notes	507	275	209	131	81
Bonds and mortgage-backed bonds	5 605	5 284	5 384	5 837	6 064
Accrued expenses and deferred income	225	229	215	231	224
Other liabilities	403	522	523	461	377
Value adjustments and provisions	297	223	206	175	171
Liabilities	**32 511**	**32 314**	**34 602**	**36 485**	**37 132**
Reserves for general banking risks	704	704	704	704	704
Equity capital	172	86	86	86	86
Capital reserve	357	359	360	275	192
Own equity securities	– 7	– 7	– 8	– 11	– 11
Retained earnings	1 681	1 801	1 838	1 949	2 071
Minority interests - equity	14	14	20	1	0
Net profit before minority interests	301	314	301	311	280
Shareholders' equity	**3 222**	**3 271**	**3 301**	**3 315**	**3 322**
Total liabilities and shareholders' equity	**35 733**	**35 585**	**37 903**	**39 800**	**40 454**

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 103 to 139), for the year ended 31 December 2013.

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 2013 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	David Molleyres
Audit expert *Auditor in charge*	*Audit expert*

Lausanne, 12 March 2014

Financial Statements

Parent Company Financial Statements

1. Balance sheet (in CHF millions)

	Notes[1]	31 / 12 / 13	31 / 12 / 12	Change absolute	Change as %
Cash and cash equivalents		4 645	4 694	– 49	– 1
Money-market instruments		39	26	13	50
Due from banks		1 575	1 934	– 359	– 19
Loans and advances to customers	5.8	5 272	4 936	336	7
Mortgage loans	5.2/5.8	23 010	22 527	483	2
Trading portfolio assets		933	668	265	40
Financial investments	5.2/5.8	3 109	3 058	51	2
Holdings		155	159	– 4	– 3
Tangible fixed assets		537	553	– 16	– 3
Accrued income and prepaid expenses		188	188	0	0
Other assets	5.1	367	394	– 27	– 7
Assets		**39 830**	**39 137**	**693**	**2**
Total subordinated assets		0	0	0	0
Total claims on Group companies and significant shareholders		12	22	– 10	– 45
of which claims on the Canton of Vaud		*5*	*5*	*0*	*0*

	Notes[1]	31 / 12 / 13	31 / 12 / 12	Change absolute	Change as %
Money-market paper issued		43	3	40	1 333
Due to banks		2 490	3 132	– 642	– 20
Customer savings and investment accounts	5.8/5.9	12 789	12 284	505	4
Other customer accounts	5.3/5.8	14 410	13 714	696	5
Medium-term notes		81	131	– 50	– 38
Bonds and mortgage-backed bonds	5.3	6 064	5 837	227	4
Accrued expenses and deferred income		209	214	– 5	– 2
Other liabilities	5.1	361	452	– 91	– 20
Value adjustments and provisions	5.4	150	159	– 9	– 6
Liabilities		**36 597**	**35 926**	**671**	**2**
Reserves for general banking risks	5.4	691	691	0	0
Equity capital	5.5	86	86	0	0
General legal reserve		521	607	– 86	– 14
of which paid-in reserves		*437*	*523*	*– 86*	*– 16*
Reserve for own equity securities	5.4	10	10	0	0
Other reserves		1 628	1 497	131	9
Profit for the year	7.1	297	320	– 23	– 7
Shareholders' equity	5.6	**3 233**	**3 211**	**22**	**1**
Total liabilities and shareholders' equity		**39 830**	**39 137**	**693**	**2**
Total subordinated liabilities		0	0	0	0
Total liabilities to Group companies and significant shareholders		1 897	2 058	– 161	– 8
of which liabilities to the Canton of Vaud		*1 284*	*1 327*	*– 43*	*– 3*

[1] The notes are on pages 151-156

2. Income statement (in CHF millions)

	Notes[1]	2013	2012	Change absolute	Change as %
Interest and discount income		664.4	704.2	– 39.8	– 6
Interest and dividend income from financial investments		56.4	57.5	– 1.1	– 2
Interest expense		– 227.2	– 251.8	– 24.6	– 10
Net interest income		**493.6**	**509.9**	**– 16.3**	**– 3**
Fees and commissions on lending operations		44.4	50.1	– 5.7	– 11
Fees and commissions on securities and investment transactions		193.1	188.1	5.0	3
Fees and commissions on other services		71.7	75.2	– 3.5	– 5
Fee and commission expense		– 38.7	– 37.5	1.2	3
Net fee and commission income		**270.5**	**275.9**	**– 5.4**	**– 2**
Net trading income	6.1	**104.4**	**104.7**	**– 0.3**	**– 0**
Profit on disposal of financial investments		3.9	5.8	– 1.9	– 33
Income from holdings		26.5	11.5	15.0	130
Real-estate income		11.0	10.7	0.3	3
Miscellaneous ordinary income		15.6	10.0	5.6	56
Miscellaneous ordinary expenses		– 2.8	– 0.4	2.4	600
Other ordinary income		**54.2**	**37.6**	**16.6**	**44**
Total income from ordinary banking operations		**922.7**	**928.1**	**– 5.4**	**– 1**
Personnel costs		– 290.0	– 287.2	2.8	1
Other operating expenses		– 161.5	– 166.0	– 4.5	– 3
Operating expenses		**– 451.5**	**– 453.2**	**– 1.7**	**– 0**
Operating profit		**471.2**	**474.9**	**– 3.7**	**– 1**
Depreciation and write-offs on fixed assets		– 76.4	– 79.2	– 2.8	– 4
Value adjustments, provisions and losses	5.4	– 28.4	– 3.2	25.2	788
Profit on ordinary banking operations before extraordinary items and taxes		**366.4**	**392.5**	**– 26.1**	**– 7**
Extraordinary income	5.4	10.5	16.7	– 6.2	– 37
Extraordinary expenses	5.4	0.0	– 0.4	– 0.4	– 100
Taxes		– 80.3	– 88.6	– 8.3	– 9
Profit for the year		**296.6**	**320.2**	**– 23.6**	**– 7**
Appropriations					
Profit for the year		296.6	320.2		
Profit shown on the balance sheet		296.6	320.2		
Appropriation of profit	7.1				
- Allocation to other reserves		107.3	130.9		
- 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 151-156

