2015 Annual Report

BCV

BCV at a glance

2015 highlights

Net profit was up 14% in a challenging environment

- Volumes grew across most core businesses, helped by the resilience of the Vaud economy.
- Total revenues were up 2% year on year, surpassing the CHF 1bn mark despite the negative-interest-rate environment.
- In line with the trend seen in recent years, operating expenses were down 1% to CHF 514m, and operating profit rose 5% to CHF 399m.
- Net profit was up 14% to CHF 336m, driven in part by the sale of our stake in Swisscanto.

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

- For the fourth year running, Standard & Poor's reaffirmed our long-term rating of AA and stable long-term outlook.
- Moody's raised our long-term rating by two notches, from A1 to Aa2 with a stable outlook, and our stand-alone rating by one notch, from a3 to a2.

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

- All BCV employees received a full day of training on delivering high-quality customer service, in partnership with EHL, the renowned Lausanne school of hotel management.
- We further enhanced our online presence, with overhauls of both our website and e-banking platform.
- We revised our offering for clients living outside Switzerland to keep pace with a changing regulatory environment.

We reached a satisfactory settlement with the U.S. Department of Justice regarding the USA/Switzerland tax program

Our shareholders received CHF 32 per share

- We paid an ordinary dividend of CHF 22 per share and distributed CHF 10 per share out of paid-in reserves, thus returning a total of more than CHF 275m to our shareholders.
- This payout, together with the appreciation in our share price, equates to a total return of 24% – one of the best among banking stocks listed on the SIX Swiss Exchange.

Key figures – 5-year overview

in CHF millions

	2011	2012	2013	2014	2015
Balance sheet at 31 December[1 2]					
Total assets	37 606	39 483	40 177	41 819	43 418
Advances to customers	27 807	27 829	28 729	29 720	29 457
Customer deposits	25 155	26 544	27 557	28 532	28 877
Shareholders' equity	3 301	3 315	3 322	3 341	3 397
Assets under management[3]	75 063	79 129	83 850	86 382	87 972
Income statement[1 2]					
Total income	1 022	1 015	999	1 010	1 026
Operating expenses	532	525	520	518	514
Depreciation and amortization of fixed assets and impairment on equity investments	84	86	86	80	76
Other provisions and losses	12	3	41	34	37
Operating profit	395	401	353	379	399
Net profit	301	311	280	296	336
Headcount					
Full-time equivalents	2 042	1 931	1 987	1 946	1 947
Ratios					
Shareholders' equity/total assets	8.8%	8.4%	8.3%	8.0%	7.8%
Tier 1 capital ratio[4]	13.2%	14.4%	17.8%	17.1%	17.6%
Total capital ratio[4]	16.8%	18.4%	17.9%	17.2%	17.7%
Operating profit/average shareholders' equity	12.2%	12.3%	10.8%	11.5%	12.0%
Cost/income ratio[5]	60.1%	60.0%	60.6%	59.6%	57.2%
Operating profit per employee (in CHF thousands)	192.8	203.2	180.5	192.2	205.5
ROE	9.3%	9.5%	8.5%	9.0%	10.1%
Credit ratings					
Standard & Poor's					
Long term	AA / stable	AA / negative	AA / stable	AA / stable	AA / stable
Short term	A-1+	A-1+	A-1+	A-1+	A-1+
Moody's					
Long term	A1 / stable	A1 / stable	A1 / stable	A1 / stable	Aa2 / stable
Short term	Prime-1	Prime-1	Prime-1	Prime-1	Prime-1

1) Financial results are presented in accordance with the new Swiss accounting rules for banks, applicable from the 2015 financial year
2) 2011-2014 figures have been adjusted to facilitate like-for-like comparison
3) 2011-2012 figures for assets under management were adjusted to exclude custody-only assets
4) Determined according to the Basel III approach since 1 January 2013
5) Excluding goodwill amortization and write-downs

Starting in 2011, we decided to replace the end-of-year gift to our 2,000 employees with an annual donation on their behalf to a humanitarian project in an impoverished area of the world. A group of around ten employee volunteers chosen every year selects the projects and follows up on them.

The first organization to receive funding under this initiative, known as BCV Solidarity, was the Swissclinical Foundation in La Tour-de-Peilz. Thanks to our donation in 2012, the Foundation was able to purchase a building and equipment for making orthopedic implants for poor handicapped children in Stara Zagora, Bulgaria.

In 2013, our donation went to the Nyon-based charity Friends of India to help build a new school in Tirunelveli, in the southern Indian state of Tamil Nadu. The school – named BCV International School in recognition of the Bank – was inaugurated in 2014. Today it provides English-language education to 480 students between the ages of 3 and 16. The students include both boys and girls and are drawn from a variety of castes, in order to promote tolerance.

In 2014, BCV Solidarity helped Lausanne-based charity Achalay refurbish a small farm in San Andrés, Peru. The farm is home to some fifty underprivileged 4 to 18 year-olds (orphans, abuse victims, and handicapped children) from the surrounding areas.

Last year the employee volunteers chose to support Les Enfants de l'Arc-en-Ciel charity in Lausanne. Thanks to our donation, the charity was able to expand its school in Cabrera, Dominican Republic, which provides an education to more than 200 disadvantaged children. A fourth schoolhouse has been constructed to supplement the existing facilities and make enough space for pupils to complete a full 12 years of schooling in preparation for university.

On 12 February 2016, eight of the employee volunteers involved in the project traveled to Cabrera to inaugurate the school alongside the local mayor. This year's annual report features photos taken on their trip (page 6: Corinne Monnet, personal banking advisor; Ana Claudia Fernández, personal banking advisor; Marie-Claire Venkat, real-estate appraiser; Christelle Piguet, SME advisor; Rachel Perroud, SME advisor, and Francis Collaud, regional manager; page 18: Corinne Monnet; page 58: François Pochon, private banking advisor, Monique Ruh-Hintermann, retired, Christelle Piguet, Ana Claudia Fernández and Rachel Perroud; page 90: Ana Claudia Fernández and Marie-Claire Venkat).

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Letter from the Chairman and the CEO

A solid and stable business model

For the past seven years, the economic and financial climate has regularly put the banking sector to the test, from the peak of the financial crisis to the 2009 recession to repeated turmoil in the eurozone. But every time, our business model has proven to be solid and stable. And 2015 – the year in which the Swiss National Bank dropped the EUR/CHF currency floor – was no exception.

Indeed, due to negative interest rates over a large portion of the yield curve and lower loan impairment reversals than in 2014, net interest income fell 6%. Fee and commission income was also down, by 3%. Net trading income, however, soared 41% as the Swiss franc's renewed volatility pushed up client-driven forex activity, driving a 2% increase in Group revenues to CHF 1.03bn.

We once again managed to trim our operating expenses, this time by 1%. Operating profit rose 5% to CHF 399m despite the costs relating to the settlement we reached with the U.S. Department of Justice concerning the USA/Switzerland tax program. With the settlement in hand, we can put this matter behind us. Extraordinary income came in at CHF 29m, mainly due to the sale of our stake in Swisscanto. This helped drive net profit up 14% to CHF 336m.

Further progress on *stratégie2018*

Throughout 2015, we pressed ahead with our new strategic phase – *stratégie2018* – which aims to deliver constant improvements in service quality and enhance our various customer touch points, particularly by further developing our online services. We gave our website a major overhaul,

Pascal Kiener
CEO

Olivier Steimer
Chairman of the Board of Directors

allowing customers to find the information they need more easily. We also added new features to our online banking system, including a personal money manager, a P2P mobile payment solution and a new, more secure log-in system. Further innovations are in the pipeline.

Other key developments

We revised our offering for clients living outside Switzerland to keep pace with a changing regulatory environment.

We also adopted a new Swiss-accredited standard to certify our client advisors' skills and expertise. This standard is being used not just by BCV, but by all cantonal banks in the French- and Italian-speaking parts of the country, as well as by other major banks. For us, advisor certification is just one more step in our drive for excellence in customer service.

At the Shareholders' Meeting on 23 April 2015, Reto Donatsch was re-elected to BCV's Board of Directors for a further four-year term, in accordance with our Articles of Incorporation. In the autumn, the Vaud Cantonal Government appointed Peter Ochsner to the Board. With his extensive experience in corporate auditing and deep knowledge of the banking sector, Mr. Ochsner will contribute valuable expertise and skills to the Board when his term begins on 1 July 2016. He succeeds Stephan A.J. Bachmann, who has reached the legal age limit for service on BCV's Board and will step down at the close of the Shareholders' Meeting on 21 April 2016.

Strong return on the BCV share

The BCV share made an excellent showing in 2015, ending the year up 18.1%. Factoring in the CHF 32 per-share payout, our stock delivered a total return of 24% for our shareholders – once again one of the highest among Swiss banks.

Recognized financial strength

BCV is one of the best-capitalized banks in the world, with a Common Equity Tier 1 (CET1) ratio of 17.6%. And we already meet the new liquidity requirements laid down by the Basel III Accords.

That kind of financial strength is what BCV stakeholders across the board – customers, shareholders and creditors – have come to expect. Rating agencies have taken note, too: Standard & Poor's affirmed our long-term rating of AA for the fourth consecutive year, while in May 2015 Moody's raised our long-term rating by two notches, from A1 to Aa2, and our stand-alone rating by one notch, from a3 to a2.

Dividend policy maintained

We aim to generate sustainable growth and long-term value for our shareholders, and since 2008 we have paid out over CHF 2bn. Because we remain confident in our outlook going forward, at the Annual Meeting the Board will propose an ordinary dividend of CHF 23 per share – an increase of CHF 1 on last year – and a special distribution of CHF 10 per share out of paid-in reserves. If this proposal is approved by shareholders, that would make this the eighth year in a row we have delivered on the distribution policy announced in 2008.

In closing, we would like to thank our customers and shareholders for their loyalty and trust. Finally, on behalf of all members of the Board of Directors and Executive Board, we would also like to thank our employees for their continuing commitment and achievements throughout the year.

Olivier Steimer | Pascal Kiener


Ce bâtiment scolaire a été construit grâce au soutien
de la BCV (Banque Cantonale Vaudoise), en Suisse.
Le Conseil de Fondation et les étudiants
la remercient chaleureusement.
Este edificio escolar fue construido con el apoyo
del Banco "Banque Cantonale Vaudoise" de Suiza.
El Consejo de la Fundación y los estudiantes
expresan su profundo agradecimiento.

Niños del

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 Bank's 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 CHF 1.03bn in 2015 and total assets of CHF 43.4bn, 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 230 ATMs throughout the Canton. The Bank's organizational structure is based on four client-oriented divisions: Retail Banking, Private Banking, Corporate Banking and Asset Management & Trading. We offer a comprehensive range of financial services to all client segments. BCV Group had 1,947 full-time-equivalent employees at 31 December 2015. At that date, in addition to the parent company, BCV Group comprised the private bank Piguet Galland & Cie SA and two fund management firms, Gérifonds SA and GEP SA (Société pour la gestion de placements collectifs). The full scope of consolidation at 31 December 2015 is described on page 125.

Our missions

Pursuant to Article 4 of the LBCV, BCV's corporate mandate is to offer a comprehensive range of banking services to the local community and to contribute to the development of all sectors of the Vaud economy and to the financing of the Canton's public-sector institutions and entities. Also, as part of our community focus, we provide mortgage financing in Vaud. The LBCV also stipulates that BCV is to be guided by the principles of economically, environmentally and socially sustainable development. More generally, our missions are to create value for our shareholders and clients, to be a benchmark employer, and to be a good corporate citizen.

Our recent history

Since the Bank was founded in 1845, it has considerably expanded its business in the Canton. In the 1990s, the banking industry in Vaud underwent major consolidation. BCV acquired Banque Vaudoise de Crédit in 1993 and merged with Crédit Foncier Vaudois in 1995. From 1996 to 2000, we moved to diversify our operations, particularly in international trade finance, offshore wealth management, and trading. Total assets more than doubled between 1990 and 2000 as a result. In 2001 and 2002, following an in-depth assessment of loan-book quality, BCV Group carried out two recapitalizations, in 2002 and 2003. The Canton provided most of the funds raised on both occasions.

From 2003 to 2005, we successfully refocused operations on our four core businesses while remaining active in selected niche activities offering strong potential in terms of both growth and profitability. From 2005 to 2008, we implemented the second phase of our strategy, the *CroisSens* growth project, with the aim of taking full 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 from 66.95% to 50.12%. The Cantonal Government's decision not to sell any shares, first announced on 25 November 2008 and reaffirmed on 16 July 2010, remains unchanged.

From the end of 2008 to the end of 2013, we implemented our *BCVPlus* strategy, which took a clearly defined and differentiated approach based on the business model of a universal bank with solid local roots. This strategy was a great success: almost all of 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 our 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, 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 that 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.

In 2014 we began implementing the current phase of our strategy, *stratégie2018*. Like the previous phase, *stratégie2018* aims 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 rapid changes in the regulatory environment. In addition, we will be working to better meet our customers' changing needs and expectations, by achieving greater integration among our various customer touch points – 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
- Expanding multi-channel access to our products and services
- Embarking on various projects to enhance our internal operations
- Pressing ahead with our human resources strategy to continue developing our employees' skills sets.

In 2015, we provided all BCV employees with a full day of training to help instill a bank-wide culture and vision geared towards excellence in customer service. The training was organized in partnership with EHL, the renowned Lausanne school of hotel management. In addition, we made some major improvements to our online services, launching a more streamlined and user-friendly website. We also upgraded our online banking platform, BCV-net, along the same lines and added new features, including a personal money manager, a P2P mobile payment solution and a new log-in authentication system.

In early 2013, we 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 targets of 12-13% for ROE, 57%-59% for the cost/income ratio, and 13% for Core Equity Tier 1 (CET1). These targets should be viewed from a long-term perspective.

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 any significant changes in the economic or regulatory environment or in the Bank's situation.

Our values

We have defined four values that are central to our strategy and culture: responsibility, performance, professionalism, and close ties with our customers and the broader community. We believe that a key to long-term success is ensuring that all our employees share a common culture built around core values. The values described below underpin all our actions – as well as our interactions with customers and colleagues.

Close ties

As a Swiss cantonal bank, BCV maintains a deep connection with the local community that goes back a century and a half. Our employees use their on-the-ground presence in Vaud Canton and knowledge of the local community to fully appreciate and understand the needs and expectations of BCV's customers.

Professionalism

Every employee is committed to delivering the best possible service to customers. To achieve this, our people draw on the best practices in their respective fields of expertise and constantly seek to expand their skills and knowledge.

Performance

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

Responsibility

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

Given the importance that we ascribe to our core values, we have put in place a long-term employee information and training program. Our values are also an integral part of employee performance reviews.

Who We Are

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 of life in Vaud. Thanks to our concerted and ongoing efforts to improve service quality, and despite increasingly fierce competition, BCV is perceived as solid, reliable and competent. Indeed, since the 2008-2009 financial crisis we have witnessed a significant influx of new funds as a result of expanded business with existing clients and the arrival of many new clients.

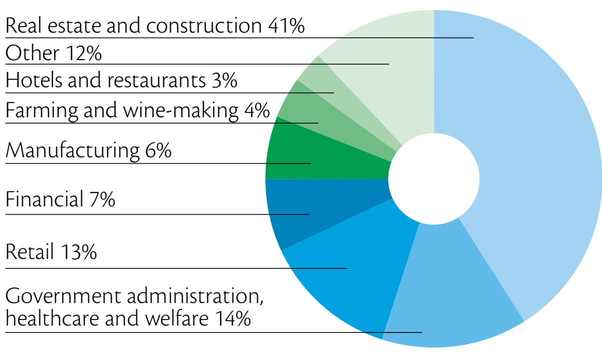
Our strong market presence in the Canton is the result of several factors: our extensive on-the-ground presence, our understanding of the needs of both individual and business customers, our know-how, our professionalism, and our responsible approach to banking. As the leading bank in Vaud Canton and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

As part of our *BCVPlus* strategy, we 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,

Business loans by sector



Source: BCV

which includes nine regional centers of expertise and 66 branch offices across the Canton (see our retail map and list of branch addresses on pages 182–185). We also offer automated services through our 231 ATMs; 165 are in our branches and 66 are at other convenient spots, for a total of 124 locations in Vaud. Most are next-generation machines featuring larger touch screens for greater ease of use. In 2015, more than 10 million transactions were carried out via our ATMs.

We believe that this network 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, most of our branch offices were partially or totally renovated, with the aim of making them more comfortable and user-friendly for our customers. This program came to an end with the completion of the renovation work at our head office at Place Saint-François in Lausanne. Our branch in the Lausanne suburb of Lutry was renovated in 2015.

Being close to our customers also means being increasingly accessible and in step with changing lifestyles. This is reflected in the convenient opening hours of our branches, with appointments for financial advice available from 8am to 7pm. 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 2015, it handled more than 355,000 incoming calls and over 130,000 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 more than 92,000 enquiries in 2015.

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: 43% of our customers use it, and seven out of every ten payments are made via this platform. In addition, the use of our BCV-net mobile app, which offers access to BCV-net from iPhones, iPads, and Android devices, is on the rise. The mobile app 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. In 2015, our mobile app was used by individual customers for 37% of their e-banking sessions and accounted for some 15% of the standard payments made in 2015 (i.e., excluding standing orders, bulk payments and payments abroad).

BCV has always been a pioneer in online brokerage, and in 2012 we introduced a revamped trading platform called TradeDirect. TradeDirect is one of the most competitively priced online brokers in Switzerland. The www.tradedirect.ch website provides access to 25 stock exchanges and over 100,000 investment vehicles, and has powerful market-tracking, search and analytical tools. A mobile trading app for iPhones and Android devices is also available. It was enhanced in 2015 with new features that let customers track their portfolios more closely and view ratings and analyses provided by research firm theScreener. TradeDirect also started carrying out an annual survey of retail investor sentiment in 2015, published in a yearly barometer report.

We completely overhauled BCV's website in 2015, streamlining it and bringing it more in line with users' needs. We interviewed over 100 people from outside the Bank and used their feedback to make the website more visually appealing and reduce the number of clicks required to reach key information. The text is easier to read, and pictures of Vaud scenery and residents have been added to reflect BCV's local footprint. Our website can now be accessed from tablets and smartphones as well as computers and is available in both French and English. We also updated our BCV-net service to make it more user friendly and visually appealing.

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

81% of our lending is local

Our loan book covers all areas of the Canton, with the people and businesses of Vaud accounting for 81% of total lending volumes. At end-2015, 53% of our outstanding customer loans were to individuals, and 47% 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 around 1% 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, we continued to simplify our banking packages. Maestro debit cards – essential for daily purchases and payments – are now free of charge for clients with at least CHF 10,000 of assets at BCV. Clients can also use their Maestro cards to get special discounts on a variety of leisure activities through a promotion offered in association with the Vaud Canton Tourist Office.

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. Clients very much appreciate the availability of our advisors, with whom they can discuss the current economic and financial environment. In addition, every year we hold a series of four roundtable discussions called "Les Rendez-vous de la Finance" that attract hundreds of private investors looking for insights into key business and market trends.

In Corporate Banking, BCV's offering covers a wide range of products and services, from financing and treasury management to occupational pension solutions and advisory services. That means we can meet the needs of a very diverse clientele, from artisans serving the local market to multinationals conducting business the world over. In 2015, our advisors helped corporate clients adapt to the removal of the EUR/CHF currency floor by the Swiss National Bank (SNB). Our clients were particularly interested in our currency exchange, currency hedging and forex trading services.

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. 2015 was a volatile year for financial

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

	Broye	Lavaux	Nord Vaudois	Nyon	Morges	Riviera	Chablais	Gros-de-Vaud	Lausanne
Mortgages	4%	11%	14%	17%	11%	11%	7%	9%	15%
Other loans	5%	7%	18%	14%	11%	8%	11%	12%	14%
Workforce distribution	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: Structural Business Statistics, 2013

markets, starting with the SNB's decision in January to remove the EUR/CHF currency floor. But BCV's funds and other investment products generated good returns despite the turmoil, both in absolute terms and relative to their benchmark indexes.

Given the 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 2015, we provided around CHF 22m in financing to get 32 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 financing to the Foundation for Technological Innovation (FIT).

To help encourage budding entrepreneurs in Vaud, for the third year in a row BCV organized the Silicon Valley Startup Camp in association with the University of Lausanne (UNIL), the Swiss Federal Institute of Technology in Lausanne (EPFL), the Canton's universities of applied sciences, the Vaud Chamber of Commerce and Industry (CVCI) and the FIT. Ten students from these 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 CVCI. We also conducted a series of seminars for new business owners of all ages, in collaboration with the CVCI, SAWI (a marketing and communications organization) and GENILEM (a start-up support organization). The success of these endeavors has shown that we are meeting a real need.

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 steady profitability going forward. In keeping with this mission, our strategy targets sustainable growth and a low risk profile.

This approach benefits all our stakeholders. In 2015, for example, we paid out CHF 245m to our majority shareholder, the Vaud Cantonal Government. This amount comprised a dividend, a distribution out of paid-in reserves, and cantonal and municipal taxes.

Corporate Social Responsibility at BCV

We published our 2014–2015 Social Responsibility Report in 2016. This fifth edition looks at the impacts of the Bank's activities across Vaud Canton through interviews with people working in all segments of the economy: from a small farming business that grows fruits and vegetables to a rice trading business, a sawmill, and professionals from the housing, innovation and training industries. The report gives concrete examples of how BCV fulfills its mission as a cantonal bank serving the local economy.

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 in 2015 we continued our efforts to reduce our environmental footprint. Every two years we commission an environmental assessment in order to quantify our impact and suggest targeted mitigation measures. While we regularly take steps to reduce our consumption of paper and other supplies and to make our IT system more energy-efficient, most of the potential savings are to be found in our infrastructure, an area we have been investing in for several years. In the past two years alone, we have cut our CO_2 emissions by 10%.

In 2015 we started a complete renovation of our Vevey branch, which will reduce energy use by 60% and qualify the building for "Minergie" energy-efficiency certification. We also renovated the trading floor at our administrative site in Prilly, reducing the power that its cooling system uses by 28% and installing new windows and boilers for further energy savings. We intend to continue such initiatives.

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 a dividend policy aimed at generating attractive returns for all our shareholders over the long term. We paid out some CHF 2.3bn to our shareholders between 2008 and 2015. We distributed an ordinary dividend for each of the eight years: the first three of CHF 14, CHF 20, and CHF 21, and the next five of CHF 22 per share, amounting to a total of CHF 1.4bn. We also made eight special distributions, which were tax free for shareholders. The first distribution was CHF 32.50 per share and the following seven were each CHF 10 per share, representing a total of CHF 882m. The first three payments were in the form of par-value reimbursements, while the following five 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 affirmed our AA rating for the fourth year in a row, while Moody's raised our long-term rating two notches, from A1 to Aa2, and our stand-alone rating one notch, from a3 to a2. Both agencies' ratings are accompanied by a stable outlook. Our ratings attest to the Bank's ongoing efforts in recent years, in terms of both strategy and operations. All of the rating agencies' credit opinions can be found in the Investor Relations section of our website, 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 2015, BCV Group had 1,947 employees on a full-time-equivalent (FTE) basis, virtually unchanged from the prior year. The parent company accounts for the largest share of the workforce, with a total of 1,934 employees, or 1,734 FTEs. In 2015 we filled 257 positions: there were 147 outside hires, 72 internal transfers, and 38 people we kept on after they had completed BCV internships or training programs. Average staff turnover was 8.4% in 2015.

In terms of women in the workforce, the parent company had 760 female employees (41% of the workforce) at the end of 2015. Women accounted for 25% of employees with signing authority (235 positions) and 7% of all senior managers (19 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 387 women (51% 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. Nearly 85% of employees took part in the 2015 survey – an increase of 5 percentage points. The findings showed that employee buy-in is continuing to trend upwards. Once again this year, the results were considered very good in comparison with those at other companies. Improvements were seen in almost all areas studied, and especially in terms of support for the Bank's strategy and confidence in senior management.

Focus on training

In 2015 BCV provided job training for 94 entry-level employees, including 38 trainees, 31 students in their final year of school, 15 university interns and ten women 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 2015, 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. To that end, and as part of our efforts to continuously improve customer satisfaction, we provided all BCV employees with a full day of training to help instill a bank-wide culture and vision geared towards excellence in customer service. The training was organized in partnership with EHL, the renowned Lausanne school of hotel management. For our client advisors, we also adopted a certification system used by several other banks and recognized by the Swiss Association for Quality (SAQ).

A new class of 24 students (including 25% women) started the BCV Micro MBA program in the spring of 2015. The 18-month program is offered in collaboration with the Entrepreneurship and Business Development program at the University of Geneva's Business School, and is designed to develop key interdisciplinary, entrepreneurship, and project management skills. In addition, 21 BCV employees received post-secondary degrees from outside institutions in 2015, 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 2015, pension fund members comprised 2,085 employees, 1,868 of whom were working at the parent company, and another 1,260 pension recipients, including 987 retirees.

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 2015 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. In 2014 we introduced the BCV Generosity program, which lets employees take a day off work each year to volunteer for a non-profit organization of their choosing.

The Bank's sponsorship policy gives preference to activities of public interest in Vaud, focusing on culture, teaching and training, sports, and 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 Tous en Choeur not-for-profit choir, the Maison d'ailleurs science-fiction 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 MUDAC modern art museum, the Fondation de soutien à la plate-forme Pôle muséal (a foundation supporting the development of an arts district in Lausanne), Le Petit Théâtre in Lausanne, and the Red Pigs Festival in Payerne.

We also support a number of outreach initiatives, which help bring together the local community. In 2015 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, Ma Vie Ton Sang, the Association Vaudoise des Samaritains (a first-aid training organization), the Fair Play sports organization for the handicapped, and Fondation Compétences Bénévoles (an organization that provides support services to charities).

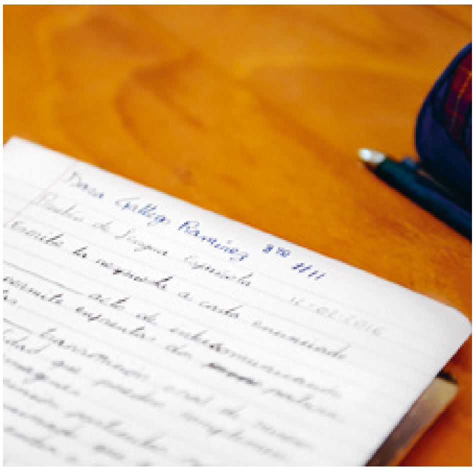
The future of Vaud is taking shape in its schools. Last year we presented prizes at schools across the Canton (including primary schools, secondary schools and universities) and provided support for Lausanne's Centre Sports-Etudes for school-age athletes and for the Centre Sport et Santé (a sporting facility shared by EPFL and UNIL).

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, 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, the Nyon Triathlon, the Dimanche Sportif, and the Panathlon Family Games.

We also support various other important initiatives in the Canton, including the Forum de l'économie vaudoise, the Forum des 100, the BDFIL cartoon festival, and the Vevey Festival of Images.

Another event in 2015 deserves special mention: BCV Solidarity's support for Les Enfants de l'Arc-en-Ciel, an Ecublens-based charity established 15 years ago to give poor 7–18 year-olds in the Dominican Republic a chance to go to school. Thanks to a CHF 150,000 donation from BCV, the charity was able to build a new six-room building at a school in one of the poorest parts of the island. The new space will be used to help students prepare for university. BCV Solidarity, which began in 2012, grew out of a desire to make an annual donation in our employees' name to a humanitarian project somewhere in the world, rather than give a small end-of-the-year gift. Each year's project is chosen by a working group selected from a pool of volunteers.

In addition, BCV supports its employees' involvement in the community, thereby contributing to their personal development. In 2015, some 216 staff members were actively involved in a variety of societies, associations and other organizations of a social, political, cultural or sporting nature. However BCV has a policy to not provide any type of formal support to any political party or organization. More detailed information about the Bank's contributions to our community can be found in BCV's Social Responsibility Report (available in French only) on our website, www.bcv.ch.



Year in Review

Economic Environment

Global growth weakened further in 2015, slowing to 3.1% from 3.4% in 2014. The global macro environment has frequently been disappointing in the last few years, but what changed in 2015 was that the main drag on the global economy came from emerging markets, where growth fell from 4.6% to 4.0%. Conversely, developed economies continued to recover, with GDP growth accelerating from 1.8% to 2.0%. Overall, global activity remained below its pre-crisis level.

Switzerland and Vaud Canton were weighed down to some extent by the sluggish global economy, but suffered mainly from the impact of the SNB's decision to scrap its minimum exchange rate for the euro against the Swiss franc. The resulting rise in the franc hurt Swiss exporters and sectors that compete with imported products in the domestic market. After 2014 growth figures of 1.9% across Switzerland and 2.3% in Vaud, economic expansion more than halved to 0.9% both nationally and in the Canton. However, both Switzerland and Vaud proved resilient enough to avoid a recession.