3. Off-balance-sheet transactions (in CHF millions)

	31 / 12 / 13	31 / 12 / 12	Change absolute	Change as %
Contingent liabilities	1 122	1 223	– 101	– 8
Irrevocable commitments	1 133	1 101	32	3
of which commitments to make payments into a depositor protection fund	*134*	*155*	*– 21*	*– 14*
Commitments relating to calls on shares and other equity securities	93	94	– 1	– 1
Confirmed credits	23	31	– 8	– 26
Derivative financial instruments				
Gross positive replacement values	522	514	8	2
Gross negative replacement values	586	641	– 55	– 9
Values of underlyings	52 725	45 839	6 886	15
Fiduciary deposits with other banks	115	192	– 77	– 40

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 2013.

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 / 13 Other assets	31 / 12 / 13 Other liabilities	31 / 12 / 12 Other assets	31 / 12 / 12 Other liabilities
Net replacement values of derivative financial instruments (positive/negative)	237	301	248	374
Offset accounts	76	0	98	0
Indirect taxes	5	20	5	22
Coupons/coupons and securities due	14	11	10	1
Settlement accounts	22	22	19	39
Miscellaneous assets and liabilities	13	7	14	16
Other assets and other liabilities	**367**	**361**	**394**	**452**

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

	31 / 12 / 13 Amount or book value of pledge	31 / 12 / 13 Real liabilities	31 / 12 / 12 Amount or book value of pledge	31 / 12 / 12 Real liabilities
Assets pledged or assigned to Swiss National Bank	200	0	190	0
Mortgages pledged or assigned to Central mortgage-bond institution of Swiss cantonal banks	6 745	5 006	6 925	4 963
Other	230	230	512	512
Assets pledged or assigned	**7 175**	**5 236**	**7 627**	**5 475**

5.3 Own occupational pension funds (in CHF millions)

	31 / 12 / 13	31 / 12 / 12
Due to customers, other	110	53
Bonds	11	7
Balance sheet liabilities	**121**	**60**

5.4 Value adjustments and provisions Reserves for general banking risks Reserve for own equity securities (in CHF millions)

	Status at year-end 2012	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 2013
Value adjustments and provisions for default risk (counterparty and country risks)	159	– 44		14	*19*	*– 27*	– 8	121
Other provisions	6	– 2			*26*	*– 1*	25	29
Total value adjustments and provisions	**165**	**– 46**		**14**	**45**	**– 28**	**17**	**150**
Value adjustments directly netted with assets	– 6							0
Total value adjustments and provisions shown on the balance sheet	**159**							**150**
Reserves for general banking risks	**691**		**0**					**691**
Reserve for own equity securities	**10**		**0**					**10**

5.5 Equity capital (in CHF millions)

		2013 Number of shares (in units)	2013 Total par value	2012 Number of shares (in units)	2012 Total par value
Share capital					
Registered share, fully paid-in	Par value	CHF 10.00		CHF 10.00	
Status at 1 January		8 606 190	86	8 606 190	86
No movement		0	0	0	0
Status at 31 December		**8 606 190**	**86**	**8 606 190**	**86**
of which share capital qualifying for dividends			*86*		*86*

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 / 13			31 / 12 / 12		
	Number of shares (in units)	Total par value	Stake	Number of shares (in units)	Total par value	Stake
Major shareholders and shareholder 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 2011	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
Allocation to other reserves						124	– 124	0
2011 dividend							– 189	– 189
Distribution out of paid-in reserves		– 86						– 86
Change in reserve for own equity securities				– 2	2			0
Profit/loss for the year							320	320
Status at 31 December 2012	86	523	84	691	10	1 497	320	3 211
Allocation to other reserves						131	– 131	0
2012 dividend							– 189	– 189
Distribution out of paid-in reserves		– 86						– 86
Change in reserve for own equity securities				0	0			0
Profit/loss for the year							297	297
Status at 31 December 2013	86	437	84	691	10	1 628	297	3 233