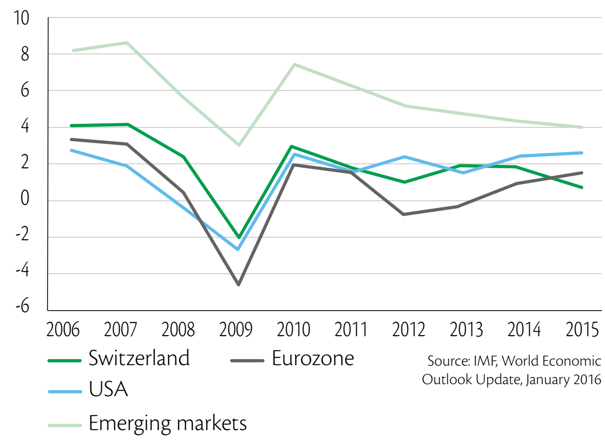
Global economy: further disappointment

The global economy once again showed a disappointing performance in 2015. The International Monetary Fund (IMF) initially predicted that GDP growth would come in at 3.9% for 2015, but the outlook deteriorated during the course of the year and the IMF downgraded its forecasts. In January 2016, the IMF announced a global growth estimate of 3.1% for 2015, below the 3.4% rate seen in 2014. While activity forecasts have been downgraded frequently in recent years, the explanation this time was unusual: a slowdown in emerging markets. Growth in those economies was 4.0%, less than the 2014 figure of 4.6% and the initial forecast of 5.4%.

The slowdown touched most of the main developing economies. In China, expansion fell from 7.3% in 2014 to 6.9% in 2015. Brazil slid into recession, with activity down 3.8% after growing a mere 0.1% in 2014. It was a similar story in Russia, where GDP contracted 3.7% in 2015 after expanding only 0.6% the previous year.

GDP growth around the world

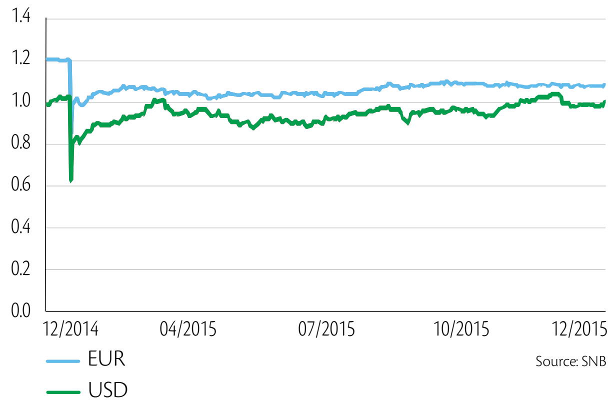
as %



Source: IMF, World Economic Outlook Update, January 2016

Exchange rates

versus CHF



Source: SNB

On the plus side, developed economies broke their run of disappointing news by growing in line with expectations. In particular, the eurozone recovery continued, with growth accelerating from 0.9% in 2014 to 1.5% in 2015. Liquidity injections by the European Central Bank (ECB) seemed to give the eurozone economy fresh impetus, and demand for credit started rising again.

The USA maintained its role as the growth engine for the developed world, and its economy expanded by 2.5% in 2015, slightly higher than the 2014 figure of 2.4%. The job market continued to improve and consumer incomes rose again. The U.S. Federal Reserve carried out its first rate hike since the start of the financial crisis.

Turbulent financial markets

Unlike in previous years, stock markets had a difficult 2015. In particular, major indexes suffered a correction in August due to a stock-market crash in China and concerns about the Chinese economy. In Switzerland, the SMI index of leading stocks listed on SIX Swiss Exchange tumbled in January after the SNB scrapped its exchange-rate floor. It then recovered, but ended the year down 1.8%. In the USA, the S&P 500 fell 0.7%. But the biggest loser was the MSCI emerging-markets index, which fell 17%. On the plus side, the Euro Stoxx 50 eurozone blue-chip index gained 3.9%, reflecting the gradual upturn in the European economy.

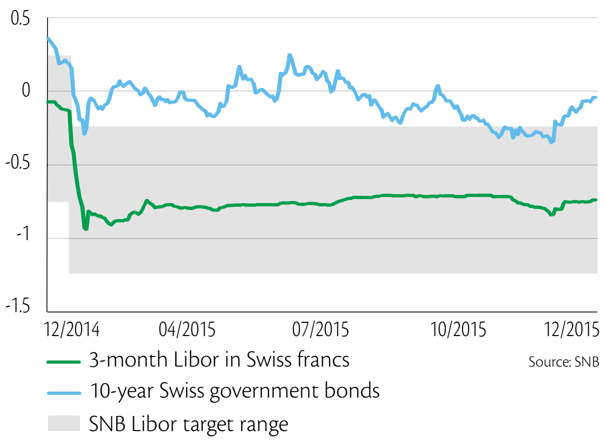
As regards interest rates, Swiss-franc yields fell into negative territory across a large swathe of the curve. On 18 December 2014, the SNB announced the introduction of negative rates on financial institutions' sight deposit accounts and lowered its target range for Swiss-franc Libor to partly below zero, with a range of –0.75% to 0.25%. After removing its euro exchange-rate floor on 15 January 2015, the SNB pushed rates further into negative territory by lowering the rate on sight deposit accounts and reducing the Swiss-franc Libor target range to between –1.25% and –0.25%. This had the effect of lowering the 10-year Swiss government bond yield from 0.4% at the start of the year to –0.4% at the end. Although the yield moved occasionally above zero in 2015, it was still negative at the time of writing in early 2016.

German and U.S. bond yields moved sideways, remaining depressed. In Germany, the 10-year Bund yield ticked up from 0.6% to 0.7%, and in the USA the 10-year T-bond yield rose from 2.2% to 2.4%.

In the eurozone, the ECB started injecting liquidity in 2015, and in the USA the Federal Reserve carried out its first rate hike since the start of the financial crisis, increasing the Fed funds target range from 0.0%-0.25% to 0.25%-0.50%. Inflation stayed extremely low. In Switzerland, inflation remained negative at –1.1%, due to lower prices for imports and petroleum products. Prices rose 0.3% in the eurozone and 0.7% in the USA.

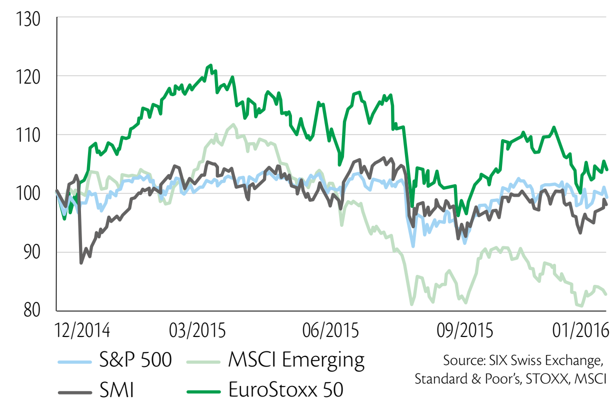
Interest rates

as %



Stock-market indexes in local currency terms

base of 100 at 31 December 2014

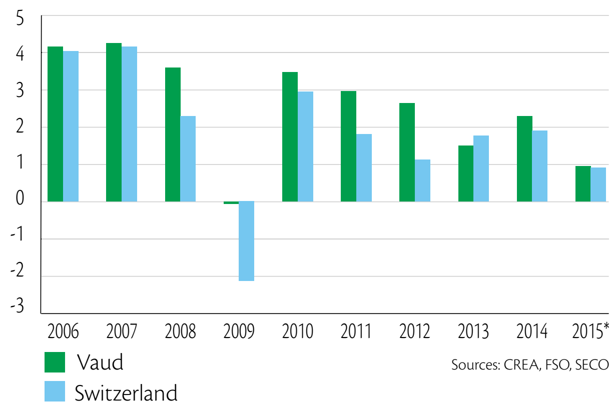


The price of gold rose in January 2015 but then declined for the rest of the year. Gold ended the year down 10.7% at USD 1,061 per ounce or CHF 33,836 per kilo (–10.8%).

In the forex market, movements in the Swiss franc were dictated largely by the removal of the EUR/CHF 1.20 floor rate set by the SNB in September 2011. The euro traded close to that level until 15 January when the SNB scrapped the floor rate and the franc jumped more than 25% against the euro and the dollar; the euro was even worth significantly less than the Swiss franc at one point. But the tension eased in the hours following the SNB's announcement, and the Swiss franc's gains were reduced to around 17% against the euro and 16% against the dollar. Over the following months, the Swiss franc steadily lost ground and the euro ended the year at CHF 1.08, down 9.5% for the year as a whole. The dollar rose above levels seen in recent years, appreciating from CHF 0.99 at the end of 2014 to CHF 1.00 at the end of 2015.

Vaud and Swiss GDP growth

as %



* Estimate

Slower Swiss growth

Swiss growth slowed sharply in 2015 due to the euro's decline against the franc following the SNB's January decision. GDP growth fell from 1.9% in 2014 to 0.9% in 2015, according to February 2016 estimates from Switzerland's State Secretariat for Economic Affairs (SECO). The slowdown was caused by pressure on prices and margins experienced by both exporters and companies facing foreign competition in the domestic market. However, the Swiss economy held up relatively well, with exporters showing good resilience and domestic demand remaining firm.

Despite sluggish export markets and a strong Swiss franc, the decline in Swiss exports was limited to 2.6% in nominal terms, to CHF 202.9bn. The job market also held up well in spite of the sharp slowdown in economic expansion. Unemployment was almost unchanged, moving from an average of 3.2% in 2014 to 3.3% in 2015. Secondary- and tertiary-sector jobs were up 0.9% year on year, totaling 4.9m in the fourth quarter of 2015. Employment fell 0.6% in the secondary sector, while rising 1.4% in the tertiary sector.

Robust Vaud economy

Economic growth in the Canton of Vaud was also hit by the SNB's exchange-rate decision. The Canton's growth slowed from 2.3% in 2014 to 0.9% in 2015, according to January 2016 figures from the CREA Institute. Most sectors saw slower growth, but wholesale and retail distribution was the hardest hit. The good news was that exporters held up relatively well against the pressure on both prices and margins caused by the weak euro. The decline in the Canton's exports was restricted to 2.6% in nominal terms to CHF 13.5bn, supported by the precision instruments, watch-making and machinery industries. Falling demand in Europe was offset by higher sales in North America, Latin America and Asia, particularly Japan.

The Vaud Chamber of Commerce and Industry (CVCI) autumn survey confirmed the strength of the Canton's economy. Some 29% of companies surveyed said they found business trends either good or excellent; a further 47% found them satisfactory. A mere 21% thought business trends were poor or mediocre. Companies facing stronger headwinds tended to be small businesses, manufacturers and mainly export-oriented firms.

Vaud's job market remained strong, like that of Switzerland as a whole. Unemployment in the Canton hardly budged, averaging 5.0% in 2015 versus 4.9% in 2014. However, that figure masks significant regional differences. Unemployment was below average in Gros-de-Vaud (3.2%), Lavaux-Oron (3.5%), Nyon (3.9%), Morges (4.0%) and Jura-Northern Vaud (4.8%), while figures were higher in Riviera-Pays-d'Enhaut (5.1%), Broye-Vully (5.3%), Aigle (5.3%), West Lausanne (5.9%) and Lausanne (6.5%). The number of jobs in the secondary sector fell 2.2% between the fourth quarters of 2014 and 2015. Employment also declined in the tertiary sector, but only by 0.6%. Overall, jobs in the secondary and tertiary sectors fell 0.9% year-on-year to 411,700.

Soft landing in the real-estate market

The Vaud real-estate market continued the soft landing that began in 2013. According to Wüest & Partner figures, selling prices fell 0.3% for apartments and 2.0% for houses in 2015. Price movements in Vaud lagged behind the national average for the third year in a row.

Accordingly, construction activity remained slightly weaker than the record levels seen in previous years. The number of people employed in construction fell 0.2% to 27,375. However, after two years of decline, building permit applications rose 13.1% to CHF 5.1bn. Permit applications surged 29.4% for residential projects to CHF 3.5bn, and rose 9.4% for industrial and commercial property to CHF 1.0bn.

2015 growth by economic segment in Vaud

Growth above 2%
Food, textiles, leather, paper
Government administration, healthcare, education, sports, etc.
Machinery, instruments, watches, etc.

Growth of 0.5% to 2%
Chemicals, pharmaceuticals, rubber, glass, metallurgy, etc.
Real estate, business services, etc.
Construction

Growth of −0.5% to 0.5%
Finance and insurance
Primary sector
Transport, postal services, telecommunications, publishing

Contraction of 0.5% to 2%
Hotels and restaurants

Contraction of over 2%
Water and electricity production and distribution
Wholesale and retail distribution, repairs, etc.

Source: CREA, FSO, SECO

Vaud Canton and Switzerland in figures

	Vaud	Switzerland
Area	3,212 km^2	41,285 km^2
Population (end-2015 est.)	773,050 inhabitants	8,329,025 inhabitants
Population density	241 inhabitants/km^2	202 inhabitants/km^2
Working population (2014)	403,858	4,537,891
Number of companies[1]	57,250	654,806
Primary sector	7.0%	8.7%
Secondary sector	14.0%	14.6%
Tertiary sector	79.0%	76.8%
Jobs	421,990	4,962,608
Primary sector	3.1%	3.3%
Secondary sector	17.4%	22.0%
Tertiary sector	79.5%	74.6%
Unemployment rate (2015 average)	5.0%	3.3%
GDP (2015 est.)	CHF 52.4bn	CHF 652.9bn
GDP/100 inhabitants	CHF 6.8m	CHF 7.8m

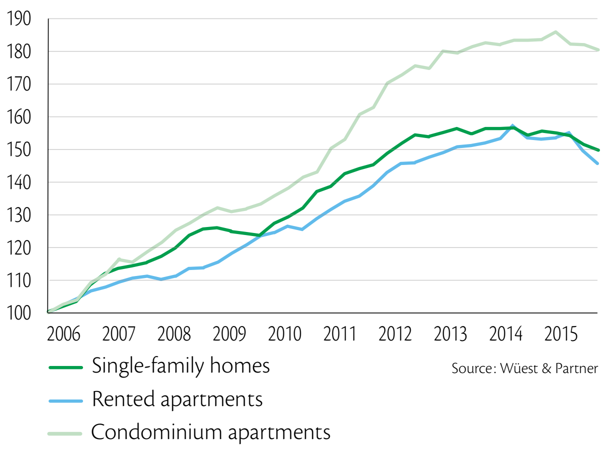
[1] A company or part of a company (e.g., a workshop or factory) located in a given place

Sources: 2013 federal business survey, FSO, SECO, CREA

Although the factors that have traditionally supported Vaud's real-estate market – favorable demographics, a healthy economy, and low interest rates – are still present, they are being challenged by high property prices and measures introduced by banks between 2012 and 2014 to prevent overheating (most notably by requiring a cash downpayment of at least 10% and slightly faster repayment schedules).

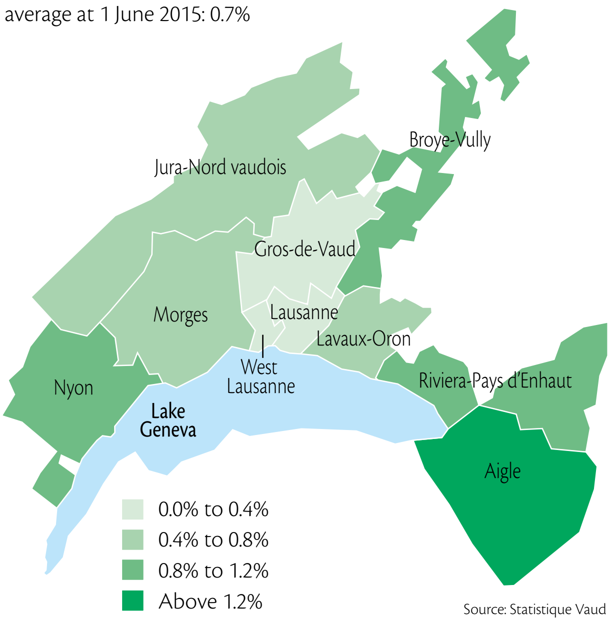
Real-estate prices in Vaud

indexes, base of 100 in Q1 2006



Housing vacancy rates in Vaud

average at 1 June 2015: 0.7%



In a further effort to cool Switzerland's real-estate market, the Swiss Federal Council decided in 2013 to partially activate a countercyclical capital buffer at the request of the Swiss National Bank (SNB). Under this measure, which was implemented in two phases in 2013 and 2014, Swiss banks are required to hold additional equity capital equal to 2% of their risk-weighted mortgages secured by Swiss residential property.

Outlook

Economic projections for 2016 are fairly subdued, as in previous years. In January 2016, the IMF forecast a slight acceleration in global growth to 3.4%, with conditions very similar to 2015. Activity should remain relatively firm in the USA, while the eurozone looks set to continue its slow

Further population growth

Vaud's population expanded again in 2015, with the number of permanent residents up around 1.5% (+12,000) to some 770,000. Between 2000 and 2015, the number of inhabitants grew more quickly in Vaud (1.5% per year on average) than in Switzerland as a whole (1.0%). However, the Canton's population has grown more slowly since 2008, when there was a record increase of 16,206 people (+2.4%) driven by record net immigration of 14,063. Implementation of the "mass immigration" initiative, which was approved by a majority of voters in a nationwide referendum on 9 February 2014, could also affect Vaud's population growth in the next few years.

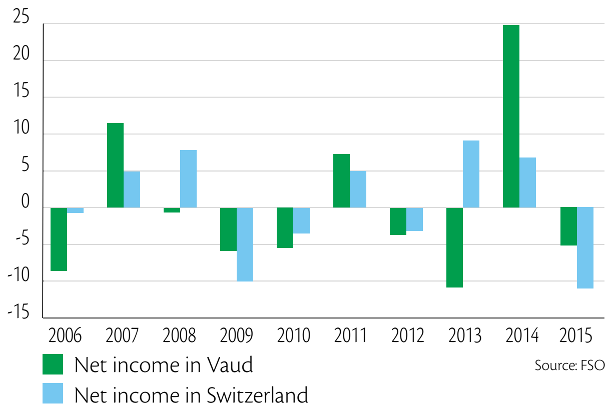
recovery and emerging markets should see their economies improve slightly. However, commodity-producing countries will continue to struggle. China's growth is not expected to accelerate.

The Swiss and Vaud economies will be influenced by the anemic global economy as well as by movements in the Swiss franc. SECO expects the franc to continue to weaken, and on that basis it is forecasting Swiss GDP growth of 1.5% in 2016, driven in particular by an upturn in exports. In Vaud, CREA expects GDP to expand 1.8%. Along with an improvement in the general economic climate, the Canton could also see a pick-up in wholesale and retail distribution.

Interest rates are unlikely to rise substantially in Europe – including Switzerland – over the next twelve months.

Farming income

as %



Source: FSO

Economic sectors in the Canton

Vaud Canton has a highly diversified economy, which enabled it to endure the difficult years of the global economic crisis and maintain healthy growth rates into 2014, and to cope fairly well with the impact of the SNB's decision to scrap the exchange-rate floor. Most of the Canton's main economic sectors held up relatively well in 2015, although to varying extents.

Primary sector

2015 was not as good as 2014 for Vaud's farmers. Data from the Federal Statistics Office (FSO) show that the value of farming output fell 3.7% to CHF 1.1bn in 2015, while total farm income was down 5.1% to CHF 323m. After a wet spring and a hot summer – the hottest in French-speaking Switzerland since records began in 1864 according to MétéoSwiss – harvests held up fairly well, coming in broadly stable to lower depending on weather conditions. Prices were under pressure, including in the milk and pork markets, which remained depressed.

Farmers' expansion plans were hampered further by a change in the tax regime regarding sales, transfers and changes in use of agricultural and forestry buildings located outside agricultural zones. Since a Federal Supreme Court ruling in 2011, they have no longer been taxed at a lower rate under rural legislation. Farmers across Switzerland have called for a return to the previous system. The Swiss government was drafting a bill at the time of writing, but a consensus has yet to be reached.

In the winegrowing industry, the volume of grapes harvested in 2015 corresponded to 21.8m liters of new wine, down 11.7% relative to 2014. However, this volume is higher than the 2013 figure, which was the lowest for more than three decades. Exceptional weather conditions meant that fungal diseases and pests such as the fruit fly (drosophila suzukii) had little impact, while hail damage was marginal. The only problem suffered by winegrowers was caused by a defective fungicide, which caused losses equal to around 5% of the total harvest. According to the Vaud Cantonal Office for Viticulture, 2015 is likely to be an exceptional vintage for the Canton's wines. The amount of wine cellared was well below the level of consumer demand. As a result, it is likely that market requirements will only just be met, since current inventories are very low after poor harvests in the previous two years.

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 by value of grain, industrial crops, potatoes and fresh vegetables, but is less active in the production of livestock and feed crops.

Secondary sector

2015 was a mixed year for the secondary sector. While exporters struggled with subdued foreign demand and the rise in the Swiss franc after the SNB's January decision, domestically-oriented firms were generally buoyed by Vaud's strong economy. According to the CVCI autumn 2015 survey, two thirds of companies found business trends at least satisfactory.

Manufacturing

"The Swiss franc is hurting business volumes in manufacturing" according to the late-2015 review of the Canton's various sectors by the Commission Conjoncture Vaudoise (CCV), which showed that manufacturers were under pressure following the scrapping of the exchange-rate floor. However, the CCV's manufacturing business-volume indicator remained broadly stable – although low – throughout the year. The indicator had already fallen sharply in 2014 because of the weakening global economy. Conditions were better for large and medium-sized businesses (those with at least 200 employees) and companies making food, machinery and transport equipment than for businesses with fewer than 200 employees and those active in precision instruments, metalworking, chemicals and plastics.

The decline in Vaud exports was limited to 2.6% in 2015, with some industries doing better than others. Food and pharma exports decreased in value terms, partly offset by increases in precision instruments, watches and machinery.

Construction

The soft landing in the real-estate market was accompanied by lower business levels in construction, and particularly in the residential segment. The CCV's construction business-

A decade after publishing *"Marché vitivinicole vaudois,"* its study of the Canton's wine industry, BCV's Observatoire de l'économie vaudoise published a new wine-industry study in 2015. The report, entitled *"Le beau menace? - Vitiviniculture vaudoise"* looks at recent changes in the industry and the challenges that winegrowers face. Vaud wine production halved between 1989 and 2014, partly due to the relaxation of rules restricting wine imports. However, the industry is dealing proactively with the new market landscape. In particular, it has adopted a number of initiatives to raise the profile of Vaud's wines among consumers, and wines made from chasselas grapes – the Canton's main wine crop – are making a comeback.

The study (available only in French) can be downloaded from the BCV website at www.bcv.ch.

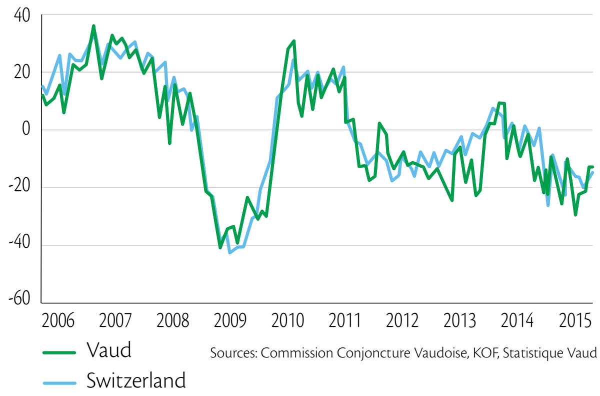
Structure of the Vaud economy

Sectors and segments	Share of Vaud GDP (2015)	Full-year growth (2006-2015)	Jobs (2013)	Share of total jobs (2013)
Primary sector	**1.0%**	**0.4%**	**13,177**	**3.1%**
Agriculture, forestry, hunting, fishing	1.0%	0.4%	13,177	3.1%
Secondary sector	**21.3%**	**2.5%**	**73,364**	**17.4%**
Food, textiles, leather, wood, paper	2.7%	1.5%	11,907	2.8%
Chemicals, pharmaceuticals, rubber, glass, metallurgy, etc.	6.5%	5.0%	11,631	2.8%
Machinery, instruments, watches, etc.	5.8%	1.8%	18,005	4.3%
Water and electricity production and distribution	1.8%	-0.4%	3877	0.9%
Construction	4.5%	2.2%	27,944	6.6%
Tertiary sector	**77.7%**	**2.4%**	**335,449**	**79.5%**
Wholesale and retail distribution, repairs, etc.	14.5%	2.7%	56,089	13.3%
Hotels and restaurants	1.6%	-0.2%	20,128	4.8%
Transport, postal services, telecommunications, publishing	5.3%	0.6%	23,227	5.5%
Finance and insurance	8.7%	2.8%	17,543	4.2%
Real estate, business services, etc.	15.8%	3.6%	79,271	18.8%
Government administration, healthcare, education, sports, etc.	24.2%	2.4%	132,657	31.4%
Other (including rental values)	7.6%	1.3%	6534	1.5%
Total Vaud GDP (after adjustments)	**100.0%**	**2.4%**	**421,990**	**100.0%**

Sources: CREA, FSO

Composite index of business sentiment in manufacturing

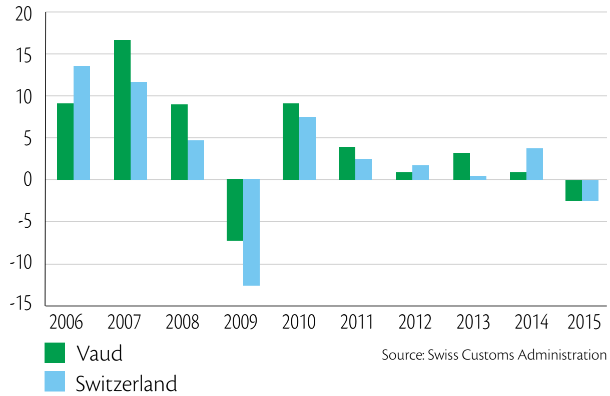
net positive responses



Sources: Commission Conjoncture Vaudoise, KOF, Statistique Vaud

Charge in exports by year

as %

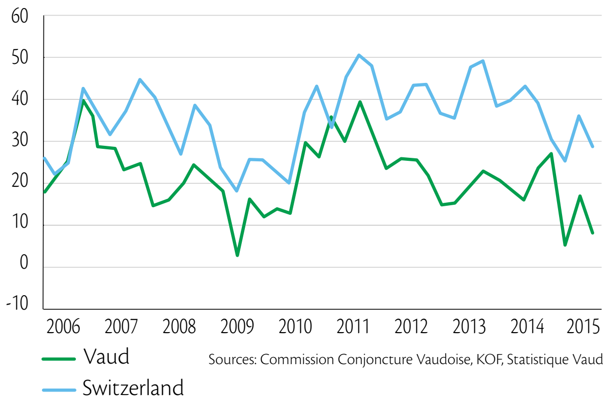


Source: Swiss Customs Administration

volume indicator showed a decline, but remained in positive territory. Structural works and civil engineering saw sharper falls than non-structural and technical fit-out work. Overall, prices remained under substantial pressure and companies reported mixed views on their order books. The number of people working in construction fell by 0.2% to an average of 27,375 in 2015.

Business sentiment in construction

net positive responses



Sources: Commission Conjoncture Vaudoise, KOF, Statistique Vaud

Tertiary sector

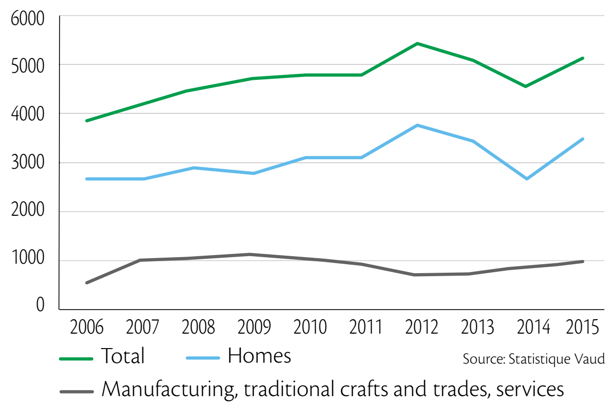
Wholesale and retail distributors, hotels and restaurants all suffered from the SNB's exchange-rate decision. However, other service companies enjoyed firm domestic demand. Echoing the optimism of the secondary sector, eight out of ten tertiary-sector companies surveyed by the CVCI last autumn were at least satisfied with current business trends.

Wholesale and retail distribution

2015 was a difficult year for wholesalers and retailers. Consumer confidence remained relatively weak, and more Swiss people shopped abroad. Consumers took advantage of the 10–15% increase in the euro value of their francs during the months following January's exchange-rate shift. Prices in Switzerland were also dragged down as the cost of imported products fell against a backdrop of widespread deflationary pressure. In early

Value of work from building permit applications in Vaud

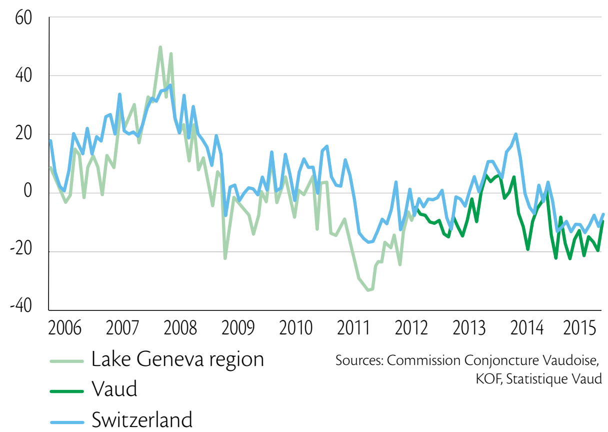
in CHF millions



Source: Statistique Vaud

Sales index in the retail sector

net positive responses



Sources: Commission Conjoncture Vaudoise, KOF, Statistique Vaud

2016, BAK Basel Economics AG, an economic research institute, estimated that Swiss retail sales shrank CHF 2bn or 2.3% in nominal terms last year, the largest decline for at least 35 years. In Vaud, a CCV survey showed weaker business levels and profits among wholesalers and retailers. Responses were more downbeat for large and medium-sized companies than for smaller firms.

Hospitality services

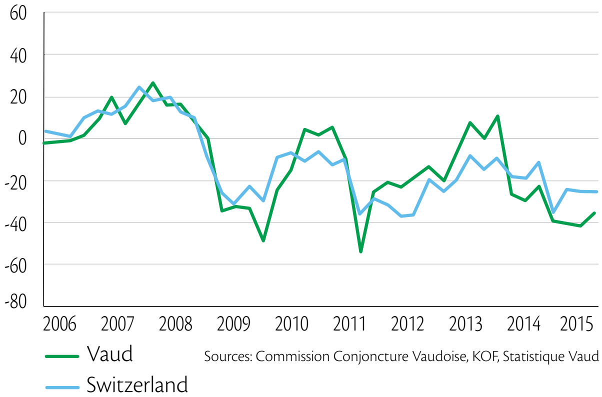
Hotels and restaurants saw a decline in business levels in 2015. Revenue fell as a result of persistently strong pricing pressure, although the number of overnight hotel stays rose 0.7%. Most of that increase was driven by Swiss guests and guests from far-flung countries; Vaud hotels saw less business from European visitors. Restaurants were affected by sluggish consumer spending. Although survey responses regarding customer traffic, revenue and profits improved slightly, indicators remained low.

Services

Business and personal services, which cover a variety of activities and form a large part of the Vaud economy, were supported by firm domestic demand. The business volume indicator remained in positive territory in 2015, close to levels seen in previous years. Only transport, communication and IT companies reported a decline in activity.

Sales index in the hotel and restaurant industry

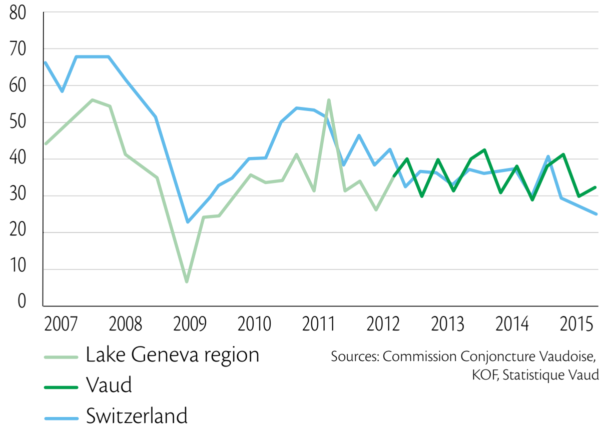
net positive responses



Sources: Commission Conjoncture Vaudoise, KOF, Statistique Vaud

Sales index in the services sector

net positive responses



Sources: Commission Conjoncture Vaudoise, KOF, Statistique Vaud

Regional roundup

The broad trends discussed in the previous pages were reflected in the various regions of Vaud Canton. However, each region has specific points worth mentioning.

Broye

Growth in economic activity slowed, due in particular to the overvalued Swiss franc. For example, construction projects at the Aéropôle de la Broye site in Payerne were delayed or pushed back several quarters. Although real-estate prices remained relatively stable, builders suffered from pricing pressure. Business levels declined in structural works and also in the transportation of building materials.

Chablais/Vaud Alps

Demographic trends continued to support the real-estate market in less tourist-driven areas. However, residential real-estate prices fell, as they did across Vaud. Activity in the the Vaud Alps real-estate market was limited. Tourism was weak because of a patchy start to the winter 2014–15 season and a summer affected by the strong franc. In the secondary sector, companies dealt relatively well with the overvalued Swiss franc, although margins shrank. Meanwhile, construction began on the Riviera Chablais hospital.

Gros-de-Vaud

Demographic trends continued to support business levels. Construction activity remained robust and order books stayed full as a number of small projects started before the implementation of Switzerland's amended regional planning act. Real-estate and land prices remained relatively stable, while prices came under pressure in the structural works segment. Manufacturing had a tough year because of the SNB's exchange-rate decision and increased foreign competition.

Lausanne

Several hotels opened in 2015, such as the renovated Royal Savoy in Croix-d'Ouchy and the Aquatis Hotel in Vennes. However business conditions were tough for the region's hotels because of the strong franc and problems in certain countries from which the region traditionally attracts visitors. Conferences and seminars helped support business volumes at hotels, although they were not immune to pricing pressure. The Lausanne region also saw progress on a number of major home-building and urbanization projects, while real-estate prices fell slightly in the region.

Lavaux

The real-estate market continued to slow in 2015. A large number of properties close to Lake Geneva were available in the mid-range and upscale segments, and it was harder than before to attract buyers for newly-built homes. After the summer, a similar trend was seen farther up from the lake, even though prices are lower there. That trend was partly caused by new rules that came into force between 2012 and 2014 requiring buyers to make larger downpayments and repay mortgages more quickly, and by a greater supply of available properties.

Morges

Construction companies had a good year, with a slowing but still solid real-estate market. Manufacturing subcontractors and exporters were hit by the SNB's exchange-rate decision. However, many companies took rapid action to adapt to the stronger Swiss franc, which helped to limit the adverse impact. Economic development areas such as Littoral Park in Etoy and the Aclens industrial area continued to grow but at a slower pace.

Nord Vaudois

The watchmaking industry saw slower growth in the second half of the year, which in turn affected its subcontractors. Manufacturers in export-driven segments like machinery, precision instruments and plastic injection, as well as manufacturers that supply exporters, made efforts to streamline and raise productivity, but they failed to offset the full impact of the strong Swiss franc. The region's real-estate market remained buoyant, due in particular to favorable demographic trends. For example, the population of Yverdon-les-Bains rose above 30,000 in 2015.

Nyon

The construction sector suffered from weaker sales of condominiums, but was still supported by large real-

Economic structure by BCV region

	Broye	Chablais	Gros-de-Vaud	Lausanne	Lavaux	Morges	Nord Vaudois	Nyon	Riviera
Population at end-2015	31,429	48,854	61,507	224,968	59,324	74,802	89,930	94,763	81,920
Population growth in 2015	+1.7%	+2.2%	+2.1%	+1.3%	+1.4%	+2.1%	+1.6%	+1.7%	+1.2%
Proportion of Canton's population	4.1%	6.4%	8.0%	29.3%	7.7%	9.7%	11.7%	12.3%	10.7%
Jobs (2013)	14,074	21,718	22,536	180,744	20,601	36,756	45,272	42,380	37,909
Proportion of Canton's jobs	3.3%	5.1%	5.3%	42.8%	4.9%	8.7%	10.7%	10.0%	9.0%
Jobs in the primary sector	10.5%	7.6%	7.0%	0.1%	6.2%	6.0%	5.7%	3.8%	1.5%
Jobs in the secondary sector	27.7%	22.6%	30.9%	11.5%	16.7%	21.3%	32.1%	15.1%	12.0%
Jobs in the tertiary sector	61.8%	69.8%	62.1%	88.4%	77.0%	72.7%	62.2%	81.1%	86.5%
Average unemployment in 2015	5.4%	5.1%	3.6%	6.4%	3.4%	4.0%	4.8%	3.9%	5.2%
Change in unemployment in 2015	+0.5%	-0.2%	+0.2%	+0.0%	-0.2%	+0.2%	+0.2%	+0.0%	+0.1%

Sources: Statistique Vaud, FSO, SECO

estate projects in Nyon, Gland and Rolle. Municipalities in the region initiated a number of construction projects, aimed particularly at improving educational facilities. The region's hotels were hit by lower guest numbers, caused by the strong franc and restrictions on companies' business travel budgets.

Riviera

Tourist activity was adversely affected by the removal of the exchange-rate floor, although lower guest numbers from Europe were partly offset by an increase in tourists from Asia and particularly China. Hotel capacity increased further with the construction of the Modern Times Hotel, which is partly designed to cater for people visiting the new Charlie Chaplin museum slated to open in spring 2016. The region also started preparing for the 2016 Federal Music Festival in Montreux and the 2019 Fête des Vignerons in Vevey. Finally, private schools and clinics did well despite the lackluster economic climate.

Year in Review

BCV in 2015

BCV Group delivered very solid 2015 results in an environment that remained mixed. The Vaud economy lost steam after the Swiss National Bank dropped the EUR/CHF floor rate and introduced negative interest rates at the beginning of the year. But our business volumes nonetheless rose. Trading volumes grew, spurred by the increase in customer-driven forex transactions. This more than offset the drop in interest income and fee and commission income. Operating expenses once again fell. Operating profit rose 5% to CHF 399m despite the costs relating to the settlement reached with the U.S. Department of Justice as part of the USA/Switzerland tax program; the settlement marked the end of a long process. Extraordinary income came in at CHF 29m, mainly due to the sale of our stake in Swisscanto. This helped drive net profit up 14% to CHF 336m.

In 2015, we also pressed ahead with our new strategic phase, *stratégie2018*, which builds on our previous strategy while also taking account of changes in the market and regulatory environment. In this phase, we aim to improve our internal processes, make impeccable service quality our differentiating factor and enhance our various customer touch points, particularly by further developing our online services.

A mixed economic environment

Global economic growth slowed to 3.1% in 2015 owing to weakness in emerging markets. In addition, the Vaud economy and that of Switzerland as a whole were hampered by the rise in the Swiss franc after the Swiss National Bank dropped the EUR/CHF currency floor on 15 January 2015. Export sectors, tourism and trade, together with sectors that face competition from imported products all experienced downward pressure on prices and earnings. The Vaud and Swiss economies nevertheless proved resilient and avoided a recession.

In the offshore private banking business, the automatic exchange of tax information became an international standard and implementation work began. As part of this process, Switzerland signed agreements with the European Union and Australia. However, as BCV is primarily focused on the onshore market, we are less affected by this issue than other banks.

There were further signs of cooling in the Vaud real-estate market. Prices for condominium apartments and single-family homes fell in 2015. While Vaud real-estate prices rose faster than the Swiss average from 2008 to 2012, the growth rate was below the national average in 2015 for the third year in a row.

Continued growth in customer-driven business volumes

Mortgage lending rose 2% (+CHF 477m) to CHF 24.5bn. Other loans were down 13% to CHF 4.9bn. On the liabilities side, the expansion in customer deposits continued, with a rise of 1% (+CHF 345m) to CHF 28.9bn. Total assets were up 4% to CHF 43.4bn.

Group assets under management grew 2% (+CHF 1.6bn) to CHF 88.0bn. Net new money for the period amounted to CHF 2.5bn. This figure reflects onshore fund inflows of CHF 3.6bn and the expected outflows of offshore funds (–CHF 1.1bn).

Financial results

Total revenues were up 2% year on year to CHF 1.03bn. In an environment marked by negative interest rates, net interest income before loan impairment charges/reversals fell 3% to CHF 489m. As loan impairment reversals were lower than in 2014, net interest income fell 6% to CHF 490m. Fee and commission income edged down 3% to CHF 332m. Net trading income, however, jumped 41% to CHF 151m. This rise was spurred by an increase in customer-driven forex trading caused by the renewed volatility in the Swiss franc after the EUR/CHF floor was dropped. Other ordinary income increased 33% to CHF 53m, owing to a financial-asset disposal and a one-off dividend paid by SIX Group Ltd.

Operating expenses once again edged down, declining 1% to CHF 514m. Personnel costs fell 1% to CHF 337m and other operating expenses were also down 1% to CHF 177m. Depreciation and amortization decreased 5% to CHF 76m. Despite the costs relating to the settlement reached with the U.S. Department of Justice as part of the USA/Switzerland tax program, operating profit rose 5% to CHF 399m.

Extraordinary income came in at CHF 29m, mainly due to the sale of our stake in Swisscanto, which helped drive net profit up 14% to CHF 336m.

Our cost/income ratio improved, declining from 60% to 57%. In an environment marked by negative interest rates, our net interest margin fell to 1.14%, down from 1.22% in 2014. Shareholders' equity rose 2% to CHF 3.4bn. The Group's Core Equity Tier 1 (CET1) ratio at 31 December 2015 was 17.6%. Return on equity increased to 10.1% thanks to the rise in net profit.

Business sector overview

Retail Banking

Our Retail Banking business continued to grow in 2015, even though the real-estate market slowed and interest rates fell to historically low levels in early 2015 and remained there for the rest of the year. The mortgage book expanded by 2.4% to CHF 7.6bn, and customer deposits were up 1.6% to CHF 8.4bn. Sector revenues rose 6.9% to CHF 187m, driven in particular by a high level of forex business. Operating profit was up 74% to CHF 35m. Retail Banking also carried out several projects to enhance customer service as part of our *stratégie2018* strategic phase.

Corporate Banking

Corporate Banking's business development showed mixed trends in 2015. Vaud SMEs held up very well against the difficulties caused by the Swiss franc's rise against the euro. However, our Trade Finance business continued to suffer from low volumes and falling commodity prices. Lending and commitments fell by 4.7% to CHF 14.7bn, while deposits grew by 6.7% to CHF 8.1bn. The Sector's revenues rose 6.0% to CHF 232m, and operating profit was up 10% to CHF 127m. Net new provisioning needs were low, attesting to the quality of our corporate loan book.

Wealth Management

Our Wealth Management Sector experienced different business trends across its various segments in 2015. Offshore private banking, where the regulatory environment is undergoing major change, continued to decline, while onshore private and institutional wealth management saw firm business growth, including in German-speaking Switzerland. Assets under management were up 1% to CHF 68.3bn, and mortgage lending increased 4.2% to CHF 7.2bn. The Sector's revenues rose 1.1% to CHF 335m, and operating profit was up 15% to CHF 106m.

Trading

Currency trading had a record year after the SNB's surprise announcement on 15 January that it was scrapping the EUR/CHF floor rate. In response to renewed volatility, many customers contacted the trading room to buy foreign currencies on a spot basis, or to arrange hedging. The structured products business also performed well, with a high level of customer-driven issuance activities. Trading revenues jumped 35% to CHF 67m, and operating profit rose 72% to CHF 39m. Risk levels stayed very low, as our trading activities are focused primarily on customer-driven transactions.

Highlights of the year

Dividend payment and special distribution

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 until 2018.

In 2015, we maintained our dividend and capital-management policy for the eighth consecutive year. In April, 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 2015. For the 2007 to 2014 financial years, BCV returned a total of over CHF 2.3bn to its shareholders.

Credit ratings

Standard & Poor's reaffirmed our long-term rating of AA, which was first assigned in 2011. Moody's raised our long-term rating by two notches, from A1 to Aa2, with a stable outlook, and our stand-alone rating by one notch, from a3 to a2.

USA/Switzerland tax program

Like close to 80 other Swiss banks, BCV signed a non-prosecution agreement with the U.S. Department of Justice concerning BCV's participation as a category 2 financial institution in the 2013 USA/Switzerland tax program. Under the terms of the agreement, BCV paid a settlement of USD 41.7m, an amount that was fully covered by existing provisions. This marked the end of a process that began more than two years ago.

Sale of our share in Swisscanto

We sold our 7.3% stake in Swisscanto, the cantonal banks' joint investment-fund venture, to Zürcher Kantonalbank (ZKB). This sale was part of a deal under which all the cantonal banks sold their holdings in Swisscanto to ZKB. The transaction did not affect BCV clients who hold or wish to purchase Swisscanto fund units. The sale took place in Q1 2015 and boosted net profit by approximately CHF 18m. BCV is one of the custodian banks for Swisscanto funds, with roughly CHF 10bn in Swisscanto assets. BCV's role as custodian will change as from 2016, but this will have no material impact on our results.

Changes within the Board of Directors

At the Annual Shareholders' Meeting on 23 April 2015, Reto Donatsch was reappointed to the Board of Directors for a further four-year term of office, in accordance with BCV's Articles of Incorporation.

Last year, the Vaud Cantonal Government appointed Peter Ochsner to BCV's Board of Directors. Mr. Ochsner will take up his position on 1 July 2016. His extensive auditing experience and excellent knowledge of the banking sector will be a great asset to the Board. He will replace Stephan A. J. Bachmann, who has reached the age limit specified in the Cantonal Act Governing the Organization of BCV and will therefore step down at the end of the Annual Shareholders' Meeting on 21 April 2016.

New Swiss accounting rules for banks

BCV's 2015 financial statements are published in accordance with the new Swiss accounting rules for banks, which came into force for the 2015 reporting period. As a result of these new accounting rules, we will now report our financial results on a half-yearly rather than a quarterly basis, which means that only results at 30 June and 31 December will be released. The information-exchange agreement between the Bank and the Vaud Cantonal Government has been revised to take account of this change; the new version took effect on 1 January 2016.

Key projects and investments

Stratégie2018

The Bank's new strategic phase – *stratégie2018* – aims to continue developing all of the Bank's business lines. We will also work to improve our internal processes, making impeccable service quality our differentiating factor and ensuring our business lines keep pace with the fast-changing regulatory environment. In response to new trends in consumer behaviors, we are also seeking enhanced integration among our customer touch points – our branch offices, ATMs, call centers, online banking, and apps for smartphones and tablets.

In 2015, we provided all BCV employees with a full day of training to help instill a bank-wide culture and vision geared towards excellence in customer service. The training was organized in partnership with the EHL, the renowned Lausanne school of hotel management. We launched our new, more streamlined and user-friendly website in April 2015 and added new features – such as a personal money manager, P2P mobile payment solution and new identification system – to BCV-net, our online banking platform.

FATCA agreement

On 14 February 2013, Switzerland and the USA signed a FATCA (Foreign Account Tax Compliance Act) implementation agreement under which the IRS will obtain identifying information on all bank accounts held abroad by U.S. taxpayers. This agreement, a unilateral initiative of the U.S. government, applies to all financial institutions worldwide. As a participating financial institution, BCV complies with the obligations contained therein. Our Global Intermediary Identification Number (GIIN) is shown on the back cover of this report.

Investments

In each of the past three years, we invested between CHF 50m and CHF 70m in infrastructure, equipment and IT maintenance and development.

Outsourcing of services

We once again entrusted the IBM banking IT center in Lausanne to carry out activities that include data storage, operating and maintaining databases, operating IT systems, and printing and mailing banking documents. This form of IT systems management meets the legal requirements relative to outsourcing. The maintenance and development of our Osiris banking platform are handled in-house.

In addition, BCV uses valuation models supplied by Wüest & Partner (hedonic valuation functions for private residential properties and a capitalization valuation model for income-producing real estate). Our contract with Wüest & Partner complies with the legal requirements for the outsourcing of data storage.

Strategy and outlook

We aim to keep up the positive trend in our various businesses, even as the environment remains challenging for banks.

For the business lines, we are targeting:

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

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

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

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

Financial targets

In today's low-interest-rate environment, we are seeking sustainable growth, with revenues and operating profit trending along the same lines as in recent years. Our 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 targets should be viewed from a long-term 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 early 2013, we plan to maintain this distribution level for five years, barring any 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 is a private bank with offices in Geneva, Nyon, Lausanne, Neuchâtel and Yverdon-les-Bains. Its advisors put their expertise in areas such as wealth management, retirement planning and financial planning to work for clients, helping them to achieve their goals.

In 2015, Piguet Galland's operating expenses were reduced by CHF 2m, which helped keep operating profit before depreciation, amortization and provisions at CHF 13m. AuM came in at CHF 6bn.

Last year, Piguet Galland signed a non-prosecution agreement with the U.S. Department of Justice and paid a settlement of USD 15.4m.

Gérifonds SA

Gérifonds SA is the fund manager for BCV and nine other fund distributors. In 2015, assets of funds under management rose 9% to CHF 11.0bn – another record level. Gérifonds launched six new funds for the cantonal banks of Geneva, Valais and Fribourg; the partnership with Fribourg Cantonal Bank was new last year. Existing funds also saw high net inflows of capital. The combination of these factors resulted in total net new money of CHF 1.2bn for the year. At end-2015, Gérifonds managed 112 funds, 63 of which were registered in Switzerland and 49 in Luxembourg.

Gérifonds' 2015 revenues were stable at CHF 13m, while net profit fell 20% to CHF 2m.

GEP SA

GEP SA manages the Fonds Immobilier Romand (FIR), a real-estate fund launched in 1953. FIR has a portfolio of close to 3,800 properties situated in prime, mainly urban, locations across French-speaking Switzerland. The fund's strategy is to develop high-quality housing at attractive prices in order to ensure stable returns for investors.

In 2015, FIR recorded a further rise in total assets to CHF 1.1bn (+3.9%) and income of CHF 66m (+1.7%). As a result, FIR distributed CHF 3.90 per fund unit, representing a direct return of 2.3% for unitholders. In 2015, FIR generated a total return of 15.9%.

Year in Review
Business Sector Reports

Retail Banking

- **Our Retail Banking business continued to grow in 2015, even though the real-estate market slowed and interest rates fell to historically low levels in early 2015 and remained there for the rest of the year.**
- **The mortgage book expanded by 2.4% to CHF 7.6bn, and customer deposits were up 1.6% to CHF 8.4bn.**
- **Sector revenues rose 6.9% to CHF 187m, driven in particular by a high level of forex business. Operating profit was up 74% to CHF 35m.**
- **Retail Banking also carried out several projects to enhance customer service as part of our *stratégie2018* strategic phase.**

Business and strategy

In 2015, Retail Banking employed 382 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 230 ATMs across the Canton, a highly efficient call 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 43% 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 provide advice to customers in all phases of their lives, offering ongoing support through our broad array of products and services.

Retail Banking's experienced management and wide product range also make it a key training ground for BCV's staff. Many employees working in BCV's other business areas started their careers as trainees, interns or employees in Retail Banking. Retail continues to fulfill this role and frequently transfers staff to BCV's other divisions.

Market and competitive environment

Although the overall environment was tough, Vaud Canton's gross domestic product (GDP) grew an estimated 0.9% in 2015 according to the latest CREA figures, in line with the growth rate for the Swiss economy as a whole.

The Swiss National Bank pushed interest rates further into negative territory in early 2015, but we did not pass the negative rates on to our retail customers. We cut interest rates on most savings accounts to close to zero, but not below.

The SNB's decision to drop the EUR/CHF floor rate triggered an immediate upswing in the Swiss franc and renewed volatility in the franc's exchange rate against other major currencies. As a result, many consumers decided to make purchases abroad and buy foreign currencies, particularly euros for people here in Vaud.

In a cooling real-estate market, with prices and transaction volumes both headed downwards, growth in our mortgage book also flattened out.

2015: business report

Retail Banking maintained its momentum in 2015, with further growth in business volumes. The mortgage book expanded by 2.4% to CHF 7.6bn, fully in line with the target of controlled growth set in 2012. Customer deposits were up 1.6% to CHF 8.4bn.

Revenues showed an increase of 6.9% to CHF 187m, and operating profit was up 74% to CHF 35m.

We pressed ahead with several projects to enhance service quality in 2015, including efforts to improve call handling in our Customer Service Center. The results were very encouraging and much appreciated by our customers, with satisfaction levels remaining durably high. Our www.bcv.ch website underwent a total overhaul, making it simpler and more user-friendly. We also launched our new BCV EXTRA campaign in partnership with Vaud Canton's tourist office. This enables holders of BCV Maestro cards to get discounts and special deals on an array of leisure activities across the Canton, including sports, culture, heritage sites, and restaurants. Customers can view all offers via a dedicated smartphone app.

2016: objectives and outlook

In 2016, Retail Banking will continue implementing various initiatives to deliver an improved customer experience embracing all distribution channels. Through our close ties with customers and highly professional approach, we aim to maintain our position as the bank of choice for the people of Vaud, while continuously adapting to customers' changing behaviors and market trends. Our advisors, both at branches and in our call center, will be even more proactive. We are in the process of developing our multichannel banking services significantly, introducing new features including an online and mobile personal money manager, enhanced security for log-in authentication, and BCV Paymit – our new P2P mobile payment solution.

Corporate Banking

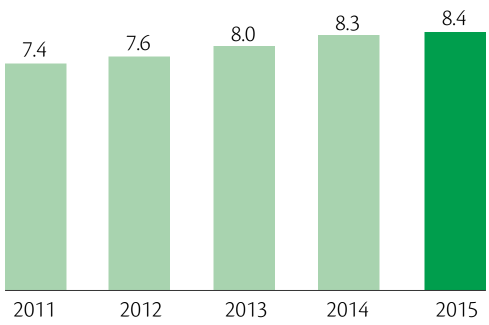
2011–2015 financial data

Mortgage loans

in CHF billions

Customer deposits

in CHF billions



Key figures

	2015	2014
Total revenues (CHF millions)	186.7	174.6
Operating profit (CHF millions)	35.2	20.3
Cost/income ratio (excluding goodwill amortization and write-downs)	79%	86%
ROE (based on net profit)	13.6%	6.9%
Headcount	382	386

2014 figures were adjusted to facilitate like-for-like comparisons

- **Corporate Banking's business development showed mixed trends in 2015. Vaud SMEs held up very well against the difficulties caused by the Swiss franc's rise against the euro. However, our Trade Finance business continued to suffer from low volumes and falling commodity prices.**
- **Lending and commitments fell by 4.7% to CHF 14.7bn, while deposits grew by 6.7% to CHF 8.1bn.**
- **The Sector's revenues rose 6.0% to CHF 232m, and operating profit was up 10% to CHF 127m.**
- **Net new provisioning needs were low, attesting to the quality of our corporate loan book.**

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 is continuing to expand its SME customer base in order to consolidate its already-strong presence in the Vaud economy. More than half of the Canton's SMEs bank with BCV, and BCV has relationships with 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, and is working to grow its business in refined petroleum products. The Sector focuses on certain key markets and systematically monitors all of its trade finance transactions.

Market and competitive environment

Throughout 2015, Vaud SMEs proved adept at dealing with the difficulties arising from the strong Swiss franc and, to a lesser extent, ongoing low interest rates. The Vaud real-estate market slowed for the second consecutive year, with lower asking prices and fewer transactions.

Negative interest rates had a major impact on the behavior of large corporations, which sought to maximize returns on their cash.

Commodity prices fell again in the summer because of uncertainty regarding China and an excess supply of certain raw materials. The trade finance business remained under pressure, in terms of both prices and transaction volumes.

2015: business report

With companies still flush with cash and interest rates remaining negative throughout 2015, businesses made less use of bank loans and sought the best return on their cash. Business volumes fell, with lending down 4.7% to CHF 14.7bn. Deposits rose 6.7% to CHF 8.1bn.

In the SME segment, lending edged up 0.3%, while loans to Large Corporates fell again in 2015. Large corporations sought to shuffle their surplus cash among banks offering the best interest rates, which led to high volatility. Trade Finance business volumes remained low, due in particular to excess capacity in the global steel industry and the international geopolitical situation.

However, wider margins drove the Sector's revenues up 6.0% to CHF 232m and operating profit up 10% to CHF 127m.

Once again in 2015, credit-risk provisions in Corporate Banking were well below long-term average values.

2016: objectives and outlook

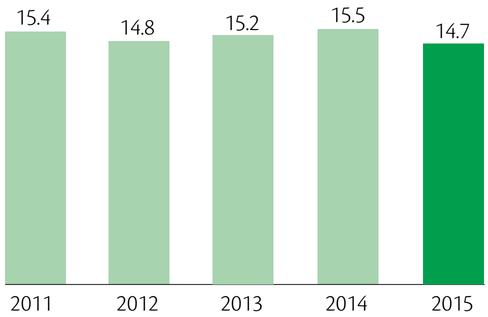
In 2016, growth is expected to strengthen but economic conditions are likely to remain tough, with low interest rates and a Swiss franc that many regard as overvalued. More than ever, Corporate Banking will maintain maximum responsiveness to the needs of its SME customers, continuing to stand with them 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.