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 / 13	31 / 12 / 12
Loans and advances to customers	36	34
Mortgage loans	13	14
Financial investments	5	5
Receivables	**54**	**53**
Customer savings and investment accounts	4	6
Other customer accounts	276	292
Commitments	**280**	**298**

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

	2013	2012
Capital on deposit at 1 January	**302**	**338**
Movements:		
Net payment surplus during the financial year	– 33	– 36
Capitalization of net interest at 31 December	0	0
Net change	– 33	– 36
Total capital on deposit at 31 December	**269**	**302**
of which guaranteed by the Canton of Vaud	*188*	*214*

	31 / 12 / 13	31 / 12 / 12	Change
Breakdown by type of service			
Registered savings books and accounts	166	182	– 16
Senior citizens' savings books and accounts	62	68	– 6
Bearer savings books	39	48	– 9
Youth savings books and accounts	2	4	– 2
Total	**269**	**302**	**– 33**

6. Notes to the income statement

6.1 Net trading income (in CHF millions)

	2013	2012	Change absolute	Change as %
Foreign currency and precious metals	72.6	77.2	– 4.6	– 6
Banknotes	11.4	10.6	0.8	8
Securities (less refinancing costs) and derivatives	26.2	22.6	3.6	16
Fee and commission expense	– 5.8	– 5.7	0.1	2
Total	**104.4**	**104.7**	**– 0.3**	**– 0**

7. Proposals by the Board of Directors

At the Annual Shareholders' Meeting to be held on 1 May 2014, 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 296.6m 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
Allocation to other reserves			107.3
			296.6

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 8 May 2014.

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 8 May 2014.

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 148 to 156), for the year ended 31 December 2013.

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 2013 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	David Molleyres
Audit expert	*Audit expert*
Auditor in charge	

Lausanne, 12 March 2014

Organization Chart

As of 1 March 2014

- **Board of Directors**
  O. Steimer
  Chairman
  - **Internal Audit**
    P. Borcard
  - **Secretary**
    C. Monnier
  - **CEO**
    P. Kiener
    - **Corporate Secretary**
      L. Gherardi
    - **Human Resources**
      E. Muller
    - **Strategy & Organization**
      J. A. Brinca
    - **Corporate Communications**
      C. Jacot-Descombes
    - **Finance & Risks**
      T. W. Paulsen
      - **Financial Risk Management**
        M. Mermier
      - **Financial Accounting**
        M. Guerra
      - **Controlling**
        B. E. Dahlgren
      - **ALM & Financial Management**
        C. Cherdel
      - **Compliance**
        C. Maeder
      - **Legal**
        P. L'Eplattenier
    - **Credit Management**
      B. Sager
      - **Credit Analysis – Retail**
        E. Allemann
      - **Credit Analysis – SMEs and Real-Estate Professionals**
        C. Zünd
      - **Credit Analysis – Corporate, TF, Country and Bank**
        L. Michel
      - **Credit Analysis Support**
        E. Despont
      - **Credit Recovery Management**
        F. Ausoni
    - **Corporate Banking**
      J.-F. Schwarz
      - **SMEs**
        P.-A. Palley
      - **Large Corporates**
        P. Nosten
      - **Trade Finance**
        A. Krieger
    - **Private Banking**
      G. Haeberli
      - **Private Banking Key Clients**
        M. Schwitzguébel
      - **Onshore Private Banking**
        P. Botteron
      - **International Private Banking**
        A. Croisier
      - **Independent Asset Managers**
        B. Rytz
      - **Financial Protection & Planning**
        F. Welsch

- **Retail Banking** J. F. Sierdo
  - **Retail Banking Branch Offices** J.-D. Jayet
  - **Marketing Services** P. Boehler
- **Asset Management & Trading** S. Bichsel
  - **Asset Management** M. Aubry
  - **Investment Policy** F. Martins Da Silva
  - **Trading** E. Vauthey
- **Business Support** A. Achard
  - **IT Development** S. Messin
  - **IT Systems Management** F. Le Hellard
  - **Facility Management & General Services** J. Bourloud
  - **Back Office** O. Steffen
  - **Global Custody** P. Zufferey

Retail Network

As of 1 March 2014

Regional Managers

As of 1 March 2014

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	Adrian Kocher
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 2014

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
Avenue Centrale 119
Case postale 7
1884 Villars

Villeneuve
Grand-Rue 1
Case postale 27
1844 Villeneuve

Gros-de-Vaud region

Cheseaux-sur-Lausanne
Rue du 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
Centre commercial 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

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
Route de la Gare 10
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
Rue Froide 1
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 7A
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

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

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BCV Corporate Communications Department

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Chris Durban, Paris (F)
Dylan Gee, London (UK)
Sylvia Smith, Paris (F)
James Tarpley, Yverdon-les-Bains (CH)

This document is an English translation of the original French text entitled “Rapport annuel 2013.” Only the French text is authoritative.

Printing
Genoud Entreprise d’arts graphiques SA
Le Mont-sur-Lausanne

FSC®
www.fsc.org
MIX
Paper from responsible sources
FSC® C003464

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