2011–2015 financial data

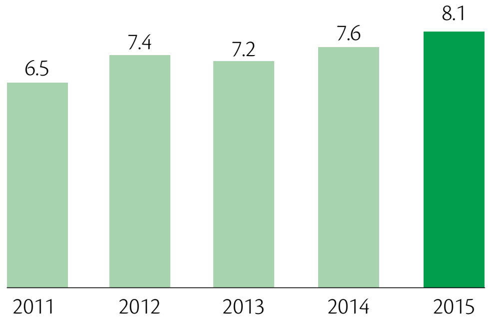
Lending and off-balance-sheet commitments

in CHF billions



Customer deposits

in CHF billions



Key figures

	2015	2014
Total revenues (CHF millions)	231.9	218.7
Operating profit (CHF millions)	126.8	115.3
Cost/income ratio (excluding goodwill amortization and write-downs)	39%	40%
ROE (based on net profit)	8.2%	7.3%
Headcount	186	184

2014 figures were adjusted to facilitate like-for-like comparisons

Wealth Management

- **Our Wealth Management Sector experienced different business trends across its various segments in 2015. Offshore private banking, where the regulatory environment is undergoing major change, continued to decline, while onshore private and institutional wealth management saw firm business growth, including in German-speaking Switzerland.**

- **Assets under management were up 1% to CHF 68.3bn, and mortgage lending increased 4.2% to CHF 7.2bn.**

- **The Sector's revenues rose 1.1% to CHF 335m, and operating profit was up 15% to CHF 106m.**

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 571 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 agreements 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 99.7%-owned subsidiary of BCV. It was created following the merger between Banque Piguet & Cie SA and Banque Franck Galland & Cie SA, which BCV acquired in 2011. It operates out of Geneva, Lausanne, Yverdon-les-Bains, Nyon and Neuchâtel. Piguet Galland & Cie SA aims to be one of the leading wealth managers in French-speaking Switzerland, offering an exclusive, high-end service.

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

GEP SA, founded in 1953, is a wholly owned subsidiary of BCV. It has unique expertise in real-estate fund management. It manages Fonds Immobilier Romand (FIR), a Swiss-registered real-estate fund listed on the SIX Swiss Exchange that invests exclusively in residential properties in French-speaking Switzerland.

Market and competitive environment

Stock markets held up relatively well last year against a background of low interest rates and highly accommodative policies designed to stimulate economic activity.

Swiss banks active in wealth management continued to adjust their business models to the far-reaching changes underway. All banks that chose to take part in the U.S. Department of Justice's program for Swiss banks signed non-prosecution agreements. However, other major challenges lie in store for the wealth management industry, including the automatic exchange of information and investor protection rules.

2015: business report

For the Wealth Management Sector, the trend observed in recent years continued in 2015: there was solid business growth in the onshore business, but outflows in the offshore business, as expected.

Institutional asset management saw firm growth and substantial inflows, particularly in German-speaking Switzerland, which accounted for around one third of all new money in that business.

In 2015, the Sector's assets under management grew 1% to CHF 68.3bn. Although the real-estate market slowed, the mortgage book grew 4.2% to CHF 7.2bn last year. Wealth Management's revenues rose 1.1% to CHF 335m, and operating profit was up 15% to CHF 106m.

2016: objectives and outlook

In 2016, we will press ahead with our growth strategy in onshore wealth management, aiming to remain a market leader in Vaud Canton.

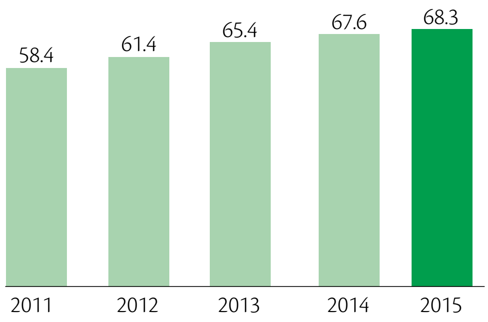
In institutional asset management, we will continue to grow our business in German-speaking Switzerland through our representative office in Zurich. As a creator and distributor of investment products, Asset Management will continue to design its investment strategies with a sharpened focus on the risk/return profile. The product range will be expanded in an effort to offer investors a more diverse choice of regions, asset classes and investment styles.

Piguet Galland & Cie SA's management is continuing its efforts to generate synergies with BCV, capitalizing fully on work done at the parent company. It is also aiming to develop its business in French-speaking Switzerland's wealth management market.

2011–2015 financial data

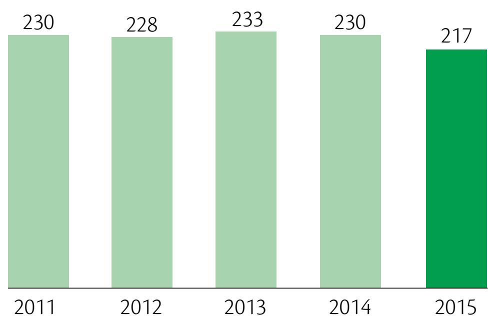
Assets under management

in CHF billions



Fee and commission income

in CHF millions



Key figures

	2015	2014
Total revenues (CHF millions)	335.3	331.7
Operating profit (CHF millions)	105.9	91.7
Cost/income ratio (excluding goodwill amortization and write-downs)	66%	68%
ROE (based on net profit)	26.2%	23.8%
Headcount	571	586

2014 figures were adjusted to facilitate like-for-like comparisons
2011-2012 figures for assets under management were adjusted to exclude custody-only assets

Trading

- **Currency trading had a record year after the SNB's surprise announcement on 15 January that it was scrapping the EUR/CHF floor rate. In response to renewed volatility, many customers contacted the trading room to buy foreign currencies on a spot basis, or to arrange hedging.**

- **The structured products business also performed well, with a high level of customer-driven issuance activities.**

- **Trading revenues jumped 35% to CHF 67m, and operating profit rose 72% to CHF 39m.**

- **Risk levels stayed very low, as our trading activities are focused primarily on customer-driven transactions.**

Business and strategy

We aim to meet our customers' trading needs and to offer them a broad array of products and services. To achieve this, we have one of the largest trading 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 the Bank's risk levels are low.

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

Unlike previous years, 2015 was a difficult period for stock markets. In particular, major indexes suffered a correction in August due to the stock-market crash in China and concerns about the Chinese economy. In Switzerland, the SMI index – made up of SIX Swiss Exchange's leading stocks – had already undergone a correction in January after the SNB scrapped its currency floor. It later rebounded, but ultimately ended the year down 1.8%. In the USA, the S&P 500 fell 0.7%. But the biggest loser was the MSCI emerging-markets index, which slumped 17.0%. On the plus side, the Euro Stoxx 50 eurozone blue-chip index gained 3.8%, reflecting the gradual upturn in the European economy. Although market returns varied, trading volumes rose in general and by 24% for the SIX Swiss Exchange specifically.

In the forex market, the main event of the year was the SNB's decision to drop the EUR/CHF floor rate on 15 January. Immediately after the announcement, the Swiss franc gained more than 35%, with the value of one euro falling from CHF 1.20 to CHF 0.8597. The euro ended the year at CHF 1.08, a decline of 9.5%. The dollar rose above levels seen in recent years, moving from CHF 0.99 at the end of 2014 to CHF 1.00 at the end of 2015.

2015: business report

Our currency trading business grew strongly relative to 2014, mainly due to renewed volatility in the forex market after the SNB's January decision, but also because our strengthened sales force was successful in attracting new clients. Issuance of structured products also saw firm growth in 2015.

Overall, trading revenues rose sharply relative to 2014, climbing 35% to CHF 67m, while operating profit surged 72% to CHF 39m.

The Sector's risk profile remained very low, with VaR (1-day, 99%) of CHF 0.37m at 31 December 2015.

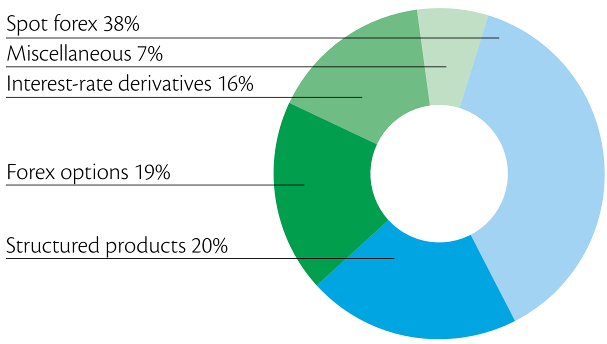
2016: objectives and outlook

The Trading Sector will further develop its range of services to focus on customers' core trading needs in 2016. Our products for both hedging and investment purposes will continue to meet strict transparency criteria.

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.

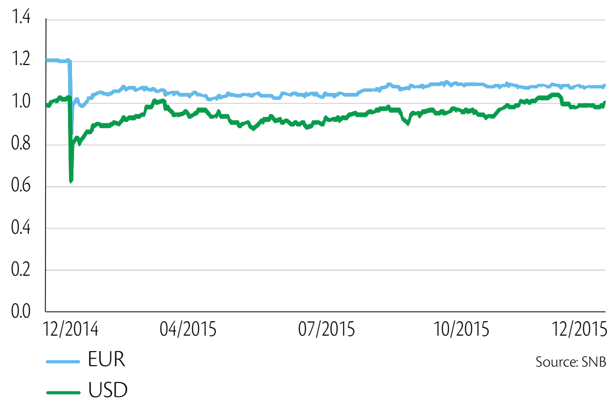
2015 financial data

Breakdown of trading income by market segment



Exchange rates

versus CHF



Key figures

	2015	2014
Total revenues (CHF millions)	67.2	49.7
Operating profit (CHF millions)	38.6	22.5
Cost/income ratio (excluding goodwill amortization and write-downs)	41%	54%
ROE (based on net profit)	27.3%	22.6%
Headcount	58	57

2014 figures were adjusted to facilitate like-for-like comparisons


El alfabeto
Cc
CHch
Dd
el chocolate
el dedo
Gg
Hh


figuras geomét

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 economic profit. Indirectly, this entails exposure to operational risk. BCV manages these risks in an integrated and coherent manner, using a process that encompasses all of the Bank's activities. The goals of the risk management process at BCV are to ensure that:

- BCV's risk exposure is evaluated, monitored and reported in a manner that is appropriate to the economic and regulatory environment
- BCV's risk-taking capacity is in line with its risk profile
- BCV earns optimal returns on the risks that it takes and hence on the equity capital committed.

1.2 Principles

Risk management at BCV is based on the following ten principles:

1. BCV takes on strategic and business risk, credit risk and market risk with the aim of generating economic profit.
2. BCV seeks to minimize its exposure to the operational risk it is exposed to as a result of its activities.
3. Every risk that BCV takes must fall clearly within the purview of the Bank's businesses and be in line with the targeted risk profile.
4. The level of risk taken by BCV is in keeping with its risk tolerance with regard to net profit fluctuations and the targeted level of share capital.
5. BCV takes and maintains positions only when it knows the risks and is able to manage them.
6. BCV assesses and monitors all risks for their potential financial impact (decreases in profit and/or in share capital), regulatory impact (that could lead to restrictions on the right to conduct business), and impact on the Bank's reputation.
7. The same definitions, the same methodological approaches and the same organizational principles are applied in managing risk bank-wide.
8. BCV continually refines its methods and its risk assessment and monitoring processes, selecting the most appropriate approach for each set of risks taken.
9. BCV pursues a culture of risk management and aims to be highly skilled in this field. The Bank follows industry best practices and the recommendations of the Basel Committee.
10. BCV strives for full in-house expertise in all the risk management models and tools that it uses.

1.3 Classification of risks

BCV monitors four categories of risk in all of its activities:

- **Strategic and business risk**, which arises from economic or regulatory changes that could have an adverse effect on the Bank's strategic choices in the case of strategic risk, or from competitive changes that could have an adverse effect on business decisions for a given strategy in the case of business risk.
- **Credit risk**, which arises from the possibility that a counterparty may default. Credit risk exists before and during the unwinding of a transaction.
- **Market risk**, which arises from potential adverse changes in market parameters, particularly prices, implied volatility and other market base effects (e.g., correlation between asset prices and market liquidity). Liquidity risk, both in terms of possible difficulties with the structural funding of activities and potential problems with short-term liquidity management, is also deemed to be a component of market risk.
- **Operational risk**, which arises from a possible inadequacy or failure relating to processes, people and/or information systems within and outside the Bank. Operational risk includes the risk of non-compliance, i.e., the risk of the Bank breaching legal requirements, standards and regulations.

BCV analyzes and manages these risks on the basis of their potential impact. Three kinds of impact are considered:

- The financial impact, that is, a decrease in the Bank's net profit, the book value of its capital and/or the economic value of its capital.
- The regulatory impact, that is, intervention by the regulators in the form of inquiries, sanctions, increased monitoring or a restriction on banking activities.
- The reputational impact on the image that the Bank projects to the outside world.

1.4 Governance

All risks in all areas of the Bank are managed according to the same basic principles of governance and organization. The main responsibilities in the area of risk management may be summarized as follows:

- The Board of Directors establishes BCV's fundamental risk management principles and decides the strategy it will pursue in taking on risk.
- The Audit and Risk Committee ensures that risk management at BCV is implemented and operational, as decided by the Board of Directors.
- The Executive Board is responsible for ensuring that risk management procedures are implemented and operational, and for monitoring the Bank's risk profile. It monitors strategic and business risk and supervises the Executive Board Risk Management Committee in monitoring and reporting these risks. The committee is chaired by the Chief Financial Officer (CFO), and includes the CEO, other division heads, and the head of the Risk Management Department.
- Division heads are responsible for conducting and monitoring the activities of their divisions, regardless of whether the division has a front-line, steering or business-support role. They have initial responsibility for overseeing, identifying and managing the strategic, business, credit, market and operational risks arising from the activities of their divisions.
- The CFO also assumes the role of Chief Risk Officer. The CFO, with the support of the Risk Management Department, which reports to 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.
- The Credit Management Division, under the Chief Credit Officer (CCO), is responsible for analyzing risk for all types of credit risk assumed by the Bank and, up to the limit of its approval authority (see below), for credit decisions, as well as for monitoring risk exposures on a counterparty basis.

1.5 Risk Management Department

The Risk Management Department's mission is to develop and continually improve the Bank's methods and principles for managing credit, market and operational risk, to enhance the Bank's internal control system, to monitor the Bank's risk profile, and to oversee and execute risk reporting. The Risk Management Department ensures that the Bank's internal control system is properly implemented and in keeping with the Bank's needs; the Department is also in charge of submitting all risk reports to the Bank's governing bodies. Finally, the Department is 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 below.

BCV risk profile

		31/12/12	31/12/13	31/12/14	31/12/15
BCV Group capital adequacy[1]	• FINMA risk-weighted assets (CHF billions)	20.2	16.4	16.8	16.6
	• FINMA capital ratio	14.4%	17.9%	17.2%	17.7%
	• BIS risk-weighted assets (CHF billions)	15.8	16.4	16.8	16.6
	• BIS Tier 1 capital ratio	18.4%	17.8%	17.1%	17.6%
	• BIS Total capital ratio	18.4%	17.9%	17.2%	17.7%
Non-impaired loans (parent company)	• Customer loans, on and off balance sheet[2] (CHF billions)	28.9	29.8	30.8	30.3
	• Expected loss ratio (relative to amount drawn)	13 bps	13 bps	13 bps	14 bps
Impaired loans (parent company)	• Impaired loans[3] (CHF billions)	0.4	0.3	0.2	0.2
	• As a % of total customer loans and due from banks	1.2%	0.9%	0.7%	0.6%
	• Specific provisioning ratio	41%	41%	34%	36%
Market risk on the trading book (parent company)	• Trading Dept.: VaR[4] (CHF millions, 1-day, 99%)	0.3	0.2	0.2	0.3
	• Asset mgt. nostro portfolio: VaR[4] (CHF millions, 180-day, 99%)	3.0	1.9	0.8	0.8
Market risk on the banking book (parent company)	• VaR (% of economic value of equity capital, 90-day, 99%)	3.4%	4.2%	4.8%	5.3%
Operational risk (parent company)	• New provisions and direct losses (CHF millions)[5]	1.7	24.3	26.8	20.6

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
5) Including gains and changes in provisions

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 Risk Management Department, and on assessments by credit analysts. Some low-risk forms of lending, such as standard mortgage loans, are directly approved by the front office on the basis of scores obtained from rating models defined by the Risk Management Department.

Approval limits for customer lending are based on the amount of the loan and the level of expected loss. Depending on the magnitudes of these two factors, a loan may require the approval of an analyst, a sector credit committee, the CCO, the Executive Board Credit Committee or the Board of Directors. Approval limits are specified in the Bank's lending policy rule book, which is validated by the Board of Directors.

Analysis of default risk

Assessing a counterparty's default risk is the centerpiece of credit-risk analysis. Each counterparty is assigned an internal default rating that reflects its probability of default. The Bank applies seven main ratings, which are divided into a further 17 clearly defined sub-ratings. Default-risk assessment consists of applying a rating model and supplementing this evaluation with analysts' assessments, which are based on established guidelines and criteria. Different rating models are used for counterparties with different characteristics, but the choice of rating model for a particular counterparty is governed by strictly defined considerations. 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 Risk Management Department and are subject to independent validation and continuous improvement.

Analysis of collateral

For any loan, the calculated loan-to-value ratio and expected loss given default depend directly on the valuation of the collateral. Collateral is valued according to current market conditions and the assessments of real-estate experts. The valuation is reviewed at predetermined intervals and whenever certain clearly defined events occur. The Bank determines the value of real estate in accordance with the recommendations of the Swiss Bankers Association. Single-family homes are valued using a 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 or replacement cost, the administrative cost and the expected loss. Expected loss is determined as a function of the counterparty's probability of default (i.e., its internal counterparty default rating) and the loss given default. The loss given default depends in turn on the amount exposed to credit risk and the value of the collateral.

In trade finance, expected loss is calculated for each transaction in accordance with a model based on the Basel III slotting criteria. This approach enables the Bank to price all loans in a way that best reflects the quality of each transaction.

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 the breakdowns 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 Risk Management Department.

2.2 Interbank credit risk

2.2.1 Risk strategy and lending 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.

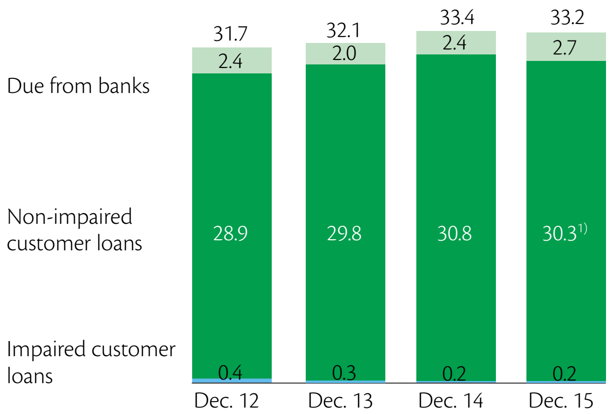
2.3 Exposure to credit risk

The Parent Company's total lending commitments amounted to CHF 33.2bn at 31 December 2015, a year-on-year decrease of 0.6%. At CHF 2.7bn, bank-counterparty exposures represented 8% of total commitments.

For non-bank-counterparty lending, the Bank's business is largely with customers located in Vaud Canton and accounts for 81% 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 (41%).

Customer loans and amounts due from banks

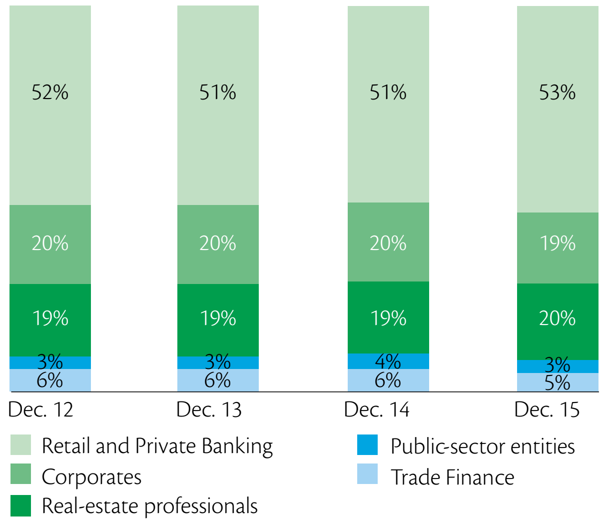
CHF billions, on and off balance sheet, for the parent company[1]



[1)] Excluding financial investments

Customer loans by segment

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



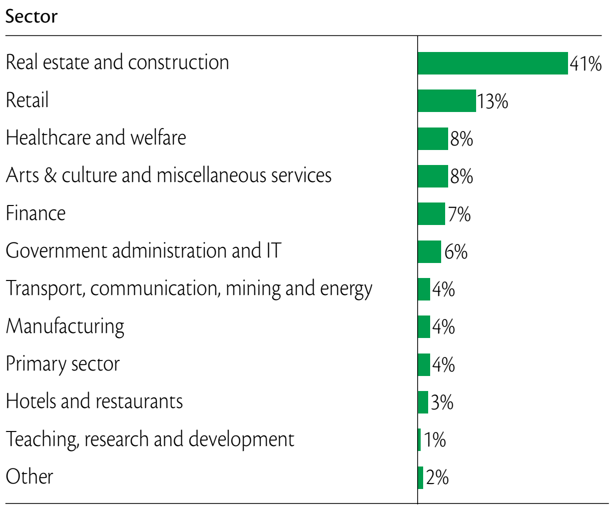
Customer loans by geographical zone

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

Client domicile	31/12/2014	31/12/2015
Vaud Canton	79%	81%
Rest of Switzerland	14%	13%
European Union + North America	2%	2%
Other	5%	4%

Customer loans by economic sector

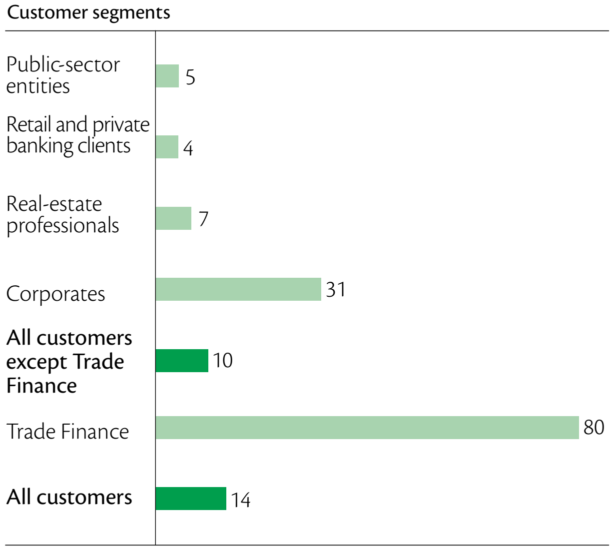
as a % of on-balance-sheet customer loan exposure, for the parent company, at 31 December 2015



The 2015 breakdown by sector was generally stable compared with 2014. Retail and private banking clients remained the largest sector in total non-impaired loan-book exposures, at 53%.

Expected loss rate

expressed in basis points of drawn customer loans, including OTC derivatives, at 31 December 2015



The low expected loss ratio and impaired loan level attest to the quality of the Bank's loan book. The expected loss ratio on drawn loans reflects counterparty quality, the degree of credit coverage and the amount of undrawn limits. For non-impaired customer loans as a whole, the expected loss ratio was 14 basis points, or 10 basis points excluding trade-finance exposures. Impaired loans were CHF 200m and represented 0.6% of total exposures.

The Basel III Pillar 3 Report, available on the BCV Investor Relations iPad app and the Bank's website, www.bcv.ch, contains more detailed information on the risk profile of the Bank's loan portfolio.

3. Market risk

BCV takes on market risk in conducting its trading activities and also in managing its interest-rate risk on the banking book. With appropriate risk management, the Bank can expect to earn a return commensurate with the risk that it takes.

3.1 Market risk on the trading book

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 transactions 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. The Trading Department focuses primarily on customer-driven transactions.

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.

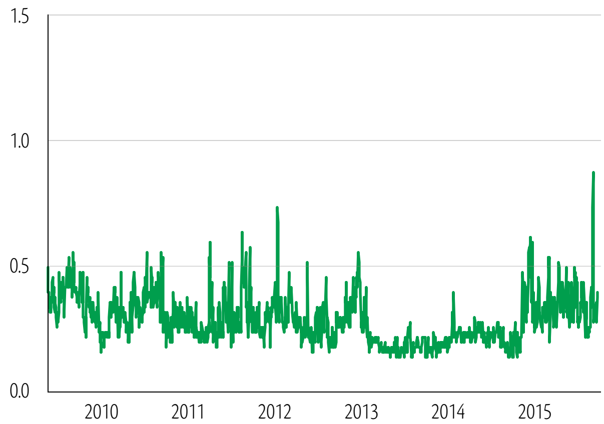
3.1.2 Organization

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 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 and IT have been met.

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

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

in CHF millions



3.1.3 Exposure to market risk on the trading book

Various techniques are used to measure market-risk exposure within the Trading Department's trading portfolio:

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

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

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 0.9m, where it has remained since the end of 2009. Throughout 2015, VaR for the trading book stayed close to CHF 0.3m.

3.2 Market risk on the banking book

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

3.2.1 Interest-rate risk on the banking book

Exposure to interest-rate risk on the banking book arises from differences between the size and term maturities of assets and liabilities. Movements in the yield curve and changes in customer behavior give rise to interest-rate risk, which has a direct effect on the Bank's interest income and the economic value of its equity capital.

The strategy and limits for interest-rate risk are defined by the Executive Board's Asset and Liability Management Committee (ALCO) and then approved by the Board of Directors. The ALM and Financial Management (ALM-FM) Department of the Finance & Risks Division is responsible for operational management of interest-rate risk on the banking book.

Here, the goal is to control the interest margin and the duration of equity.

Exposure to interest-rate risk is measured in terms of 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, and external factors, such as the risks of natural disasters, pandemics and social unrest.

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

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

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

5. Compliance

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

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 ensures that the rules within its purview are being applied. It reports its findings to the Bank's governing bodies and auditors; this report contains a thorough assessment of the risk factors that may lead to non-compliance and also identifies potential improvements.

Internal control system (ICS)

The Bank's internal control system (ICS) was developed in accordance with the recommendations of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the Basel Committee, and pursuant to FINMA circular 08/24 and Swiss auditing standard No. 890. The purpose of the ICS is to ensure that the Bank's activities are in line with its overall objectives. More specifically, the ICS enables the Bank to:

- Achieve its performance objectives both in terms of profit and controlling profit fluctuations
- Provide reliable information both internally and externally
- Comply with legal, regulatory and self-regulatory requirements.

The ICS is an integrated bank-wide system. It covers all functions and all hierarchical levels. In addition to the Bank's front-line activities, the system also applies to business-support, steering and monitoring functions as well as to external service providers, particularly those falling under the scope of FINMA circular 08/7 on outsourcing.

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

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

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

The Operational Risk Unit within the Risk Management Department is responsible for improving the ICS and reviews its appropriateness and effectiveness annually; its findings are submitted to the Bank's governing bodies and the external auditor.





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 September 2014.[1]
- 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 and the Cantonal Act of 20 June 1995 Governing the Organization of Banque Cantonale Vaudoise ("LBCV"), both of which are available on the BCV website.[3]

1) See the English translation of this text on the SIX website: https://www.six-exchange-regulation.com/dam/downloads/regulation/admission-manual/directives/06_16-DCG_en.pdf
2) An English translation of this text, by Prof. Peter Böckli, may found at www.economiesuisse.ch
3) www.bcv.ch

As a public-sector entity within the meaning of Article 763, paragraph 2, of the Swiss Code of Obligations, BCV is not subject to the Ordinance against Excessive Compensation in Publicly Listed Companies (ORAb), which went into effect on 1 January 2014. Nevertheless, in the interest of good governance and given that BCV is publicly listed on the SIX Swiss Exchange, the Board of Directors decided to incorporate the principles of the ORAb into the Articles of Incorporation insofar as they were compatible with BCV's specific status and without amending the LBCV. These changes were approved at the Shareholders' Meeting held on 1 May 2014. Although the ORAb provisions on the election and term of office of members of the Board of Directors were not incorporated into the Articles of Incorporation, many others were adopted. These include the principles regarding the Independent Proxy (Article 18a of the Articles of Incorporation); electronic voting (Article 18a, paragraph 5, of the Articles of Incorporation); the maximum number of board positions outside BCV that may be held by members of the Board of Directors (Article 23 of the Articles of Incorporation) and the Executive Board (Article 29 of the Articles of Incorporation); the duties of the Compensation, Promotions and Appointments Committee (Article 30a of the Articles of Incorporation); the length of the employment contracts of the members of the Executive Board (Article 28, paragraph 2, of the Articles of Incorporation); the compensation structure (Article 30b of the Articles of Incorporation); the approval of compensation (Article 30c of the Articles of Incorporation); and unauthorized compensation (Article 30d of the Articles of Incorporation). In addition, as BCV is not subject to the ORAb, it is required to continue providing compensation reports in the form of a section of its Annual Report (Article 30e of the Articles of Incorporation).

1. Group structure and shareholders

1.1 Group structure

1.1.1 Group operational structure (at 31 December 2015)

Details of all BCV Group companies are shown in note 10.7 (Consolidated holdings) on page 125 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 2015, the value of BCV's listed shares with a par value of CHF 10 was CHF 5.5bn
Security number	1.525.171
ISIN code	CH0015251710

1.1.3 Unlisted companies included in the scope of consolidation (at 31 December 2015)

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 note 10.7 on page 125 of the consolidated financial statements.

1.2 Major shareholders

At 1 January 2016, 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 18.67% of the Group's capital at 31 December 2015.

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

Share 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 2013, 2014 and 2015 may be found in notes 3 and 5.12 to the parent company financial statements (pages 157 and 165). Additional information on the Group's capital is shown on page 107 of the consolidated financial statements.

At 31 December 2015, 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 2015.

2.3 Capital structure at the end of the 2013, 2014 and 2015 financial years

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

Number of shares

Share capital	31/12/2013	31/12/2014	31/12/2015
Share capital (fully paid-in registered shares)	8,606,190	8,606,190	8,606,190

Equity – Group
CHF millions

Equity	31/12/2013	31/12/2014	31/12/2015
Share capital (fully paid-in)	86	86	86
Capital reserves and retained earnings	2,532	2,551	2,607
Reserves for general banking risks	704	704	704
Minority interests in shareholders' equity	0	0	0
Total	**3,322**	**3,341**	**3,397**

2.4 Shares and participation certificates

Registered shares at 31 December 2015

Number of shares	8,606,190
Proposed ordinary dividend	CHF 23
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 LBCV), in compliance with the rules applicable to any resolution of the Shareholders' Meeting.

2.7 Convertible bonds and options

At 31 December 2015, 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 2015, 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. They maintain normal business relations with BCV and Group companies.

In accordance with Article 12, paragraph 2bis, of the LBCV 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 STGCoopers & 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. As previously announced, Mr. Bachmann will step down from the Board of Directors at the Annual General Meeting on 21 April 2016.
Ingrid Deltenre, 1960, Dual Swiss and Dutch citizen	Degree in humanities from the University of Zurich	Ingrid Deltenre was elected at the Annual Shareholders' Meeting on 1 May 2014 and joined the Board on that date. After graduating from the University of Zurich with a humanities degree, Ms. Deltenre held various executive positions in publishing before becoming CEO of Publisuisse in 2000. She was appointed to head up Schweizer Fernsehen (SF), the leading public TV broadcaster in German-speaking Switzerland, in 2004, and held this position for six years. In 2010, Ms. Deltenre became Director General of the Geneva-based European Broadcasting Union (EBU), an organization with close to 400 employees.
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.

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. As previously announced, Mr. Lamunière will step down from the Board of Directors at the Annual General Meeting on 21 April 2016.
Luc Recordon, 1955, Swiss citizen	Doctorate in law from Lausanne University and member of the Bar of Vaud Canton Master's 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 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 Chubb 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 • 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	• Chairman of the Board of La Longeraie Foundation, Morges
Ingrid Deltenre	• Director General of the European Broadcasting Union (EBU) • President of Eurovision Americas Inc (an EBU subsidiary) • Member of the University of Zurich's Executive MBA advisory board • Member of the Board of Directors of Givaudan SA, Vernier
Reto Donatsch	• Member of the Board of Directors of Constellation Capital AG, Freienbach • Partner at Constellation Flore Fröhlich & Cie, Freienbach • Member of the Investment Committee of the Bern Canton Pension Fund, Bern • Board member of the Swiss Red Cross Humanitarian Foundation, Bern

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 Holding SA and its subsidiary undertakings, Lausanne • 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)
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 • Chairman of the following foundation boards: Swiss Federation of Private Schools, Bern, and Fondation 50e of the Centre Social Protestant, Lausanne • Honorary Chairman of Institut Biosphère, Geneva • 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 (ATEVD), Lausanne; E-Changer, Partenaires dans l'échange et pour le changement, Fribourg; Nicefuture, Lausanne; Dachverband Komplementärmedizin (Dakomed), Bern; and Agile.ch, Bern • Member of the Foundation Board of Fondation intégration pour tous (IPT), Lausanne • Local councilor for Jouxtens-Mézery • Member of the Committee of the Board of Directors of ASIGOS, Prilly • Member of the upper house of the Swiss Parliament (until 30 November 2015) • Member of the Advisory Board of the Swiss Centre of Expertise in Human Rights (SCHR), Bern • Member of the Council of Europe Parliamentary Assembly (until 25 January 2016) • 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; Edmond de Rothschild Asset Management (Suisse) SA, Meyrin; Société Générale Private Banking (Suisse) SA, Geneva; Pury Pictet Turrettini & Cie SA, Geneva; QNB Banque Privée (Suisse) SA, Geneva; and Helvea SA, Geneva • Member of the following foundation boards: FITEC, Delémont; CODECO, Porrentruy; the Finance and Investment Commission of Swiss Solidarity, Geneva; and ATD Fourth World, Treyvaux • Member of the Foundation Board of Observatoire de la finance, Geneva

Olivier Steimer

Chairman of the Board of Directors

Stephan A.J. Bachmann

Vice Chairman of the Board of Directors

Luc Recordon

Member of the Board of Directors

Ingrid Deltenre

Member of the Board of Directors

Reto Donatsch

Member of the Board of Directors

Pierre Lamunière

Member of the Board of Directors

Paul-André Sanglard

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 (Article 12, paragraph 1, of the LBCV departs from the ORAb on this point). The remaining members are elected individually by shareholders at the Annual Shareholders' Meeting, with the Cantonal Government abstaining from voting.

Pursuant to Article 12, paragraph 5, of the LBCV and in derogation of the ORAb, 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 Ingrid Deltenre, 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 submitted to the Board.

3.4.2 Committees: composition and terms of reference

Audit and Risk Committee

In 2015, the Audit and Risk Committee was made up of Stephan A.J. Bachmann (Chairman), Reto Donatsch and Paul-André Sanglard.

The Audit and Risk Committee is tasked with ensuring the application and operation of risk control and management at BCV. It 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

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]
Ingrid Deltenre	1960	1 May 2014	2030	Shareholders' Meeting
Reto Donatsch	1950	5 May 2011	2020	Shareholders' Meeting[4]
Pierre Lamunière	1950	24 April 2008	2020	Shareholders' Meeting[3]
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 21 April 2016
[3] Term of office renewed for four years at the 2012 Annual Shareholders' Meeting
[4] Term of office renewed for four years at the 2015 Annual Shareholders' Meeting

regular or case-by-case basis of the Group's main risks, the risk management policy and strategy, reports on risks and compliance with regulatory capital requirements.

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

The Committee supervises the work of both the internal and external auditors. Together with the external auditors' representative, it examines the external auditors' recommendations concerning BCV's organization and risk-assessment policy, and gives its opinion on the qualifications of the internal auditors and the cooperation of Bank units in audit procedures. The Head of Internal Audit also briefs the Committee on matters pertaining to BCV's organization and operations, and provides a risk analysis. 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 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. The Committee agrees on the annual and six-year audit plans for the internal auditor and is informed of the external auditor's prudential and financial audit strategy.

Apart from its regular duties, the Audit and Risk Committee attended a one-day training seminar in 2015 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

The Compensation, Promotions and Appointments Committee, expressly provided for in the Articles of Incorporation (Article 30a), consists of Pierre Lamunière (Chairman), Ingrid Deltenre and Luc Recordon. The Chairman of the Board and the CEO take 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 and the Shareholders' Meeting on decisions concerning the compensation of the Chairman of the Board of Directors (in his or her absence), the CEO, and the Executive Board members. It also makes recommendations to the Board of Directors on the compensation of the Head of Internal Audit, and on 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.

It makes recommendations on executive appointments and promotions.

Finally, the Committee has the additional tasks of handling matters related to corporate social responsibility and of preparing and prioritizing recommendations for the Board of Directors on decisions concerning rules of good governance, including assignments entrusted to external consultants by the governing bodies.

3.4.3 Operational procedures of the Board of Directors and its committees

In 2015, the Board of Directors held 12 ordinary plenary meetings. Each meeting generally lasted a half day, with the exception of two 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 2015, the Audit and Risk Committee met seven times and took part in a one-day training seminar; the Compensation, Promotions and Appointments Committee met ten 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 above 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 for working with 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

Pursuant to the new Article 30b, paragraph 2, of the Articles of Incorporation (adopted at the Shareholders' Meeting held on 1 May 2014), the Board of Directors sets itself annual objectives, taking into account the goals set forth in the Articles, as well as the Bank's strategy and risk policy. The Chairman's annual performance-based compensation is determined based on the degree to which these objectives have been met and on the Board's evaluation of the Chairman's work over the past year. The Board 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.

The Vice Chairman and the other members of the Board meet, in the Chairman's absence, to evaluate the degree to which the Chairman has met these objectives. As stated above, this evaluation serves as the basis for establishing the Chairman's fixed and performance-based compensation, subject to approval at the Shareholders' Meeting.

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 LBCV.

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 LBCV, 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 proposes its own compensation, together with that of its Chairman and the Executive Board, to the Shareholders' Meeting (new Article 30c of the Articles of Incorporation). It sets the Bank's overall compensation level and the compensation of the Head of Internal Audit. The Board also validates the conditions applicable to the Executive Board. It determines the method of signing used by the Bank, i.e., 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 also 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 LBCV. 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, share 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. Note 7 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 six-year plan, which is reviewed annually and coordinated – insofar as regulatory constraints allow – with the external auditor. It is discussed with the executive boards of the parent company and BCV Group companies, 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 external auditor, 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 external auditor, 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 and was appointed CEO on 1 May 2008.
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.
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. 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

Stefan Bichsel

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

Gérard Haeberli

Member of the Executive Board,
Head of Private Banking

Aimé Achard

Member of the Executive Board,
Head of Business Support

Thomas W. Paulsen

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

José F. Sierdo

Member of the Executive Board,
Head of Retail Banking

Bertrand Sager

Member of the Executive Board,
Head of Credit Management

Jean-François Schwarz

Member of the Executive Board,
Head of Corporate Banking

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 SIX Securities Services Ltd – Strategic Advisory Board, Zurich • Member of the International Orientation Committee of EDHEC, Lille and Nice • Chairman of the Pro Aventico Association, Avenches
Gérard Haeberli	• Chairman of the Board of Directors of Piguet Galland & Cie SA • Member of the Board of the Institute for Studies in Finance and Banking (ISFB)
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"
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 • Member of the Management Committee of the "Fonds cantonal de lutte contre la précarité"
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"
José F. Sierdo	• Member of the Board of Directors of newhome.ch AG

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 2016)	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 Jean-François Schwarz 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, which were amended on 7 November 2014 to take account of changes to BCV's Articles of Incorporation that were approved at the Shareholders' Meeting held on 1 May 2014. These regulations govern the compensation-related roles and responsibilities of the Shareholders' Meeting, 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 & Co 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 the Executive Board, 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 and/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, annual performance-based compensation and employee share ownership. In addition, the Executive Board and senior management are eligible for a long-term performance-based salary. No stock-option plans are offered as part of compensation.

Detailed compensation figures can be found in the tables on page 171.

Board of Directors

The Board of Directors receives fixed compensation in the form of fees, including compensation for sitting on the various committees, and expenses.

Only the Chairman of the Board receives both fixed annual compensation and compensation based on performance over the year. Performance-based compensation is assessed according to objectives set at the beginning of 2015. Starting in May 2016, the performance-based compensation will be incorporated in the fixed compensation, which will be paid partially in the form of BCV shares with a lock-up period of five to ten years. As a result, no separate performance-based compensation will be paid to the Chairman of the Board starting in 2016.

The compensation of all members of the Board, except the Chairman, is set 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 set 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).

Approval of the Board of Directors' compensation at the Shareholders' Meeting

Overall fixed compensation (comprising fixed compensation, compensation for sitting on the various committees, and expenses) between one Shareholders' Meeting and the next, as well as the Chairman's annual performance-based compensation for the previous calendar year, are subject to approval at the Shareholders' Meeting.

Executive Board

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 performance-based compensation

All employees are eligible for annual performance-based compensation, provided their contracts have not been terminated. 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 performance-based compensation.

The overall level of annual performance-based 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 performance-based compensation for the Executive Board members and department heads must be taken in BCV shares with a lock-up period of five to ten years.

Other employees receiving annual performance-based 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 three years. In the latter case, BCV increases the portion of shares by 30%.

For the 2015 financial year, these shares with a par value of CHF 10 were allocated at the closing price on 18 March 2016. The Executive Board will be allocated their shares at the closing price on 2 May 2016, subject to approval at the Shareholders' Meeting.

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.

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

Long-term performance-based 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 performance-based compensation is paid exclusively in BCV shares, in proportion to the extent to which objectives have been achieved.

The objectives for the long-term performance-based 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 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 adjusted according to the outcome of the vesting process, and added to or deducted from "Personnel costs."

All proceeds and dividends from shares acquired for the plans are paid to the Bank.

The 2013-2015 plan, which ended on 31 December 2015, was based on the Bank's actual cumulative economic profit and the following strategic and qualitative objectives:

- Improved productivity and sell-side efficiency in the branch network
- Provision of private banking and investment/ distribution services in line with the latest regulatory requirements
- Development of the asset-management business in German-speaking Switzerland
- Re-engineering of the lending process
- New offshore private banking strategy defined and implemented
- Diversification in trade finance.

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.

For the plan ending on 31 December 2015, 7,201 shares were set aside at a preliminary cost of CHF 3,344,021 for the Bank. After assessing the degree to which the objectives were achieved, the total proportion of shares distributed versus the number set aside in the event the objectives were fully met was 94%. The quantitative objective for economic profit was surpassed, while the strategic and qualitative objectives were partially achieved.

In light of these results, 6,314 shares were distributed to participants in March 2016.

A new three-year plan began in 2015. Its objectives were set in accordance with the above principles.

Other compensation

Compensation also includes taxable incidental expenses.

In accordance with the employee 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.

Approval of the Executive Board's compensation at the Shareholders' Meeting

The compensation of the members of the Executive Board is based on the degree to which they meet their unweighted qualitative and quantitative objectives. For members, these objectives are set and evaluated by the CEO; for the CEO, they are set and evaluated by the Board of Directors. The overall compensation for the Executive Board is set by the Board of Directors on the recommendation of the Compensation, Promotions and Appointments Committee. The fixed compensation (base salary, taxable entertainment expenses, seniority bonuses and employee share-ownership plan) from one Shareholders' Meeting to the next, as well as the annual performance-based compensation for the previous calendar year, are subject to approval at the Shareholders' Meeting. At each Meeting, shareholders also approve the maximum number of shares that may be made available as long-term performance-based compensation under the multi-year plan beginning in the current year.

In general, the base salary is higher than the annual performance-based compensation. For 2015, a ratio of 124.4% between the Executive Board members' base salary

Overview of long-term performance-based compensation plans

Starting year	Performance period	Year distributed	Number of shares set aside	Average cost per share	Initial cost of the plan for the Bank	Number of shares distributed	Market value (per share)	Market value of distributed shares
2011	2011 to 2013	2014	6,880	498	3,424,641	5,537	515	2,848,787
2012	2012 to 2014	2015	7,280	481	3,505,007	6,181	549	3,390,279
2013	2013 to 2015	2016	7,201	464	3,344,021	6,314	654	4,129,356

and their annual performance-based compensation was proposed at the Shareholders' Meeting.

Contracts

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

Application of the Ordinance against Excessive Compensation in Publicly Listed Companies

As stated above, because BCV is a public-sector entity within the meaning of Article 763, paragraph 2, of the Swiss Code of Obligations, it is not subject to the Ordinance against Excessive Compensation in Publicly Listed Companies (ORAb). Nevertheless, the Bank decided to incorporate the principles of the ORAb into the Articles of Incorporation insofar as they were compatible with the LBCV (see Articles 30a et seq. of the BCV Articles of Incorporation on compensation). Accordingly, at the 2016 Shareholders' Meeting, a vote will be taken on the fixed compensation of the Board of Directors and the Executive Board for the period between the 2016 and 2017 Meetings. There will also be votes on the 2015 annual performance-based compensation for the Chairman of the Board of Directors and the entire Executive Board, and on the number of shares available as long-term performance-based compensation under the plan beginning in 2016. As BCV is not subject to the ORAb, it is required to continue providing compensation reports in the form of a section in its annual report (Article 30e of the Articles of Incorporation – see note 5.17 on page 169).

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

6.1.2 Exemptions granted during the financial year

During the 2015 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 below.

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. At the Meeting held on 23 April 2015, Christophe Wilhelm, a Lausanne-based attorney, was elected to be the Independent Proxy until the end of the Meeting to be held on 21 April 2016.

Pursuant to the new Article 18a, paragraph 5, of the Articles of Incorporation, BCV will offer shareholders an electronic means of providing their instructions to the Independent Proxy for the Meeting.

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 125 of the Financial Market Infrastructure Act (FMIA).

7.2 Takeover clauses

There are no agreements or programs that would benefit members of the Board of Directors 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 appointed by the Board of Directors as 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, PricewaterhouseCoopers Ltd was also appointed as the Bank's auditor for 2015 at the Shareholders' Meeting of 23 April 2015.

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 1,779,004 for the 2015 financial year.

Fees invoiced by PricewaterhouseCoopers Ltd in Switzerland and abroad for financial and statutory audits of other BCV Group companies were CHF 846,145 for the 2015 financial year.

Total fees invoiced by PricewaterhouseCoopers Ltd for audit services supplied to all the companies which make up BCV Group therefore amounted to CHF 2,625,149 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 199,217 for the parent company and CHF 11,656 for other BCV Group companies. Consulting fees, including but not limited to fees for IT-related projects and tax advice, amounted to CHF 158,526 for the parent company and CHF 30,225 for other BCV Group companies.

Total additional fees for the 2015 reporting period invoiced by PricewaterhouseCoopers Ltd in Switzerland and abroad for all BCV Group companies therefore amounted to CHF 399,624.

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 2015, 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, which was followed by a second agreement on 7 October 2009. In 2015, the two parties negotiated a new information-exchange agreement, which was signed on 16 December 2015 and took effect on 1 January 2016.

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 that 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 interim report at 30 June (published in August). 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. In 2015, the Bank began publishing its financial statements in accordance with the new Swiss accounting standards for banks. As a result of these new accounting rules, the Bank now reports its financial results on a half-yearly rather than a quarterly basis, which means that only results at 30 June and 31 December are released. The information-exchange agreement between the Bank and the Vaud Cantonal Government has been revised to take account of this change; the new version took effect on 1 January 2016.

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

The annual report, interim report and press releases are all posted on the BCV website (www.bcv.ch) and are available via the free BCV Investor Relations iPad app. The annual report and interim report 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) as well as via the free BCV Investor Relations iPad app.

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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2016 corporate calendar

21 April	Annual Shareholders' Meeting
25 April	Ex-dividend date[1]
26 April	Dividend record date[1]
27 April	Dividend payment[1]
18 August	First-half results press conference

1) Total distribution comprising an ordinary dividend of CHF 23 per share and CHF 10 per share drawn from paid-in reserves, subject to approval at the Annual Shareholders' Meeting.

The BCV Share

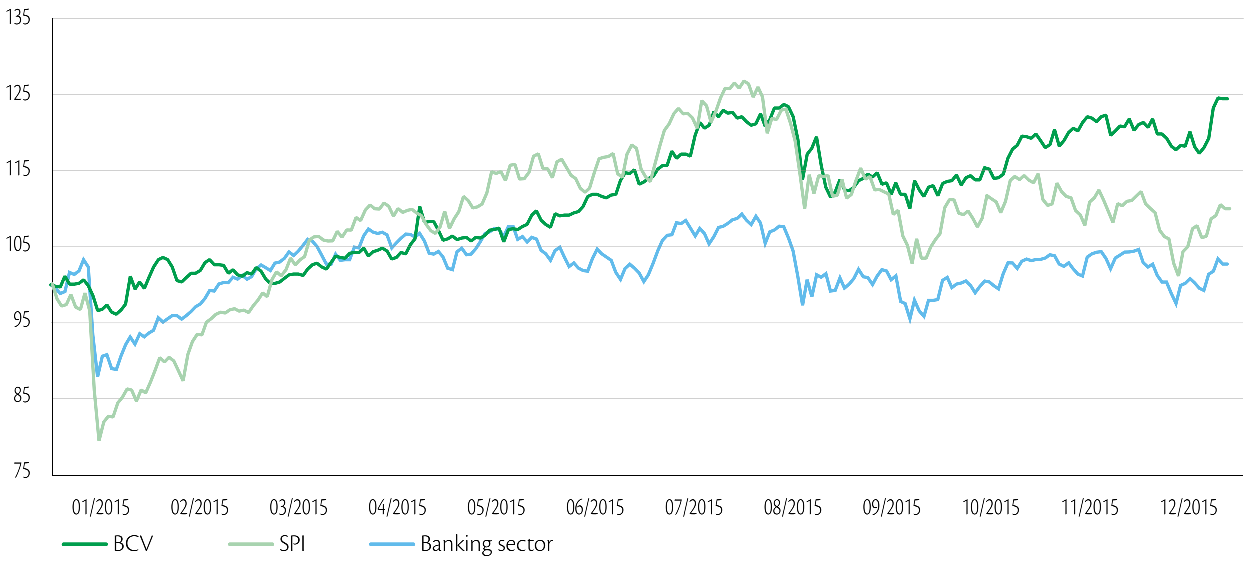
The Swiss stock market plummeted after the Swiss National Bank dropped the EUR/CHF currency floor on 15 January 2015. It later rebounded, and the SMI ended the year down just 1.8%. Other stock markets did better, with the DAX up 9.6%, the CAC40 up 9.5%, the Euro Stoxx 50 up 3.8%, and the Nikkei up 9.1%. Even the Shanghai Stock Exchange 50 increased 5.3% in 2015, despite the sharp correction in August triggered by investor concerns over the Chinese economy. Although the economic climate in the US brightened, the S&P 500 declined 0.7% and the Dow Jones Industrial Average ended the year down 2.2%.

The BCV share, which investors view as a high-yield stock, delivered a solid performance, with total shareholder return (i.e., share price appreciation + dividend payments) of 24% – making it one of the best-performing shares in 2015. Over a longer time horizon, we have achieved an average total shareholder return of over 16% per year since 2008. No other Swiss bank share can match that performance.

In line with the Swiss stock market, the BCV share recorded higher trading volumes than in 2014, with an average CHF 3.4m changing hands each day. The BCV share remains the fourth most liquid banking stock on the SIX Swiss Exchange.

Our financial solidity has been recognized by the main rating agencies. Standard & Poor's reaffirmed BCV's rating of AA for the fourth year in a row, as well as its stable long-term outlook. And Moody's raised our long-term rating by two notches, from A1 to Aa2, with a stable outlook, and increased our stand-alone rating, which excludes any support from the Canton of Vaud, from a3 to a2.

Total shareholder return[1]

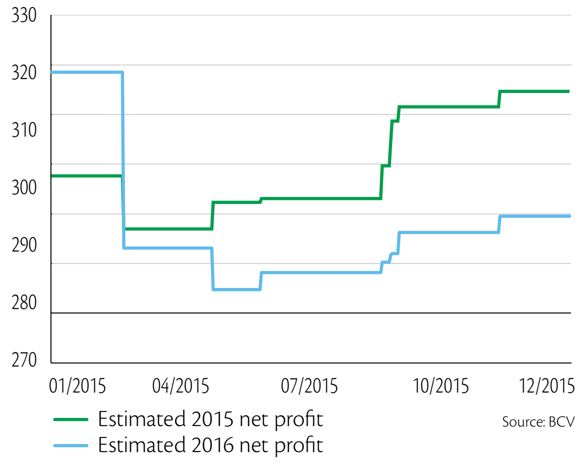


[1] Stockmarket performance over the period plus dividends and capital distributions

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

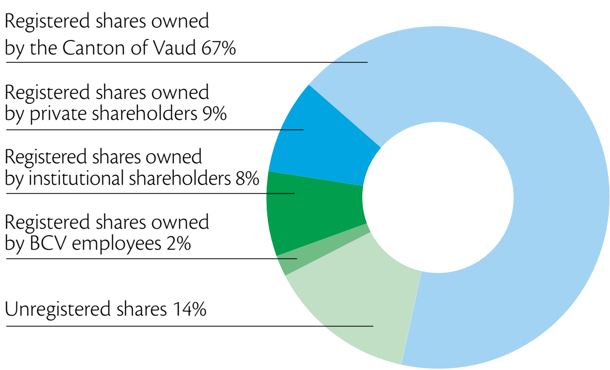
in CHF millions, at 31 December 2015



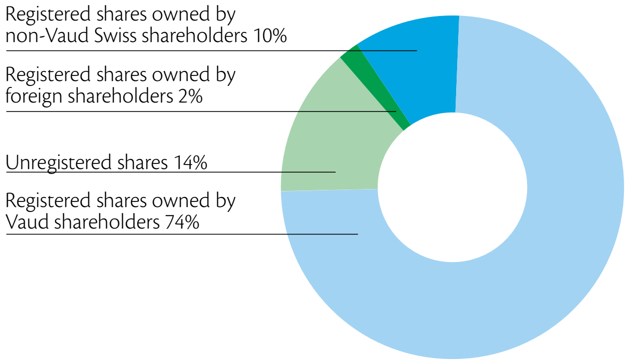
		2011	2012	2013	2014	2015
Number of shares outstanding (in thousands)		8 606	8 606	8 606	8 606	8 606
Period-end share price (in CHF)		456.25	484.75	486.50	539.00	636.50
Share price high / low (unadjusted. in CHF)	– high	547.00	519.00	559.50	541.00	640.00
	– low	392.00	441.50	445.00	472.75	510.50
EPS[1] (in CHF)		35.1	36.1	32.5	34.4	39.1
Adjusted EPS[2] (in CHF)		35.1	36.1	32.5	34.4	39.1
Dividend per share (in CHF)		22.0	22.0	22.0	22.0	23.0 [3]
Dividend yield[4] (in %)		4.8	4.5	4.5	4.1	3.6
Total payout[5] (in CHF)		32.0	32.0	32.0	32.0	33.0 [3]
Total payout yield[4] (in %)		7.0	6.6	6.6	5.9	5.2
S&P long-term credit rating		AA / stable	AA / negative	AA / stable	AA / stable	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	Aa2 / 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 21 April 2016
4) Relative to the period-end share price
5) Total amount distributed to shareholders in the form of an ordinary dividend together with a distribution drawn from paid-in reserves

Share ownership structure



Share ownership by geographical zone




Cabrera


R.D CABRERA

Financial Statements

Financial Statements

Report on the Consolidated Financial Statements

Continued rise in customer business volumes

1. Assets

Total assets expanded 4% (+CHF 1.6bn) year on year, amounting to CHF 43.4bn at 31 December 2015.

Cash and cash equivalents remained quite high, increasing 38% (+CHF 1.9bn) to CHF 6.9bn. These funds are deposited with the Swiss National Bank.

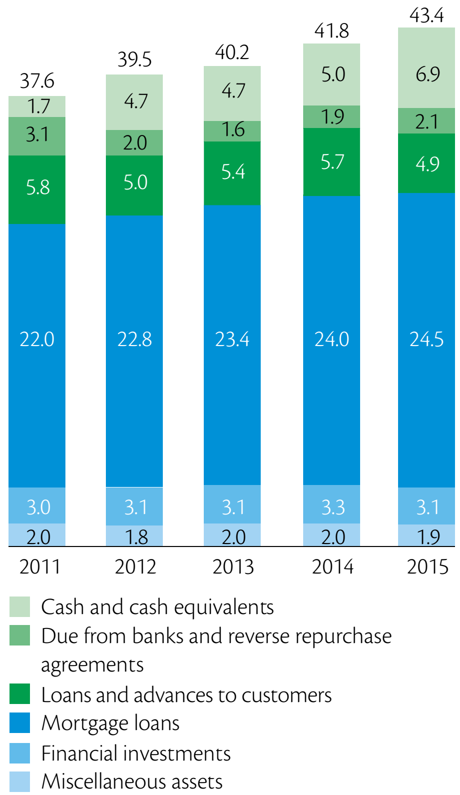
Amounts due from banks and reverse repurchase agreements rose 10% (+CHF 193m) to CHF 2.1bn.

Total loans outstanding were down CHF 263m year on year to CHF 29.5bn: mortgage lending grew 2% (+CHF 477m) to CHF 24.5bn, while other loans fell 13% (–CHF 740m) to CHF 4.9bn, primarily reflecting a decline in Trade Finance and Large Corporates, as well as liquidity-management activities.

Total impaired loans rose 2% (+CHF 5m) to CHF 208m. Impaired loans accounted for less than 1% of total lending, testifying to the quality and resilience of the Bank's loan book.

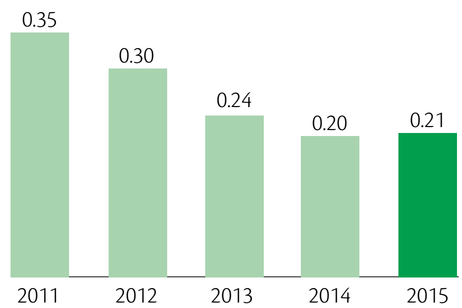
Assets

in CHF billions



Impaired loans

in CHF billions



2011-2014 figures were adjusted to facilitate like-for-like comparison

2. Liabilities

Liabilities amounted to CHF 40.0bn at 31 December 2015, a year-on-year increase of 4% (+CHF 1.5bn).

Amounts due to banks and repurchase agreements rose 40% (+CHF 846m) to CHF 3.0bn.

Customer deposits were up 1% (+CHF 345m) to CHF 28.9bn.

Long-term borrowings grew 7% (+CHF 434m) to CHF 6.9bn. This reflected an increase of CHF 276m in borrowings from the Central Mortgage-Bond Institution of Swiss Cantonal Banks, along with a rise of CHF 159m in borrowing relating to the Bank's structured-product business.

3. Shareholders' equity

Total shareholders' equity remained stable at CHF 3.4bn. The allocation of CHF 336m in net profit for the year was offset by the distribution of CHF 275m approved at the Annual Shareholders' Meeting in April 2015.

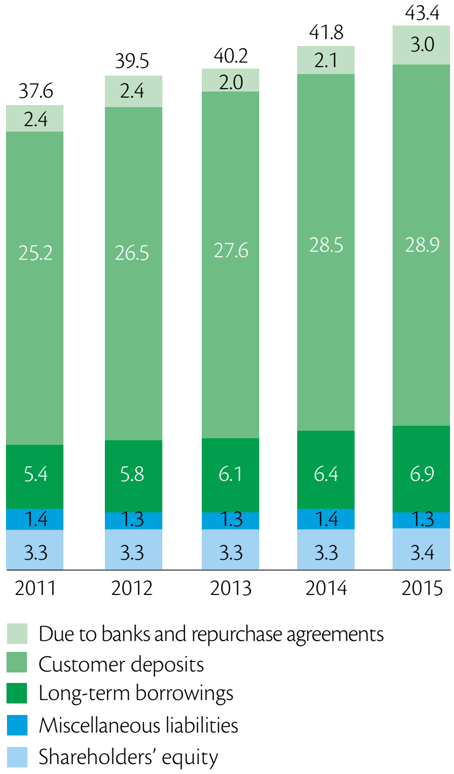
Capital ratios

At year-end, the Tier 1 ratio was at a comfortable level of 17.6% and the total capital ratio was 17.7%. These ratios, calculated according to the Internal Ratings-Based (IRB) approach, attest to the Bank's financial solidity.

See "Regulatory capital requirements" in note 13.1 on page 145.

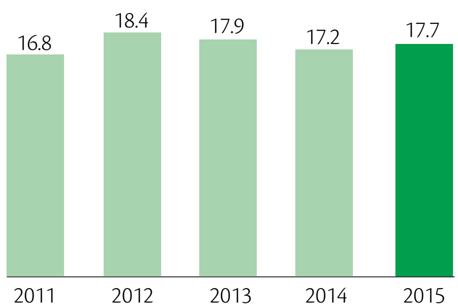
Liabilities and shareholders' equity

in CHF billions



Capital ratio

Total capital as a %

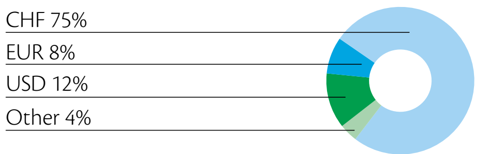


Rise in AuM

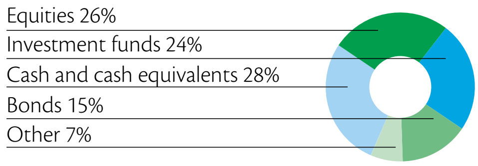
4. Assets under management

The Group's assets under management were up 2% (+CHF 1.6bn) to CHF 88.0bn. Net new money for the period amounted to CHF 2.5bn. This figure reflects onshore fund inflows of CHF 3.6bn and the expected outflows of offshore funds (–CHF 1.1bn).

Assets under management by currency



Assets under management by investment type



Assets under management [1]

in CHF billions

[1] 2011-2012 figures for assets under management have been adjusted to exclude custody-only assets

Top-line growth

5. Revenues

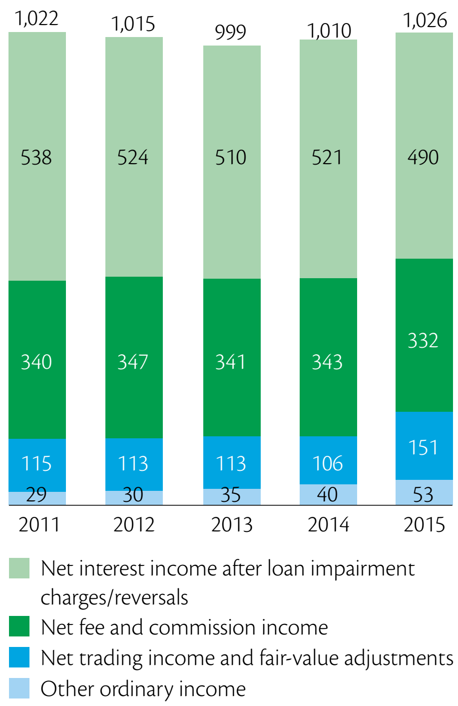
Total revenues rose 2% year on year to CHF 1.03bn.

The various revenue streams contributed as follows:

- In an environment marked by negative interest rates and with loan impairment reversals lower than in 2014, net interest income fell 6% to CHF 490m.

Revenues

in CHF millions



- Fee and commission income declined 3% (–CHF 11m) to CHF 332m. Fees and commissions on securities and investment transactions fell 6% (–CHF 17m) to CHF 263m. Fees and commissions on lending operations dropped by 5% (–CHF 2m) to CHF 43m. Fees and commissions on other services were down 2% (–CHF 2m) to CHF 81m. Fee and commission expense fell 15% (–CHF 9m) to CHF 55m.

- There was a sharp rise in customer-driven trading income, which grew 41% (+CHF 44m) to CHF 151m as a result of a high level of forex trading since the Swiss National Bank dropped the EUR/CHF currency floor.

- Other ordinary income increased 33% (+CHF 13m) to CHF 53m, owing to a financial-asset disposal and a one-off dividend paid by SIX Group Ltd.

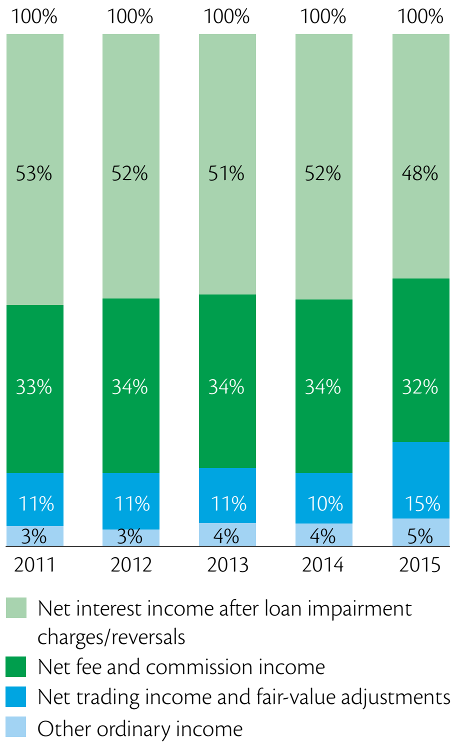
6. Operating expenses

Total operating expenses edged down 1% to CHF 514m.

This decrease primarily reflects a 1% (–CHF 2m) decline in personnel costs to CHF 337m and a 1% (–CHF 2m) decline in other operating expenses to CHF 177m.

Revenues

breakdown as a %



Operating expenses

in CHF millions

7. Operating profit

Depreciation and amortization of fixed assets declined 5% (–CHF 4m) to CHF 76m, as the mid-2013 insourcing of IT operations reduced IT capital expenditure.

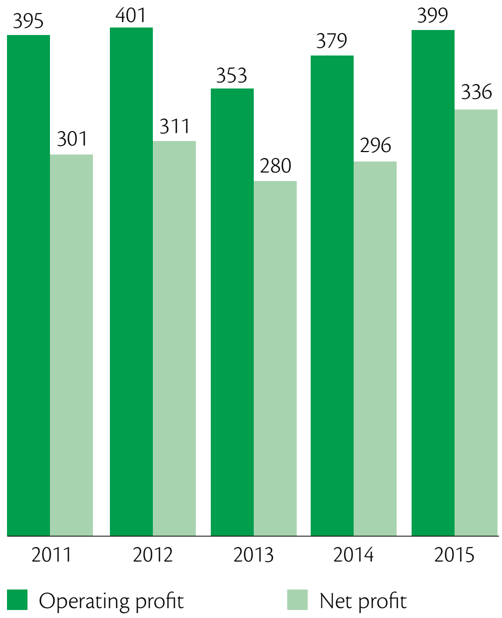
Other provisions and losses rose 10% (+CHF 3m) to CHF 37m.

The combination of higher revenues and lower operating expenses resulted in a 5% rise in operating profit to CHF 399m, despite costs related to the settlement reached with the U.S. Department of Justice as part of the 2013 USA/Switzerland tax program.

The cost/income ratio, which compares the sum of operating expenses, depreciation, and amortization (excluding goodwill amortization) with total income (excluding loan impairment charges/reversals) improved from 60% to 57%.

Operating and net profit

in CHF millions



8. Net profit

Net profit was CHF 336m, as against CHF 296m in 2014, an increase of CHF 40m or 14%.

Extraordinary income was up CHF 26m to CHF 29m, mainly due to the Bank's sale of its stake in Swisscanto.

The Group's tax burden increased CHF 6m (+7%) to CHF 91m, compared with CHF 85m in 2014.

Financial Statements

Consolidated Financial Statements

1. Consolidated balance sheet (in CHF millions)

	Notes[1]	31 / 12 / 15	31 / 12 / 14	Change absolute	Change as %
Cash and cash equivalents		6 861	4 960	1 901	38
Due from banks		1 810	1 482	328	22
Reverse repurchase agreements	10.1	280	415	– 135	– 33
Loans and advances to customers	10.2	4 935	5 675	– 740	– 13
Mortgage loans	10.2	24 522	24 045	477	2
Trading portfolio assets	10.3	155	194	– 39	– 20
Positive mark-to-market values of derivative financial instruments	10.4	343	433	– 90	– 21
Other financial assets at fair value	10.3	581	485	96	20
Financial investments	10.5/10.7	3 140	3 259	– 119	– 4
Accrued income and prepaid expenses		106	117	– 11	– 9
Non-consolidated holdings	10.6/10.7	48	54	– 6	– 11
Tangible fixed assets	10.8	558	577	– 19	– 3
Intangible assets	10.9	23	27	– 4	– 15
Other assets	10.10	56	96	– 40	– 42
Assets	10.20/10.21/10.22/10.24	**43 418**	**41 819**	**1 599**	**4**
Total subordinated assets		0	0	0	0
of which subject to mandatory conversion and/or conditional write-off		*0*	*0*	*0*	*0*

	Notes[1]	31 / 12 / 15	31 / 12 / 14	Change absolute	Change as %
Due to banks		1 224	1 156	68	6
Repurchase agreements	10.1	1 738	960	778	81
Customer deposits		28 877	28 532	345	1
Negative mark-to-market values of derivative financial instruments	10.4	331	446	– 115	– 26
Other financial liabilities at fair value	10.3/10.14	666	564	102	18
Medium-term notes		40	57	– 17	– 30
Bonds and mortgage-backed bonds	10.14/10.15	6 873	6 439	434	7
Accrued expenses and deferred income		219	217	2	1
Other liabilities	10.10	35	44	– 9	– 20
Provisions	10.16	18	63	– 45	– 71
Liabilities	10.20	**40 021**	**38 478**	**1 543**	**4**
Reserves for general banking risks	10.16	704	704	0	0
Share capital		86	86	0	0
Capital reserve		292	106	186	175
Retained earnings		1 999	2 163	– 164	– 8
Currency translation reserve		– 2	– 1	– 1	100
Treasury shares		– 18	– 13	– 5	38
Minority interests in equity		0	0	0	0
Net profit		336	296	40	14
of which minority interests		*0*	*0*	*0*	*0*
Shareholders' equity		**3 397**	**3 341**	**56**	**2**
Total liabilities and shareholders' equity	10.21/10.24	**43 418**	**41 819**	**1 599**	**4**
Total subordinated liabilities		0	0	0	0
of which subject to mandatory conversion and/or conditional write-off		*0*	*0*	*0*	*0*

[1] The notes are on pages 121-138

Consolidated off-balance-sheet transactions (in CHF millions)	Notes[1]	31 / 12 / 15	31 / 12 / 14	Change absolute	Change as %
Contingent liabilities	10.2/11.1	1 189	1 302	– 113	– 9
Irrevocable commitments	10.2	998	1 106	– 108	– 10
Commitments relating to calls on shares and other equity securities	10.2	113	113	0	0
Confirmed credits	10.2/11.2	53	33	20	61

[1] The notes are on pages 121 and 139

2. Consolidated income statement (in CHF millions)

	Notes[1]	2015	2014	Change absolute	Change as %
Interest and discount income		628.7	652.5	– 23.8	– 4
Interest and dividend income from financial investments		47.4	54.2	– 6.8	– 13
Interest expense		– 186.9	– 202.4	– 15.5	– 8
Net interest income before loan impairment charges/reversals	12.1	**489.2**	**504.3**	**– 15.1**	**– 3**
Loan impairment charges/reversals		0.9	16.3	– 15.4	– 94
Net interest income after loan impairment charges/reversals (NII)		**490.1**	**520.6**	**– 30.5**	**– 6**
Fees and commissions on securities and investment transactions	12.2	263.3	280.0	– 16.7	– 6
Fees and commissions on lending operations		42.7	44.9	– 2.2	– 5
Fees and commissions on other services	12.3	80.9	82.5	– 1.6	– 2
Fee and commission expense		– 54.6	– 64.0	– 9.4	– 15
Net fee and commission income		**332.3**	**343.4**	**– 11.1**	**– 3**
Net trading income and fair-value adjustments	12.4	**150.5**	**106.4**	**44.1**	**41**
Gains/losses on disposals of financial investments		11.4	3.2	8.2	256
Income from equity investments		15.3	4.3	11.0	256
of which other non-consolidated holdings		*15.3*	*4.3*	*11.0*	*256*
Real-estate income		10.7	11.0	– 0.3	– 3
Miscellaneous ordinary income		22.1	21.9	0.2	1
Miscellaneous ordinary expenses		– 6.8	– 0.8	6.0	n/s
Other ordinary income		**52.7**	**39.6**	**13.1**	**33**
Total income from ordinary banking operations		**1 025.6**	**1 010.0**	**15.6**	**2**
Personnel costs	12.5	– 337.2	– 339.0	– 1.8	– 1
Other operating expenses	12.6	– 177.0	– 178.9	– 1.9	– 1
Operating expenses		**– 514.2**	**– 517.9**	**– 3.7**	**– 1**
Depreciation and amortization of fixed assets and impairment on equity investments	12.7	– 75.6	– 79.7	– 4.1	– 5
Other provisions and losses	12.8	– 37.1	– 33.8	3.3	10
Operating profit	12.11	**398.7**	**378.6**	**20.1**	**5**
Extraordinary income	12.9	28.6	2.6	26.0	n/s
Extraordinary expenses		0.0	0.0	0.0	0
Taxes	12.10	– 91.0	– 85.1	5.9	7
Net profit		**336.3**	**296.1**	**40.2**	**14**
Minority interests		0.0	0.0	0.0	0
Net profit attributable to BCV shareholders		**336.3**	**296.1**	**40.2**	**14**

[1] The notes are on pages 141-144

3. Cash flow statement (in CHF millions)

	Notes[1]	2015 Source of funds	2015 Use of funds	2015 Net cash inflow / outflow	2014 Source of funds	2014 Use of funds	2014 Net cash inflow / outflow
Net profit for the year		336			296		
Depreciation and amortization of fixed assets and impairment on equity investments	12.7	75			80		
Provisions and other impairment charges/reversals	10.16	26	2		32		
Loan impairment charges/reversals	10.16	24	25		11	27	
Accrued income and prepaid expenses		11			78		
Accrued expenses and deferred income		2				8	
Extraordinary income: sale of equity holdings			26				
Other items					1		
Dividend for the previous year			189			189	
Cash flow from operations		**474**	**242**	**232**	**498**	**224**	**274**
Distribution drawn from paid-in reserves			86			86	
Treasury shares		41	45		26	28	
Change in scope of consolidation, minority interests, and currency translation differences			1				
Cash flow from equity transactions		**41**	**132**	**– 91**	**26**	**114**	**– 88**
Non-consolidated holdings	10.6	32			2	6	
Real estate	10.8		7		1	5	
Computer programs	10.8		39			34	
Other tangible fixed assets	10.8		6			13	
Intangible assets	10.9						
Cash flow from investments		**32**	**52**	**– 20**	**3**	**58**	**– 55**
Cash flow from banking operations							
Due to banks			50				
Customer deposits			254			26	
Medium-term notes			17		12	36	
Long-term borrowings	10.15	1 714	1 280		1 714	1 339	
Other liabilities			78			75	
Due from banks		25			50		
Loans and advances to customers		281				92	
Mortgage loans			477			679	
Financial investments		113				238	
Other receivables		40			34		
Medium- and long-term operations (over 1 year)		**2 173**	**2 156**	**17**	**1 810**	**2 485**	**– 675**
Due to banks		118			53		
Repurchase agreements		778			100		
Customer deposits		599			1 001		
Negative mark-to-market values of derivative financial instruments			115		143		
Other financial liabilities at fair value		102			27		
Due from banks			353			459	
Reverse repurchase agreements		135			121		
Loans and advances to customers		460				179	
Trading portfolio assets		39			166		
Positive mark-to-market values of derivative financial instruments		90				194	
Other financial assets at fair value			96			69	
Financial investments		6			125		
Short-term operations		**2 327**	**564**	**1 763**	**1 736**	**901**	**835**
Cash and cash equivalents			**1 901**	**– 1 901**		**291**	**– 291**
Total		**5 047**	**5 047**	**0**	**4 073**	**4 073**	**0**

1) The notes are on pages 124-143

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

4. Statement of changes in equity (in CHF millions)

	Share capital	Capital reserve	Retained earnings	Reserves for general banking risks	Currency translation reserve	Treasury shares	Equity - minority interests	Net profit for the year	Total equity
Status at 1 January 2013	**86**	**275**	**1 951**	**704**	**– 2**	**– 11**	**1**	**311**	**3 315**
2012 dividend								– 189	– 189
Special dividend		– 86							– 86
Retained earnings			122					– 122	0
Purchases of treasury shares (at cost)						– 27			– 27
Disposals of treasury shares (at cost)						27			27
Gain on disposals of treasury shares and dividends		3							3
Effect of exchange-rate differences					1				1
Changes in scope and/or minority interests			– 1				– 1		– 2
Net profit for the year							0	280	280
Status at 31 December 2013	**86**	**192**	**2 072**	**704**	**– 1**	**– 11**	**0**	**280**	**3 322**
2013 dividend								– 189	– 189
Special dividend		– 86							– 86
Retained earnings			91					– 91	0
Purchases of treasury shares (at cost)						– 28			– 28
Disposals of treasury shares (at cost)						26			26
Gain on disposals of treasury shares and dividends		0							0
Effect of exchange-rate differences					0				0
Changes in scope and/or minority interests			0						0
Net profit for the year							0	296	296
Status at 31 December 2014	**86**	**106**	**2 163**	**704**	**– 1**	**– 13**	**0**	**296**	**3 341**
2014 dividend								– 189	– 189
Special dividend		– 86							– 86
Retained earnings			107					– 107	
Purchases of treasury shares (at cost)						– 46			– 46
Disposals of treasury shares (at cost)						41			41
Gain on disposals of treasury shares and dividends		1							1
Effect of exchange-rate differences					– 1				– 1
Transfer from retained earnings to capital reserve[1]		271	– 271						0
Changes in scope and/or minority interests			0						0
Net profit for the year							0	336	336
Status at 31 December 2015	86	292	1 999	704	– 2	– 18	0	336	3 397

1) Transfer made for better clarity and consistency with the parent company financial statements

5. Company name, operations and headcount

5.1 Company name, legal status and head office

Banque Cantonale Vaudoise (BCV) was founded on 19 December 1845 by the Vaud Cantonal Parliament as a société anonyme de droit public (i.e., a corporation organized under public law). Its legal status is defined in the Cantonal Act Governing the Organization of Banque Cantonale Vaudoise (LBCV) of 20 June 1995, and its head office is in Lausanne.

5.2 Overview of operations

BCV operates as a full-service bank with a community focus. Its 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 (primarily softs and metals). It offers a broad portfolio of financial-market services, including equity and derivatives trading and fixed-income instruments. The Bank 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. The Bank also has a branch in Guernsey (Banque Cantonale Vaudoise Guernsey Branch), which is active in structured products and fiduciary investments.

5.3 Headcount

Full-time equivalents	31 / 12 / 15	31 / 12 / 14
Group	1947	1946
of which parent company	1734	1741

6. Accounting principles for the consolidated financial statements

6.1 Basis of preparation of consolidated financial statements

The consolidated financial statements of BCV Group have been prepared in accordance with the Swiss Federal Act of 8 November 1934 on Banks and Savings Institutions, the corresponding Ordinance of 30 April 2014 and the Swiss Accounting Rules for Banks, Securities Dealers, Financial Groups and Conglomerates of 27 March 2014 (FINMA Circular 2015/1). 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 Group companies' full-year accounts, which are prepared in accordance with generally accepted accounting principles. The accounts are closed at 31 December of every year.

6.2 Scope of consolidation

Companies over which BCV has control and companies in which it has significant influence over their operations are fully consolidated. Significant influence is generally recognized by BCV when it makes a profit on and bears the risks of a company's operations.

Companies over which BCV has significant influence but no outright control (holdings of 20%-50%) are accounted for using the equity method.

The following companies are not included in the scope of consolidation:

- Holdings of no material significance in terms of financial reporting and risk
- Significant holdings not acquired for strategic purposes and intended to be sold or liquidated within 12 months.

6.3 Basis of consolidation

Equity is consolidated using the acquisition 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 under "Intangible assets" and amortized on a straight-line basis over its estimated useful life (maximum of ten years).

6.4 Accounting and valuation principles

6.4.1 Cash and cash equivalents

Cash and cash equivalents comprise ordinary coins and banknotes and assets held with the Swiss National Bank and clearing houses; they are carried at nominal value.

6.4.2 Due from banks

Amounts due from banks are carried at nominal value less any impairment, as set out in note 7.2 under "Risk-assessment and risk-management principles."

6.4.3 Reverse repurchase agreements

Receivables from cash collateral related to reverse repurchase agreements are carried at nominal value.

Reverse repurchase agreements are not recognized on the balance sheet unless the ownership rights pass to the Group.

6.4.4 Loans and advances to customers and Mortgage loans

Loans and advances to customers and Mortgage loans are carried at nominal value less any impairment, as set out in note 7.2 under "Risk-assessment and risk-management principles."

6.4.5 Trading portfolio assets

Trading portfolio assets include positions in equity securities, debt securities and precious metals and are held in order to take advantage of market-price fluctuations.

These positions are carried at fair value with reference to the prices quoted on the most representative market.

6.4.6 Positive mark-to-market values of derivative financial instruments

Derivative financial instruments recorded at the balance-sheet date are carried at fair value with reference to the prices quoted on the most representative market. For positions that are not traded on sufficiently liquid markets, fair value is determined using a valuation model. Any resulting positive mark-to-market values are recognized under this item.

Positive mark-to-market values relating to transactions with the same counterparty and hedged by a netting agreement are carried on the balance sheet at net value.

6.4.7 Other financial assets at fair value

Securities needed to hedge structured products issued by BCV and recorded as a liability are carried under this line item. These positions are carried at fair value with reference to the prices quoted on the most representative market. For positions that are not traded on sufficiently liquid markets, fair value is determined using a valuation model.

6.4.8 Financial investments

Financial investments include 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 lending operations is also carried under this item.

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. Any related loan impairment charges or reversals are recorded on the income statement under the corresponding line item.

Interest-bearing securities not intended to be held until maturity, as well as equity securities and available-for-sale real estate, are carried at the lower of cost or market value. As a general rule, impairment charges and reversals on these assets are recorded under "Miscellaneous ordinary expenses" or "Miscellaneous ordinary income." Where impairment can be broken down into loan impairment and market-related impairment, loan impairment charges and reversals are recorded on the income statement under the corresponding line item.

6.4.9 Accrued income and prepaid expenses

This item mainly consists of accrued interest and other transitory assets.

6.4.10 Non-consolidated holdings

Non-consolidated holdings comprise equity securities that are held as a long-term investment, irrespective of voting rights. They also include the Group's infrastructure-related holdings, particularly joint ventures. They are carried at cost less any impairment.

These holdings are reviewed for impairment at each balance-sheet date, based on whether there is an indication of a loss in value. If there is such an indication, the Group determines the realizable value of each asset.

The realizable value is the higher of the net fair value and the value in use. The asset is written down if its carrying value exceeds its realizable value. In this case, the carrying value is reduced to the realizable value and the difference is charged to the income statement under "Depreciation and amortization of fixed assets and impairment on equity investments."

6.4.11 Tangible fixed assets

Tangible fixed assets are carried at cost, or at direct production cost for software developed by the Bank for in-house use.

They are depreciated on a straight-line basis over their estimated useful lives within the following limits:
- Fifty years for real estate
- Ten years for technical facilities
- Five years for machinery, furniture and fittings
- Five years for computer software and hardware.

Any depreciation recorded over an asset's remaining estimated useful life or additional write-downs made subsequent to impairment reviews are charged to the income statement for the period, under "Depreciation and amortization of fixed assets and impairment on equity investments."

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

6.4.12 Intangible assets

Goodwill is carried on the balance sheet and amortized on a straight-line basis over its estimated useful life (maximum of ten years).

Goodwill is reviewed for impairment at each balance-sheet date, based on whether there is an indication of a loss in value. In this case, the carrying value is reduced to the realizable value and the difference is charged to the income statement under "Depreciation and amortization of fixed assets and impairment on equity investments."

6.4.13 Other assets

This item mainly comprises coupons, indirect taxes to be recovered and any positive offset account balances.

6.4.14 Due to banks

Amounts due to banks are carried at nominal value.

6.4.15 Repurchase agreements

Commitments from cash collateral related to repurchase agreements are carried at nominal value.

Repurchase agreements are carried on the balance sheet and valued in the same way as Financial investments, provided that the Group continues to be the beneficial owner.

6.4.16 Customer deposits

This item comprises all amounts due to non-bank customers, carried at nominal value.

6.4.17 Negative mark-to-market values of derivative financial instruments

Derivative financial instruments recorded at the balance-sheet date are carried at fair value with reference to the prices quoted on the most representative market. For positions that are not traded on sufficiently liquid markets, fair value is determined using a valuation model. Any resulting negative mark-to-market values are recognized under this line item.

Negative replacement values relating to transactions with the same counterparty and hedged by a netting agreement are carried on the balance sheet at net value.

6.4.18 Other financial liabilities at fair value

This item includes structured products issued by the Bank, including participation products (fractions of equity baskets) and yield-enhancement products with an initial term of less than one year. They are carried at fair value with reference to a quoted market price or a valuation model. Subsequent revaluations are recognized under "Net trading income and fair-value adjustments."

6.4.19 Medium-term notes

Medium-term notes issued by the Bank for a term of between two and eight years are carried at nominal value.

6.4.20 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 carried at nominal value; any discount or premium is recorded under accrued or deferred items and amortized over the term of the instrument under "Interest expense."

This line item also includes yield-enhancement, participation and capital-protection structured products issued by the Bank with initial terms of more than one year. These products contain an interest-rate component and provide a source of financing.

For these structured products, the host instrument and the embedded derivatives are treated separately. The host instrument is recorded under this line item at nominal value as a debt issued by the Bank. Embedded derivatives are carried as either positive or negative mark-to-market values. Subsequent variations are recognized under "Net trading income and fair-value adjustments."

Interest accrued in the interest-rate component is recorded under “Interest expense” using the accrual method.

Positions in bonds and structured products issued by BCV are deducted from this item.

6.4.21 Accrued expenses and deferred income

This item mainly consists of accrued interest, taxes due on Group companies’ earnings and capital, and other transitory liabilities. Direct tax is calculated in accordance with the matching principle.

6.4.22 Other liabilities

This item mainly comprises coupons, indirect taxes to be paid and any negative offset account balances.

6.4.23 Provisions

Provisions include provisions necessary for business operations, provisions for hedging tangible and latent risks of loss, credit-risk provisions for off-balance-sheet transactions and provisions for deferred taxes.

6.4.24 Reserves for general banking risks

To cover risks inherent in the banking business which are not already covered by specific provisions, the Group sets aside “Reserves for general banking risks.” These reserves are part of shareholders’ equity and are taxed or subject to a deferred tax (see note 10.16 below).

6.4.25 Share capital

This line item consists of the Bank’s share capital.

6.4.26 Capital reserve

The capital reserve comprises additional paid-in capital obtained through the issue of equity securities and the exercise of conversion rights and options, along with gains and losses realized and dividends received on treasury shares.

6.4.27 Retained earnings

This line item represents capital accrued by the Group; it consists primarily of appropriated retained earnings and the effect of changes in the scope of consolidation.

6.4.28 Currency translation reserve

Exchange-rate differences resulting from the translation of Group company accounts denominated in foreign currencies are recorded under this line item and not through profit or loss.

6.4.29 Treasury shares

Treasury shares (i.e., registered shares of Banque Cantonale Vaudoise) are deducted from shareholders’ equity at cost. Dividend payments and gains and losses on disposals are allocated directly to the capital reserve.

6.4.30 Contingent liabilities

Contingent liabilities mainly comprise commitments to secure credits, issued in the form of bills of exchange, surety bonds and guarantees, including irrevocable letters of credit, endorsements of re-discounted bills, advance payment guarantees and similar facilities such as pledges in favor of third parties.

This type of liability is contingent if, when the transaction is entered into, the main debtor has no debt towards a third party but may incur such debt at a later date.

6.4.31 Irrevocable commitments

This line item includes commitments to grant loans and other services that are unused but firm and irrevocable at the balance-sheet date, together with payment commitments relative to depositor protection schemes.

6.4.32 Commitments relating to calls on shares and other equity securities

This line item includes commitments relating to calls on shares and other equity securities.

6.4.33 Confirmed credits

Commitments arising from deferred payments, as well as from acceptances and other confirmed credits, are included under this line item.

6.4.34 Pension-fund liabilities

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

When preparing its 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 as shown in their interim accounts at 30 September.

Any liabilities are carried on the balance sheet under "Provisions," while any economic benefit is carried under "Other assets." Any changes from the corresponding value in the previous financial year are recognized for each pension fund under "Personnel costs."

Adjusted contributions for the period are also carried under "Personnel costs."

An economic liability arises if the Group decides or is obliged to participate in the financing of an underfunded pension fund, while an economic benefit arises if there is a potential positive effect on future cash flows as a result of pension-fund overfunding. Moreover, in the case of overfunding, an economic benefit exists if there is a lawful intention to use the overfunding 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.

6.5 Changes to accounting principles

The accounting principles and presentation have been brought into line with the new Swiss accounting rules for banks (ARB).

Figures for the previous year have been adjusted to facilitate like-for-like comparison.

6.6 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 on the balance sheet at the date on which the deal is concluded.

6.7 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 rates.

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 transactions of foreign holdings are translated at year-end exchange rates set 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 set 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 / 15	Rates at 31 / 12 / 14
Euro	1	1.0874	1.2024
U.S. dollar	1	1.0010	0.9937
Pound sterling	1	1.4754	1.5493
Japanese yen	100	0.8321	0.8288

6.8 Refinancing of trading positions

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 and fair-value adjustments."

7. Risk-assessment and risk-management principles

7.1 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 Bank's existing control system for managing and mitigating risks.

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

7.2 Credit risk

7.2.1 Exposure to credit risk

Credit risk arises from the possibility that a counterparty might default on its financial obligations to the Bank. It corresponds to the default risk set out in FINMA Circular 2015/1 and 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 mark-to-market 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 funds or securities 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.

7.2.2 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 note 7.2.5). 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.

7.2.3 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 note 7.2.4).

For unimpaired loans (see note 7.2.5), 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, the expected loss 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 slotting criteria.

7.2.4 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.

Provided their value is below a set amount, single-family homes, condominium apartments and income-generating real estate are valued using hedonic pricing models or capitalization pricing models in collaboration with experts. Other types of real estate and real estate with values above the set amount are valued by experts.

7.2.5 Impaired loans

A loan is impaired when the counterparty is unlikely to be able to meet its future credit obligations. The counterparty is then "in default" and all its debts to the Bank are considered "non-performing."

A counterparty is "in default" when it 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.

7.2.6 Overdue-interest loans

A loan is 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 past due
- 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.

"Overdue-interest" loans are in principle impaired.

7.2.7 Provisions for credit risk

The purpose of credit-risk provisions is to recognize, at the balance-sheet date, the expected loss on impaired loans and on unimpaired loans with latent risks.

Provisions for impaired loans are determined individually for each counterparty. The provision calculation 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.

The 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 latent risks are recognized for counterparties representing a heightened credit risk. Heightened credit risks are identified for counterparties that are "reputed to be in financial difficulty" and for country risk.

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 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 permanent exemption being granted. These loans are not impaired because the Bank deems that the counterparty is still likely to be able to meet its future credit obligations.

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.

7.2.8 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.

7.3 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 calculated using a valuation model that incorporates observable market parameters.

The Bank manages 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 revaluations 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 analyses are used 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 determined 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. Six-month scenarios are used for the nostro portfolio managed by the Asset Management Department, analyzing cumulative results over that period.

Sensitivity measures 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 (SA-BIS).

7.4 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.

7.4.1 Interest-rate risk on the banking book

Interest-rate risk on the banking book arises from mismatches between the size and terms (dates on which interest rates are fixed) of asset and liability positions. It 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 share 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 share 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 share capital:

- Static indicators: to monitor the economic value of share capital, the Bank calculates the duration of share capital, the sensitivity of share capital to an interest-rate shock, and historical VaR 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 customer 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 share capital are calculated for several future dates to measure the future exposure of share capital to interest-rate risk.

7.4.2 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 in its assets. 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 its 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 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 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.

7.5 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 processes (methods, procedures, organizational structure, etc.) or governance (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 recognized for the additional costs expected but not yet incurred. The Bank determines its regulatory capital requirements for operational risk according to the Standard Approach.

8. Use of hedge accounting

The Group uses derivatives as part of its asset- and liability-management strategy, primarily to hedge interest-rate risk. These transactions are recognized as macro and micro hedges, and net gains or losses after interest are recorded under "Interest and discount income" or "Interest expense." Changes in the fair value of hedging instruments are recognized in the offset accounts under "Other assets" or "Other liabilities."

Whenever derivatives are used for hedging purposes, records are kept of the transactions, the objectives and strategies of the Bank's unit in charge of managing market risk on the balance sheet, and the system used to monitor the effectiveness of the hedge.

The hedging instruments used are almost exclusively interest-rate swaps (IRS), in which the Bank may be either the payer or the receiver; the large majority of these IRS are denominated in Swiss francs. Receiver IRS are all micro hedges, and in most cases the hedged items are the Bank's long-term borrowings (i.e., its own bond issues or issues made through the Central Mortgage-Bond Bank). Payer IRS can be either micro or macro hedges, and the hedged items are either fixed-term mortgages or financial investments.

Micro hedges are used to reduce the risk on a clearly defined underlying position. The hedges have the same nominal value and the same maturity as the hedged position, although a large underlying position may require several hedges.

Most macro hedges are used to hedge mortgage loans. The hedging instruments mature during the same month that the terms of the underlying mortgage loans end.

In order to prevent any over-hedged positions, the nominal value of the underlying positions must be 10% higher than that of the hedging instrument in order to take account of any depreciation, impairment, early redemption or repayment. When entering into a hedging relationship, the Bank draws up documents stipulating the designation of the hedging instrument and the underlying transaction or group of transactions, together with their main features. The type of risk hedged and the system for assessing the effectiveness of the hedge are also provided.

As the Bank uses linear hedging, there is a very close economic relationship between the underlying positions and the hedging instruments. For mortgage loans, the main difference between the hedging instrument and the underlying position is the interest rate, as the rate on the mortgage loans includes the Bank's margin.

Hedges are tested for their effectiveness every quarter. The main aim of the test is to ensure that the nominal value of the underlying positions is still at or above the nominal value of the hedging instrument. A forward-looking assessment of the hedging relationship is also conducted by measuring how the economic value of the hedging instrument and the hedged positions would be affected by a 100bp rise or fall in interest rates. To qualify as a hedge, the change in the value of the hedging instrument must offset the change in value of the underlying positions by between 80% and 125%.

Given that linear hedging is used, the hedges are unlikely to be ineffective. In the event of an over-hedged position, the excess portion of the derivative financial instrument is treated as a trading portfolio asset and recorded under "Net trading income and fair-value adjustments."

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

9.1 Significant events

The following significant event took place in 2015:
In December 2015, BCV and the U.S. Department of Justice signed a non-prosecution agreement with respect to BCV's participation as a category 2 financial institution in the 2013 USA/Switzerland tax program. Under the terms of the agreement, BCV paid a settlement of USD 41.7m. BCV subsidiary Piguet Galland & Cie SA signed a non-prosecution agreement in October 2015, paying a settlement of USD 15.4m.

These agreements marked the end of a process that began more than two years ago.

The following significant event was also ongoing:
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 Sentry feeder fund from investors who had received refunds in the two years prior to BLMIS' bankruptcy. As both these legal actions overlap, there is no additional financial or legal risk. Consequently, and as stated in previous annual reports, no provision has been set aside except to cover BCV's defense costs.

9.2 Events taking place after the closing date

To the Group's knowledge, there was no event liable to have a material influence on the Group's financial statements as of 4 March 2016, when the writing of this annual report was completed.

10. Notes to the consolidated balance sheet

10.1 Repurchase and reverse repurchase agreements (in CHF millions)

	31 / 12 / 15	31 / 12 / 14
Book value of claims arising from cash collateral pledged in connection with securities borrowing or reverse repurchase agreements[1]	280	415
Book value of liabilities arising from cash collateral received in connection with securities lending or repurchase agreements[1]	1 738	960
Book value of securities held for own account, lent or transferred as collateral in connection with securities borrowing or repurchase agreements	1 647	908
of which those that can be sold or repledged without restriction	*1 647*	*908*
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	311	445
of which securities repledged as collateral	*0*	*0*
of which sold securities	*0*	*0*

1) Before netting agreements

10.2 Risk mitigants for loans and off-balance-sheet transactions Impaired loans (in CHF millions)

		Type of risk mitigant			
		Mortgage	Other	Unsecured	Total
Loans and advances to customers		439	1 438	3 126	5 003
Mortgages		24 532			24 532
Residential real estate		*20 447*			*20 447*
Office and business premises		*2 748*			*2 748*
Commercial and industrial property		*1 311*			*1 311*
Other		*26*			*26*
Loans (before impairment charges/reversals)	31 / 12 / 15	**24 971**	**1 438**	**3 126**	**29 535**
	31 / 12 / 14	**24 580**	**1 515**	**3 704**	**29 799**
Loans (after impairment charges/reversals)	31 / 12 / 15	**24 960**	**1 438**	**3 059**	**29 457**
	31 / 12 / 14	**24 570**	**1 515**	**3 635**	**29 720**
Contingent liabilities		6	318	865	1 189
Irrevocable commitments		204	1	793	998
Commitments relating to calls on shares and other equity securities				113	113
Confirmed credits				53	53
Off-balance-sheet transactions	31 / 12 / 15	**210**	**319**	**1 824**	**2 353**
	31 / 12 / 14	**204**	**387**	**1 963**	**2 554**

		Gross receivables	Realization value of risk mitigants	Net receivables	Individual impairment charge/reversal
Impaired loans	31 / 12 / 15	**208**	**– 117**	**91**	**73**
	31 / 12 / 14	**203**	**– 104**	**99**	**76**
Change (absolute)		5	13	– 8	– 3
Change (as %)		2	13	– 8	– 4

10.3 Trading portfolio assets and liabilities
Other financial assets and liabilities at fair value (in CHF millions)

Assets	31 / 12 / 15	31 / 12 / 14
Debt securities	28	45
of which listed	*28*	*45*
Equity securities	2	1
Commodities and precious metals	125	148
Trading portfolio assets	**155**	**194**
Debt securities	167	183
Structured products	0	0
Other	414	302
Other financial assets at fair value	**581**	**485**
Total	**736**	**679**
of which determined using a valuation model	*0*	*0*
of which securities eligible for repurchase agreements in accordance with liquidity regulations	*21*	*36*

Liabilities	31 / 12 / 15	31 / 12 / 14
Trading portfolio liabilities	**0**	**0**
Debt securities	0	0
Structured products	666	564
Other	0	0
Other financial liabilities at fair value	**666**	**564**
Total	**666**	**564**
of which determined using a valuation model	*0*	*0*

10.4 Derivative financial instruments (in CHF millions)

		Trading instruments			Hedging instruments		
		Positive mark-to-market value	Negative mark-to-market value	Value of underlying asset	Positive mark-to-market value	Negative mark-to-market value	Value of underlying asset
Swaps		81	101	3 022	227	255	7 117
Futures				101			
Options (OTC)							
Interest-rate instruments		**81**	**101**	**3 123**	**227**	**255**	**7 117**
Forward contracts		51	43	4 674			
Combined interest-rate and currency swaps		294	295	31 698			
Options (OTC)		79	45	10 933			
Foreign currencies and precious metals		**424**	**383**	**47 305**	**0**	**0**	**0**
Futures				7			
Options (OTC)		98	78	540			
Equity securities and indices		**98**	**78**	**547**	**0**	**0**	**0**
Total	31 / 12 / 15	603	562	50 975	227	255	7 117
of which determined using a valuation model		–	–	–	–	–	–
	31 / 12 / 14	**756**	**714**	**43 282**	**189**	**245**	**7 159**
of which determined using a valuation model		–	–	–	–	–	–

		Positive mark-to-market value	Negative mark-to-market value	Value of underlying asset
Breakdown				
Trading instruments		603	562	50 975
Hedging instruments		227	255	7 117
Total before netting agreements	31 / 12 / 15	830	817	58 092
	31 / 12 / 14	**945**	**959**	**50 441**
Total after netting agreements	31 / 12 / 15	343	331	58 092
	31 / 12 / 14	**433**	**446**	**50 441**
Change	absolute	– 90	– 115	7 651
	as %	– 21	– 26	15

Breakdown by counterparty

	Central clearing houses	Banks and securities dealers	Other clients
Positive mark-to-market value (after netting agreements)	0	168	175

10.5 Financial investments (in CHF millions)

	31 / 12 / 15		31 / 12 / 14	
	Book value	Fair value	Book value	Fair value
Debt securities	3 083	3 246	3 191	3 399
of which securities intended to be held until maturity	*3 059*	*3 221*	*3 157*	*3 364*
of which securities available for sale	*24*	*25*	*34*	*35*
Equity securities	29	70	42	85
of which significant holdings (minimum of 10% of capital or voting rights)	*4*	*4*	*14*	*15*
Available-for-sale real estate	28	30	26	29
Financial investments	**3 140**	**3 346**	**3 259**	**3 513**
of which securities eligible for repurchase agreements in accordance with liquidity regulations	*2 982*	–	*3 058*	–

Counterparty breakdown by rating

	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Below B-	Not rated	Total
Book value of debt securities	2 910	5	3	0	0	165	3 083

The rating categories are based on Standard & Poor's ratings; they are used for the specific instruments to which the Group has subscribed. If an instrument is not rated by Standard & Poor's, the Moody's rating is used; failing that, the Fitch rating is used. Where there is no specific rating for a given instrument, the issuer's long-term rating is used, with the same order of rating agencies.

Unrated positions are top-quality positions in Swiss cantons, municipalities and cantonal banks for which none of the three agencies provides a rating of either the instrument or the issuer.

10.6 Non-consolidated holdings (in CHF millions)

	Cost	Accumulated impairment charges/ reversals	Book value at year-end	Changes in allocation or scope	Additions	Disposals	Impairment charges/ reversals	Book value at year-end	Market value
			2014					2015	2015
Holdings accounted for using the equity method	–		–					–	–
Other equity holdings, unlisted	61	– 7	54			– 6		48	–
Non-consolidated holdings	**61**	**– 7**	**54**	**0**	**0**	**– 6**	**0**	**48**	**–**

10.7 Companies in which the Group has a significant long-term direct or indirect holding

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

Fully consolidated Group companies

Company name and head office	Main business		Capital in millions	31 / 12 / 15 % of share capital held as %	% of voting rights held as %	% of stake held directly /indirectly as %
Piguet Galland & Cie SA, Yverdon-les-Bains (Switzerland)	Private bank	CHF	24.4	99.7	99.7	99.7 / 0
Gérifonds SA, Lausanne	Fund management	CHF	2.9	100	100	100 / 0
Gérifonds (Luxembourg) SA, Luxembourg	Fund management	EUR	0.1	100	100	0.8 / 99.2
Société pour la gestion de placements collectifs GEP SA, Lausanne	Fund management	CHF	1.5	100	100	100 / 0

The scope of consolidation did not change relative to end-2014.

No companies are accounted for using the equity method.

Main non-consolidated holdings

Aduno Holding Ltd, Zurich	Purchase, sale, and management of equity holdings	CHF	25.0	4.8	4.8	4.8 / 0
Caleas AG, Zurich	Leasing company	CHF	0.8	4.7	4.7	4.7 / 0
Central Mortgage-Bond Institution of Swiss Cantonal Banks Ltd, Zurich *of which CHF 820.0 million unpaid*	Central mortgage-bond institution	CHF	1 025.0	13.6	13.6	13.6 / 0
newhome.ch AG, Zurich	Property listing website	CHF	0.1	10.7	10.7	10.7 / 0
SIX Group Ltd, Zurich	Swiss stock exchange operator and provider of payment and other services	CHF	19.5	2.5	2.5	2.4 / 0.1
Société vaudoise pour le logement (SVL) SA, Crissier (Switzerland)	Property developer for low-income housing	CHF	2.0	45.0	45.0	45 / 0
Swiss Bankers Prepaid Services Ltd, Grosshöchstetten (Switzerland)	Development and sale of prepaid cards	CHF	10.0	3.2	3.2	3.2 / 0
VDCapital Private Equity Partners LTD, St Helier (Jersey)	Private equity firm	CHF	0.1	25.0	25.0	25 / 0

In 2015, the Group sold its 7.3% stake in Swisscanto, the Swiss cantonal banks' fund-management company, to Zürcher Kantonalbank; it also sold its 7.5% stake in Dynagest SA, based in Geneva.

As the Bank's holdings in SVL and VDCapital are not material in terms of the consolidated financial statements, they are not included in the scope of consolidation. At end-2014, SVL had total assets of CHF 14 million and equity of CHF 5 million, while VDCapital had total assets and equity of CHF 0.4 million each. Both companies reported income of less than CHF 50,000 in 2014.

Main equity security positions held under “Financial investments”

Company name and head office	Main business		Capital	31 / 12 / 15 % of share capital held	% of voting rights held	% of stake held directly /indirectly
			in millions	as %	as %	as %
Banque Cantonale du Jura SA, Porrentruy (Switzerland)	Bank	CHF	42.0	4.8	4.8	4.84 / 0
Romande Energie Holding SA, Morges (Switzerland)	Purchase, sale, and management of equity holdings in the energy sector	CHF	28.5	3.3	3.3	3.31 / 0

10.8 Tangible fixed assets (in CHF millions)

	Cost	Accumulated depreciation and write-offs	Book value at year-end	Changes in allocation or scope	Additions	Disposals	Depreciation and write-offs	Book value at year-end
			2014					2015
Group premises	385	– 135	250		4		– 9	245
Other real estate	336	– 129	207		3		– 7	203
Furniture and fixtures	57	– 27	30		3		– 8	25
Computer programs	120	– 52	68		39		– 40	67
Other tangible fixed assets	199	– 177	22		3		– 7	18
Tangible fixed assets	**1 097**	**– 520**	**577**	**0**	**52**	**0**	**– 71**	**558**

10.9 Intangible assets (in CHF millions)

	Cost	Accumulated amortization and impairment	Book value at year-end	Changes in allocation or scope	Additions	Disposals	Amortization and impairment	Book value at year-end
			2014					2015
Goodwill	50	– 23	27				– 4	23
Intangible assets	**50**	**– 23**	**27**	**0**	**0**	**0**	**– 4**	**23**

10.10 Other assets and liabilities (in CHF millions)

	31 / 12 / 15 Other assets	Other liabilities	31 / 12 / 14 Other assets	Other liabilities
Offset accounts	23	0	53	0
Indirect taxes	10	13	5	18
Coupons/coupons and securities due	3	1	7	2
Settlement accounts	15	7	21	10
Miscellaneous assets and liabilities	5	14	10	14
Other assets and liabilities	**56**	**35**	**96**	**44**

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

	31 / 12 / 15 Amount or book value of pledge	Real liability	31 / 12 / 14 Amount or book value of pledge	Real liability
Assets pledged or assigned to the Swiss National Bank	184	0	186	0
Mortgages pledged or assigned to Central Mortgage-Bond Institution of Swiss Cantonal Banks	7 005	5 470	6 743	5 194
Other	216	211	255	250
Total assets pledged or assigned	**7 405**	**5 681**	**7 184**	**5 444**
Assets with reservation of title	**0**	**0**	**0**	**0**

10.12 Commitments relating to own occupational pension funds
BCV shares held by own occupational pension funds (in CHF millions)

	31 / 12 / 15	31 / 12 / 14
Customer deposits	58	109
Negative mark-to-market values of derivatives	0	0
Medium-term notes	0	0
Bonds	11	11
Total	**69**	**120**

BCV's own occupational pension funds held no BCV shares at 31 December 2015.

10.13 Economic situation of own occupational pension funds (in CHF millions)

Economic benefit/liability and pension expenses	Surplus / deficit	Economic benefit/liability			Contributions adjusted for the period	Pension expenses included in "Personnel costs"	
	31 / 12 / 15	31 / 12 / 15	31 / 12 / 14	Change	2015	2015	2014
Employer-financed pension funds: "Fonds de prévoyance en faveur du personnel de la BCV"[1]	42.3	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	35.1	35.1	35.2
Pension funds with surpluses: "Fondation de prévoyance complémentaire en faveur de l'encadrement supérieur de la BCV"	0.5	0	0	0	2.0	2.0	2.0
Total	**42.8**	**0**	**0**	**0**	**37.1**	**37.1**	**37.2**

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 2015.

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.

10.14 Issued structured products (in CHF millions)

Underlying risk of embedded derivative		Carrying value – Single treatment: Recognized in trading portfolio liabilities	Carrying value – Single treatment: Recognized in other financial liabilities at fair value	Carrying value – Separate treatment: Value of the host instrument	Carrying value – Separate treatment: Value of the derivative	Total
Interest-rate instruments		–	12	0	0	12
Equity securities		–	585	993	– 71	1 507
Foreign currencies		–	69	23	– 2	90
Commodities and precious metals		–	0	0	0	0
Total	31 / 12 / 15	–	666	1 016	– 73	1 609
	31 / 12 / 14	–	564	857	– 41	1 380

All structured products issued by the Bank have a debenture component.

Single accounting treatment

Participation structured products (i.e., representing a fraction of an equity basket) and yield-enhancement structured products issued by the Bank with an initial term of less than one year are each treated as a single position. They are recognized under “Other financial liabilities at fair value,” and their fair value is based on a quoted market price. Subsequent revaluations are recognized under “Net trading income and fair-value adjustments.”

Separate accounting treatment

Yield-enhancement, participation and capital-protection structured products issued by the Bank with initial terms of more than one year are each treated as two separate positions. They contain an interest-rate component and provide a source of financing.

For these structured products, the host instrument and the embedded derivative(s) are treated separately. The host instrument is recorded under “Bonds” at nominal value as a debt issued by the Bank. Embedded derivatives are carried as either positive or negative mark-to-market values. Subsequent variations are recognized under “Net trading income and fair-value adjustments.”

Interest accrued in the interest-rate component is recorded under “Interest expense” using the accrual method.

10.15 Bonds and mortgage-backed bonds (in CHF millions)

Rate	Year of issue	Nominal value	Maturity	Group-held	31 / 12 / 15 Amount outstanding	31 / 12 / 14
2.500%	2010	200	25.03.20	43	157	
1.625%	2011	125	30.11.26	30	95	
1.500%	2014	135	28.03.24	0	135	
Bond issues[1]		**460**		**73**	**387**	**388**
of which subordinated bonds		*0*		*0*	*0*	*0*
Structured products					1 016	857
Central Mortgage-Bond Institution of Swiss Cantonal Banks					5 470	5 194
Long-term borrowings					**6 873**	**6 439**

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

Long-term borrowings by maturity — **31 / 12 / 15**

	2016	2017	2018	2019	2020	2021-2029	Total	Average rate
Bond issues	0	0	0	0	158	229	387	2.0%
Structured products	617	316	56	9	18	0	1 016	0.0%
Central Mortgage-Bond Institution of Swiss Cantonal Banks	258	412	307	539	184	3 770	5 470	1.7%
Total	**875**	**728**	**363**	**548**	**360**	**3 999**	**6 873**	

	Status at year-end 2014	New issues	Redemptions	Net change in own securities	Status at year-end 2015
Bond issues	388	0	0	– 1	387
Structured products	857	814	– 697	42	1 016
Central Mortgage-Bond Institution of Swiss Cantonal Banks	5 194	859	– 583	–	5 470
Total	**6 439**	**1 673**	**– 1 280**	**41**	**6 873**

10.16 Provisions
Reserves for general banking risks (in CHF millions)

	Status at year-end 2014	Used as allocated	Changes in scope of consolidation	Currency translation differences	Recoveries, overdue interest	New provisions charged to income statement	Releases credited to income statement	Status at year-end 2015
Provisions for deferred taxes	3						– 2	1
Provisions for credit risk	1					1		2
Other provisions	59	– 70		1		25		15
Total provisions	**63**	**– 70**	**0**	**1**	**0**	**26**	**– 2**	**18**
Reserves for general banking risks[1]	**704**							**704**
Provisions for credit risk and country risk	**79**	**– 14**	**0**	**0**	**14**	**24**	**– 25**	**78**
of which provisions for impaired loans	*76*	*– 14*			*14*	*22*	*– 25*	*73*
of which provisions for latent risks	3					2		5

1) Reserves for general banking risks are taxable, except for CHF 3m covered by a deferred tax

10.17 Stock options granted to members of the Board of Directors, Executive Board members and other employees
Employee share-ownership plans

		2015
	Shares (in units)	Value (in CHF)
Members of the Board of Directors	112	72 900
Executive Board members	4 522	2 243 820
Other employees	35 330	12 867 714
Total	**39 964**	**15 184 434**

No stock options have been granted to members of the Board of Directors, Executive Board members or other employees.

Employee share ownership
Annual performance-based compensation

For the Chairman of the Board of Directors, Executive Board members and department heads, 30% of annual performance-based compensation must be taken in BCV shares with a lock-up period of five to ten years.

Other employees receiving annual performance-based 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%.

The Chairman of the Board of Directors and Executive Board members are allocated their shares subject to approval at the Shareholders' Meeting. The number of shares allocated will be calculated based on the closing market price on 2 May 2016, rounded up to the nearest whole number.

Other employees will receive their shares at the end of April 2016. The number of shares allocated will be calculated based on the closing market price on 18 March 2016, rounded up to the nearest whole number. These employees have until 1 April 2016 to make their decision. As their decision was not known at the time this report was published, the amount shown in the above table corresponds to the maximum amount payable in the form of shares.

The market prices used to calculate the number of shares will be those on 18 March 2016 and 2 May 2016 (see above), so they were not known at the time this report was published. As a result, the number of shares was calculated based on the closing market price on 4 March 2016, the date of the Board of Directors' final decision on this compensation.

Share-ownership plan

The Executive Board and other Group employees, with the exception of employees of Piguet Galland & Cie SA, were given the opportunity to subscribe to the share-ownership plan in April 2015 on the following terms:

- The number of shares that may be purchased is determined by the level of responsibility inherent in the employee's position.
- The subscription period ran from 12–24 March 2015.
- The subscription price was set at CHF 410 per share, and the market price used was CHF 541 (closing price on 12 March, the first day of the subscription period).

The amount shown in the above table corresponds to the number of shares subscribed multiplied by CHF 131, which is the difference between the market price of CHF 541 and the subscription price of CHF 410.

Long-term performance-based compensation

At the beginning of each three-year share-ownership plan, participants are informed of the number of shares that will be allocated if all objectives are met in full. At the end of each plan, the Bank informs participants of the extent to which objectives have been met based on the Bank's financial results and strategic and qualitative performance. The number of shares initially allocated is multiplied by the level of attainment of the objectives in order to determine the number of shares allocated to each participant.

The amounts shown in the table on the previous page correspond to the expense recorded in 2015 for the various plans in progress.

Free shares

The Bank awards three BCV shares to trainees and university interns who successfully complete their training and are then hired by BCV.

The number allocated and their value, based on the market price on the last business day of the month before the shares are awarded, are also shown in the table.

10.18 Receivables and commitments with respect to related parties (in CHF millions)

	31 / 12 / 15		31 / 12 / 14	
	Receivable	Commitment	Receivable	Commitment
Canton of Vaud - significant shareholder	5	1 528	5	1 355
Affiliated companies	36	203	55	194
Governing bodies	33	21		

Corporations organized under public law in Vaud Canton and public-private entities in which Vaud Canton has a qualified holding are considered affiliated companies.

Transactions with related parties were conducted on market terms.

10.19 Treasury shares

Number of shares (in units)	Average transaction price	Total	Treasury shares
Status at 31 December 2014		**8 606 190**	**26 453**
Purchases	539		76 619
Sales	532		– 69 967
Status at 31 December 2015		**8 606 190**	**33 105**

Transactions with market participants were conducted on market terms.

10.20 Maturity structure of financial instruments (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		6 861							6 861
Due from banks		893		488	429				1 810
Reverse repurchase agreements			280						280
Loans and advances to customers		105	1 469	1 702	415	597	647		4 935
Mortgage loans		716	430	2 828	2 275	10 139	8 134		24 522
Trading portfolio assets		155							155
Positive mark-to-market values of derivative financial instruments		343							343
Other financial assets at fair value		581							581
Financial investments		27		90	334	1 097	1 564	28	3 140
Current assets	31 / 12 / 15	**9 681**	**2 179**	**5 108**	**3 453**	**11 833**	**10 345**	**28**	**42 627**
	31 / 12 / 14	**7 717**	**2 253**	**6 107**	**3 203**	**12 450**	**9 192**	**26**	**40 948**
Due to banks		1 009		115		100			1 224
Repurchase agreements				1 659	79				1 738
Customer deposits		11 334	16 800	542	102	34	65		28 877
Negative mark-to-market values of derivative financial instruments		331							331
Other financial liabilities at fair value		666							666
Medium-term notes				6	13	19	2		40
Bonds and mortgage-backed bonds				153	722	1 999	3 999		6 873
Borrowed funds	31 / 12 / 15	**13 340**	**16 800**	**2 475**	**916**	**2 152**	**4 066**		**39 749**
	31 / 12 / 14	**12 794**	**16 626**	**1 932**	**860**	**2 391**	**3 551**		**38 154**

10.21 Breakdown of assets and liabilities by Swiss and foreign domicile (in CHF millions)

	31 / 12 / 15		31 / 12 / 14	
	Swiss	Foreign	Swiss	Foreign
Cash and cash equivalents	6 854	7	4 952	8
Due from banks	867	943	675	807
Reverse repurchase agreements		280		415
Loans and advances to customers	4 312	623	5 002	673
Mortgage loans	24 522		24 045	
Trading portfolio assets	153	2	189	5
Positive mark-to-market values of derivative financial instruments	287	56	343	90
Other financial assets at fair value	159	422	81	404
Financial investments	2 260	880	2 327	932
Accrued income and prepaid expenses	104	2	115	2
Non-consolidated holdings	48		54	
Tangible fixed assets	558		577	
Intangible assets	23		27	
Other assets	56		96	
Assets	**40 203**	**3 215**	**38 483**	**3 336**
Total as %	**93**	**7**	**92**	**8**
Due to banks	797	427	901	255
Repurchase agreements	1 738		960	
Customer deposits	26 462	2 415	26 019	2 513
Negative mark-to-market values of derivative financial instruments	151	180	252	194
Other financial liabilities at fair value	440	226	282	282
Medium-term notes	40		57	
Bonds and mortgage-backed bonds	6 553	320	6 148	291
Accrued expenses and deferred income	217	2	216	1
Other liabilities	32	3	44	
Provisions	18		63	
Reserves for general banking risks	704		704	
Share capital	86		86	
Capital reserve	292		106	
Retained earnings	1 999		2 163	
Currency translation reserve	– 2		– 1	
Treasury shares	– 18		– 13	
Minority interests in equity	0		0	
Net profit	336		296	
Total liabilities and shareholders' equity	**39 845**	**3 573**	**38 283**	**3 536**
Total as %	**92**	**8**	**92**	**8**

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

	31 / 12 / 15 Absolute value	as % of total	31 / 12 / 14 Absolute value	as % of total
Europe	2 413	6	2 604	7
United Kingdom	*476*	*1*	*529*	*1*
France	*439*	*1*	*531*	*1*
Germany	*411*	*1*	*357*	*1*
Luxembourg	*300*	*1*	*314*	*1*
Netherlands	*251*	*1*	*222*	*1*
Austria	*175*	*0*	*189*	*0*
Other	*361*	*1*	*462*	*2*
Asia	374	1	392	1
Latin America, the Caribbean	146	0	106	0
United States, Canada	105	0	120	0
Other	177	0	114	0
Foreign assets	**3 215**	**7**	**3 336**	**8**
Switzerland	40 203	93	38 483	92
Assets	**43 418**	**100**	**41 819**	**100**

10.23 Breakdown of assets by solvency of country groups (in CHF millions)

Internal country rating	Standard & Poor's rating	31 / 12 / 15 Absolute value	as % of total
1	AAA to AA-	2 622	80
2	A+ to A-	270	8
3	BBB+ to BBB-	108	3
4	BB+ to BB-	134	4
5 to 7	B+ to B-	38	1
8	CCC+ to C	68	2
Not rated	Not rated	53	2
Net foreign exposure		**3 293**	**100**

Rating categories are based on Standard & Poor's ratings.

10.24 Breakdown of assets and liabilities by currency (in CHF millions)

		CHF	EUR	USD	Other	Total
Cash and cash equivalents		6 813	43	2	3	6 861
Due from banks		558	484	474	294	1 810
Reverse repurchase agreements			180	100		280
Loans and advances to customers		3 473	303	1 132	27	4 935
Mortgage loans		24 520	2			24 522
Trading portfolio assets		155				155
Positive mark-to-market values of derivative financial instruments		258	17	67	1	343
Other financial assets at fair value		162	213	165	41	581
Financial investments		2 738	401	1		3 140
Accrued income and prepaid expenses		98	6	2		106
Non-consolidated holdings		48				48
Tangible fixed assets		558				558
Intangible assets		23				23
Other assets		52		3	1	56
Positions carried as assets		**39 456**	**1 649**	**1 946**	**367**	**43 418**
Delivery claims arising from spot and forward transactions and options		15 898	6 743	15 597	2 364	40 602
Assets	31 / 12 / 15	55 354	8 392	17 543	2 731	84 020
	31 / 12 / 14	**52 855**	**8 680**	**16 570**	**1 846**	**79 951**
Due to banks		633	149	199	243	1 224
Repurchase agreements		399		1 321	18	1 738
Customer deposits		25 256	1 509	1 772	340	28 877
Negative mark-to-market values of derivative financial instruments		264	41	25	1	331
Other financial liabilities at fair value		345	185	131	5	666
Medium-term notes		40				40
Bonds and mortgage-backed bonds		6 598	145	124	6	6 873
Accrued expenses and deferred income		203	7	9		219
Other liabilities		14	10	9	2	35
Provisions		18				18
Reserves for general banking risks		704				704
Share capital		86				86
Capital reserve		292				292
Retained earnings		1 999				1 999
Currency translation reserve		– 2				– 2
Treasury shares		– 18				– 18
Minority interests in equity		0				0
Net profit		336				336
Positions carried as liabilities		**37 167**	**2 046**	**3 590**	**615**	**43 418**
Delivery commitments arising from spot and forward transactions and options		18 312	6 303	13 868	2 073	40 556
Total liabilities and shareholders' equity	31 / 12 / 15	55 479	8 349	17 458	2 688	83 974
	31 / 12 / 14	**53 072**	**8 636**	**16 382**	**1 813**	**79 903**
Net position by currency	31 / 12 / 15	– 125	43	85	43	46
	31 / 12 / 14	**– 217**	**44**	**188**	**33**	**48**

11. Notes to off-balance-sheet transactions

11.1 Contingent liabilities
Contingent receivables (in CHF millions)

	31 / 12 / 15	31 / 12 / 14	Change absolute	Change as %
Irrevocable and similar guarantees	775	848	– 73	– 9
Other guarantees	414	454	– 40	– 9
Contingent liabilities	**1 189**	**1 302**	**– 113**	**– 9**
Contingent receivables	**0**	**0**	**0**	**0**

11.2 Confirmed credits (in CHF millions)

	31 / 12 / 15	31 / 12 / 14	Change absolute	Change as %
Commitments arising from deferred payments	53	33	20	61
Confirmed credits	**53**	**33**	**20**	**61**

11.3 Fiduciary transactions (in CHF millions)

	31 / 12 / 15	31 / 12 / 14	Change absolute	Change as %
Fiduciary investments with third parties	309	262	47	18
Fiduciary loans	1	0	1	n/a
Fiduciary transactions	**310**	**262**	**48**	**18**

11.4 Assets under management (in CHF millions)

Breakdown	31 / 12 / 15	31 / 12 / 14	Change absolute	Change as %
Assets held by collective investment vehicles under own management	28 818	28 043	775	3
Assets under discretionary management agreements	13 108	12 531	577	5
Other assets under management	46 046	45 808	238	1
Total assets under management (incl. double-counted)	**87 972**	**86 382**	**1 590**	**2**
of which double-counted	*9 054*	*8 757*	*297*	*3*

Change	31 / 12 / 15	31 / 12 / 14	Change absolute	Change as %
Initial total assets under management (incl. double-counted)	**86 382**	**83 850**	**2 532**	**3**
Net fund inflows/outflows	2 502	– 1 904	4 406	n/a
Changes in prices, interest, dividends and exchange rates	– 912	4 436	– 5 348	n/a
Other changes	0	0	0	–
Final total assets under management (incl. double-counted)	**87 972**	**86 382**	**1 590**	**2**

As BCV Group is not required to disclose these figures, they are provided voluntarily and only on a consolidated basis.

Definitions

All customer assets held or managed for investment purposes are included under “Assets under management.” As defined in the new Swiss accounting rules for banks, assets under management mainly comprise customer deposits in the form of savings and investments and term accounts, together with fiduciary investments and all duly valued assets in custody accounts. Assets held for investment purposes by institutional investors, companies and individual customers, 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, interest and dividend payments and commissions and fees 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.

12. Notes to the consolidated income statement

12.1 Net interest income before loan impairment charges/reversals (in CHF millions)

	2015	2014	Change absolute	Change as %
Banks	0.7	2.8	– 2.1	– 75
Customers	625.2	647.1	– 21.9	– 3
Interest and dividends on financial investments	47.4	54.2	– 6.8	– 13
Other interest income	2.8	2.6	0.2	8
Total interest income	**676.1**	**706.7**	**– 30.6**	**– 4**
Banks	2.8	5.9	– 3.1	– 53
Customers	21.0	44.0	– 23.0	– 52
Medium-term notes and bonds	109.1	118.3	– 9.2	– 8
Other interest expense	54.0	34.2	19.8	58
Total interest expense	**186.9**	**202.4**	**– 15.5**	**– 8**
Net interest income before loan impairment charges/reversals	**489.2**	**504.3**	**– 15.1**	**– 3**

Negative interest paid by the Bank on its assets is deducted from interest income, while negative interest paid to the Bank on its liabilities is deducted from interest expense. As these positions – and those relating to the refinancing of trading positions – are not material, they are not disclosed separately.

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

Securities administration	47.0	51.1	– 4.1	– 8
Brokerage	54.6	57.1	– 2.5	– 4
Income from new issues	10.8	10.6	0.2	2
Management fees	42.6	42.3	0.3	1
Investment-fund operations	104.6	115.0	– 10.4	– 9
Other	3.7	3.9	– 0.2	– 5
Total	**263.3**	**280.0**	**– 16.7**	**– 6**

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

Payment cards, ATMs, transfers and checks	27.0	25.2	1.8	7
Administrative services for institutional clients, and statements	19.1	17.2	1.9	11
Account management fees	17.5	18.0	– 0.5	– 3
Document collection fees and bancassurance	9.5	12.3	– 2.8	– 23
Safe rentals, numbered accounts and mail holding services	7.8	9.8	– 2.0	– 20
Total	**80.9**	**82.5**	**– 1.6**	**– 2**

12.4 Net trading income and fair-value adjustments (in CHF millions)

Breakdown by business sector	2015	2014	Change absolute	Change as %
Retail Banking	21.5	18.1	3.4	19
Corporate Banking	10.1	9.3	0.8	9
Wealth Management	23.9	20.3	3.6	18
Trading	62.6	48.6	14.0	29
Corporate Center	32.4	10.1	22.3	220
Total	**150.5**	**106.4**	**44.1**	**41**

Trading income and fair-value adjustments				
Fixed-income instruments (including funds)	1.5	3.2	– 1.7	– 53
Equity securities (including funds)	21.1	17.5	3.6	21
Currencies and precious metals	134.5	91.0	43.5	48
Total trading income and fair-value adjustments	**157.1**	**111.7**	**45.4**	**41**
of which fair-value adjustments	*20.7*	*n/a*	–	–
of which fair-value adjustments on assets	*– 9.8*	*n/a*	–	–
of which fair-value adjustments on liabilities	*30.5*	*n/a*	–	–
Trading fee expense	– 6.6	– 5.3	1.3	25
Net trading income and fair-value adjustments	**150.5**	**106.4**	**44.1**	**41**

12.5 Personnel costs (in CHF millions)

Fixed and variable compensation	258.4	259.8	– 1.4	– 1
of which charges related to share-based compensation and other variable compensation (including the portion paid in cash)	*46.6*	*46.4*	*0.2*	*0*
Employee benefits	25.2	24.9	0.3	1
Contributions to staff pension funds	37.1	37.2	– 0.1	– 0
Other personnel expenses	16.5	17.1	– 0.6	– 4
Total	**337.2**	**339.0**	**– 1.8**	**– 1**

12.6 Other operating expenses (in CHF millions)

Premises	23.3	23.7	– 0.4	– 2
IT	73.6	73.5	0.1	0
Machinery, furniture, vehicles, etc.	3.7	3.9	– 0.2	– 5
Office supplies	1.3	1.4	– 0.1	– 7
Telecommunications and shipping	8.6	8.6	0	0
Marketing and communications, gifts and subscriptions	19.2	18.3	0.9	5
Financial information	14.5	13.8	0.7	5
Auditor fees	3.0	3.0	0	0
of which for financial and prudential audits	*2.6*	*2.6*	*0*	*0*
of which for other services	*0.4*	*0.4*	*0*	*0*
Other professional fees	5.5	5.0	0.5	10
Payment transactions	11.9	10.7	1.2	11
Issuing fees	2.5	7.2	– 4.7	– 65
Miscellaneous operating expenses	9.9	9.8	0.1	1
of which charges for the guarantee by the Canton of Vaud[1]	*0.4*	*0.5*	*– 0.1*	*– 20*
Total	**177.0**	**178.9**	**– 1.9**	**– 1**

[1)] Limited guarantee by the Canton of Vaud for deposits with the Caisse d'Epargne Cantonale Vaudoise, and managed by BCV

12.7 Depreciation and amortization of fixed assets and impairment on equity investments (in CHF millions)

	2015	2014	Change absolute	Change as %
Real estate	24.6	25.2	– 0.6	– 2
Computer programs	39.9	43.4	– 3.5	– 8
Other investments	6.9	6.0	0.9	15
Holdings	0.1	0.0	0.1	n/a
Goodwill	4.1	5.1	– 1.0	– 20
Total	**75.6**	**79.7**	**– 4.1**	**– 5**

12.8 Other provisions and losses (in CHF millions)

Miscellaneous provisions	25.6	31.8	– 6.2	– 19
Miscellaneous losses	11.5	2.0	9.5	475
Total	**37.1**	**33.8**	**3.3**	**10**

12.9 Extraordinary income (in CHF millions)

Disposals of equity holdings	26.6	0.1	26.5	n/a
Disposals of tangible fixed assets	0.0	1.0	– 1.0	– 100
Other extraordinary income	2.0	1.5	0.5	33
Total	**28.6**	**2.6**	**26.0**	**1 000**

12.10 Taxes (in CHF millions)

Direct federal tax	26.9	24.7	2.2	9
Cantonal and municipal taxes	65.9	60.5	5.4	9
Deferred taxes	– 1.8	– 0.1	– 1.7	n/a
Total	**91.0**	**85.1**	**5.9**	**7**
Weighted average tax rate, based on operating profit	23%	22%		

12.11 Breakdown of operating profit by Swiss and foreign origin (in CHF millions)

	2015		2014	
	Swiss	Foreign	Swiss	Foreign
Net interest income	490.0	0.1	520.3	0.3
Net fee and commission income	312.7	19.6	328.2	15.2
Net trading income	144.7	5.8	98.2	8.2
Other ordinary income	52.7	0.0	39.6	0.0
Total income from ordinary banking operations	**1 000.1**	**25.5**	**986.3**	**23.7**
Personnel costs	336.5	0.7	338.4	0.6
Other operating expenses	174.9	2.1	176.9	2.0
Operating expenses	**511.4**	**2.8**	**515.3**	**2.6**
Depreciation and amortization of fixed assets and impairment on equity investments	75.6	0.0	79.7	0.0
Other provisions and losses	37.1	0.0	33.8	0.0
Operating profit	**376.0**	**22.7**	**357.5**	**21.1**

12.12 Earnings per share

	2015	2014
Net profit attributable to BCV Group shareholders (CHF millions)	336.3	296.1
Weighted average number of registered shares during the period (thousands)	8 606	8 606
Basic earnings per share (CHF)	39.08	34.40

There are no ongoing financial transactions that would dilute earnings per share.

13. Other information

13.1 Regulatory capital requirements (in CHF millions)

	31 / 12 / 15	31 / 12 / 14
Common Equity Tier 1 (CET1) capital	**2 924**	**2 874**
Instruments and reserves	3 113	3 066
Regulatory adjustments	– 76	– 86
Countercyclical buffer	– 113	– 106
Additional Tier 1 (AT1) capital	**0**	**0**
Instruments	0	0
Regulatory adjustments	0	0
Tier 2 (T2) capital	**19**	**19**
Compulsory reserves in equities and general provisions	19	19
Regulatory adjustments	0	0
Total eligible capital	**2 943**	**2 893**
Risk-weighted assets		
Credit risk	13 777	13 984
Non-counterparty-related assets	660	693
Market risk	363	350
Operational risk	1 789	1 764
BIS required capital	**16 589**	**16 792**
BIS ratios		
CET1 ratio	17.6%	17.1%
T1 ratio	17.6%	17.1%
Total capital ratio	17.7%	17.2%

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 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.

13.2 Business sector information

13.2.1 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, Back Office, and Security).

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

For sectors dealing with clients, "Net interest income before loan impairment charges/reversals" 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 before loan impairment charges/reversals 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.

Loan losses correspond to expected losses. The difference between new provisioning needs and expected loan losses, together with loan impairment charges/reversals, existing provisions and recoveries on repaid loans, is booked to the Corporate Center.

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 and depreciation and amortization 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.

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 note 11.4 to the consolidated financial statements.

Shareholders' equity is allocated to the various types of business within each sector at 13%. Surplus equity is booked to the Corporate Center.

13.2.2 Customer business volumes by sector (in CHF millions)

	Retail Banking 2015	Retail Banking 2014	Corporate Banking 2015	Corporate Banking 2014
Loans and advances to customers	115	126	3 814	4 284
Mortgage loans	7 571	7 391	8 999	8 986
Total customer loans	**7 686**	**7 517**	**12 813**	**13 271**
Customer deposits	**8 396**	**8 267**	**8 148**	**7 639**
Off-balance-sheet commitments	**46**	**41**	**1 927**	**2 193**
Assets under management (including double-counted)	**9 022**	**8 960**	**10 027**	**9 260**

13.2.3 Results by business sector (in CHF millions)

	Retail Banking 2015	Retail Banking 2014	Corporate Banking 2015	Corporate Banking 2014
Net interest income before loan impairment charges/reversals	105.9	98.6	195.6	179.2
Loan impairment charges/reversals[1]	– 3.2	– 3.6	– 27.1	– 25.9
Net interest income after loan impairment charges/reversals	102.6	95.0	168.5	153.3
Net fee and commission income	59.2	59.7	48.5	51.4
Net trading income	21.5	18.1	10.1	9.3
Other income	3.4	1.8	4.8	4.7
Revenues	**186.7**	**174.6**	**231.9**	**218.7**
Personnel costs	– 48.5	– 49.0	– 31.4	– 30.7
Operating expenses	– 48.5	– 47.9	– 13.3	– 13.0
Depreciation, amortization and write-offs	– 14.0	– 14.9	– 2.7	– 3.0
Interdivisional billing	– 39.9	– 41.6	– 52.5	– 51.7
Other provisions and loses	– 0.7	– 1.0	– 5.2	– 4.9
Operating profit	**35.2**	**20.3**	**126.8**	**115.3**
Extraordinary income and expenses	0.0	0.0	0.0	0.0
Taxes[2] and minority interests	– 7.8	– 6.3	– 28.5	– 25.2
Net profit	**27.4**	**14.0**	**98.3**	**90.1**

13.2.4 Indicators

	Retail Banking 2015	Retail Banking 2014	Corporate Banking 2015	Corporate Banking 2014
Average shareholders' equity (in CHF millions)[3]	**201**	**204**	**1 200**	**1 231**
ROE[4]	13.6	6.9	8.2	7.3
Cost/income ratio[5]	79.4	86.1	38.6	40.3
Average headcount	**382**	**386**	**186**	**184**

2014 figures were adjusted to facilitate like-for-like comparisons.

1) Expected loan losses are allocated to the business sectors. The difference between new provisioning needs and expected loan losses is booked to the Corporate Center
2) Taxes are calculated per business sector according to the tax rates in effect
3) Equity is allocated to the business sectors at 13%; surplus equity is booked to the Corporate Center
4) Equity is allocated at an average of 13%
5) Costs used for calculating the cost/income ratio per sector comprise personnel costs, operating expenses, depreciation, amortization and write-offs, and interdivisional billing

	Wealth Management		Trading		Corporate Center		BCV Group	
	2015	2014	2015	2014	2015	2014	2015	2014
	646	728	0	1	360	536	4 935	5 675
	7 173	6 881	0	0	780	787	24 522	24 045
	7 818	7 610	0	1	1 139	1 323	29 457	29 720
	11 737	12 004	0	136	596	486	28 877	28 532
	55	60	10	10	315	251	2 353	2 554
	68 251	67 614			673	548	87 972	86 382
	95.9	83.1	4.9	2.1	86.9	141.4	489.2	504.3
	– 3.3	– 3.4	0.0	0	34.6	49.2	0.9	16.3
	92.6	79.7	4.9	2.1	121.5	190.6	490.1	520.6
	216.6	229.5	– 0.3	– 1.0	8.3	3.8	332.3	343.4
	23.9	20.3	62.6	48.6	32.4	10.1	150.5	106.4
	2.3	2.3	0.0	0.0	42.2	30.8	52.8	39.6
	335.3	331.7	67.2	49.7	204.5	235.3	1 025.6	1 010.0
	– 110.8	– 114.1	– 13.7	– 13.0	– 132.8	– 132.2	– 337.2	– 339.0
	– 47.3	– 47.7	– 10.2	– 9.6	– 57.7	– 60.7	– 177.0	– 178.9
	– 16.5	– 17.9	– 1.7	– 1.8	– 40.6	– 42.2	– 75.6	– 79.7
	– 51.7	– 54.7	– 1.8	– 2.2	145.9	150.2	0	0
	– 3.0	– 5.5	– 1.1	– 0.6	– 27.2	– 21.7	– 37.1	– 33.8
	105.9	91.7	38.6	22.5	92.1	128.9	398.7	378.6
	0.0	0.5	0.0	0.0	28.6	2.1	28.6	2.6
	– 26.5	– 21.3	– 8.7	– 4.8	– 19.5	– 27.5	– 91.0	– 85.1
	79.4	70.9	29.9	17.7	101.2	103.5	336.3	296.1
	304	298	109	78	1 519	1 482	3 333	3 294
	26.2	23.8	27.3	22.6			10.1	9.0
	65.6	68.4	40.9	53.6			57.2	59.6
	571	586	58	57	743	756	1 940	1 970

13.3 Consolidated income statement – 5-year overview (in CHF millions)

	2011	2012	2013	2014	2015
Interest and discount income	735.8	712.3	672.7	652.5	628.7
Interest and dividend income from financial investments	58.4	57.9	56.3	54.2	47.4
Interest expense	– 260.4	– 250.3	– 227.0	– 202.4	– 186.9
Net interest income before loan impairment charges/reversals	**533.8**	**519.9**	**502.0**	**504.3**	**489.2**
Loan impairment charges/reversals	4.4	4.4	8.2	16.3	0.9
Net interest income after loan impairment charges/reversals (NII)	**538.2**	**524.3**	**510.2**	**520.6**	**490.1**
Fees and commissions on securities and investment transactions	291.8	281.9	285.4	280.0	263.3
Fees and commissions on lending operations	47.2	50.2	44.5	44.9	42.7
Fees and commissions on other services	73.1	79.1	76.7	82.5	80.9
Fee and commission expense	– 71.9	– 64.2	– 65.3	– 64.0	– 54.6
Net fee and commission income	**340.2**	**347.0**	**341.3**	**343.4**	**332.3**
Net trading income and fair-value adjustments	**114.9**	**113.1**	**112.8**	**106.4**	**150.5**
Gains/losses on disposals of financial investments	10.7	5.9	1.8	3.2	11.4
Income from equity investments	5.5	4.8	9.6	4.3	15.3
of which other non-consolidated holdings	*5.5*	*4.8*	*9.6*	*4.3*	*15.3*
Real-estate income	10.4	11.3	11.5	11.0	10.7
Miscellaneous ordinary income	9.4	9.5	15.2	21.9	22.1
Miscellaneous ordinary expenses	– 7.0	– 1.1	– 3.1	– 0.8	– 6.8
Other ordinary income	**29.0**	**30.4**	**35.0**	**39.6**	**52.7**
Total income from ordinary banking operations	**1 022.3**	**1 014.8**	**999.3**	**1 010.0**	**1 025.6**
Personnel costs	– 339.2	– 334.7	– 337.3	– 339.0	– 337.2
Other operating expenses	– 193.0	– 189.9	– 182.6	– 178.9	– 177.0
Operating expenses	**– 532.2**	**– 524.6**	**– 519.9**	**– 517.9**	**– 514.2**
Depreciation and amortization of fixed assets and impairment on equity investments	– 83.9	– 86.2	– 85.7	– 79.7	– 75.6
Other provisions and losses	– 11.7	– 3.0	– 40.8	– 33.8	– 37.1
Operating profit	**394.5**	**401.0**	**352.9**	**378.6**	**398.7**
Extraordinary income	4.1	3.7	11.2	2.6	28.6
Extraordinary expenses	– 7.8	– 1.6	– 0.1	0.0	0.0
Taxes	– 89.7	– 92.0	– 83.9	– 85.1	– 91.0
Net profit	**301.1**	**311.1**	**280.1**	**296.1**	**336.3**
Minority interests	1.0	– 0.1	0.0	0.0	0.0
Net profit attributable to BCV Group shareholders	**302.1**	**311.0**	**280.1**	**296.1**	**336.3**

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

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

	31 / 12 / 11	31 / 12 / 12	31 / 12 / 13	31 / 12 / 14	31 / 12 / 15
Cash and cash equivalents	1711	4734	4669	4960	6861
Due from banks	2938	1696	1073	1482	1810
Reverse repurchase agreements	191	311	536	415	280
Loans and advances to customers	5760	4984	5372	5675	4935
Mortgage loans	22047	22845	23357	24045	24522
Trading portfolio assets	98	102	360	194	155
Positive mark-to-market values of derivative financial instruments	408	246	239	433	343
Other financial assets at fair value	364	405	416	485	581
Financial investments	2975	3101	3146	3259	3140
Accrued income and prepaid expenses	206	198	195	117	106
Non-consolidated holdings	88	52	50	54	48
Tangible fixed assets	628	621	602	577	558
Intangible assets	35	37	32	27	23
Other assets	157	151	130	96	56
Assets	**37606**	**39483**	**40177**	**41819**	**43418**

Due to banks	1543	1508	1103	1156	1224
Repurchase agreements	814	939	860	960	1738
Customer deposits	25155	26544	27557	28532	28877
Trading portfolio liabilities	1	0	0	0	0
Negative mark-to-market values of derivatives financial instruments	444	378	303	446	331
Other financial liabilities at fair value	441	499	537	564	666
Medium-term notes	209	131	81	57	40
Bonds and mortgage-backed bonds	5384	5837	6064	6439	6873
Accrued expenses and deferred income	215	231	225	217	219
Other liabilities	79	83	74	44	35
Provisions	20	18	51	63	18
Liabilities	**34305**	**36168**	**36855**	**38478**	**40021**
Reserves for general banking risks	704	704	704	704	704
Share capital	86	86	86	86	86
Capital reserve	360	275	192	106	292
Retained earnings	1839	1950	2072	2163	1999
Currency translation reserve	– 1	– 1	– 1	– 1	– 2
Treasury shares	– 8	– 11	– 11	– 13	– 18
Minority interests in equity	20	1	0	0	0
Net profit	301	311	280	296	336
Shareholders' equity	**3301**	**3315**	**3322**	**3341**	**3397**
Total liabilities and shareholders' equity	**37606**	**39483**	**40177**	**41819**	**43418**

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

14. 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, cash flow statement, statement of changes in equity and notes (pages 103 to 144), for the year ended 31 December 2015.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation of the consolidated financial statements in accordance with accounting rules for banks, securities dealers, financial groups and conglomerates (ARB) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated financial state-ments 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 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 consolidated 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 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 2015 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, securities dealers, financial groups and conglomerates (ARB) 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 (art. 728 CO and art. 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with art. 728a para. 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	Omar Grossi
Audit expert	*Audit expert*
Auditor in charge	

Lausanne, 10 March 2016

Financial Statements

Parent Company Financial Statements

1. Balance sheet (in CHF millions)

	Notes[1]	31 / 12 / 15	31 / 12 / 14	Change absolute	Change as %
Cash and cash equivalents		6 680	4 828	1 852	38
Due from banks		1 784	1 438	346	24
Reverse repurchase agreements	5.1	280	415	– 135	– 33
Loans and advances to customers	5.2	4 763	5 492	– 729	– 13
Mortgage loans	5.2	24 073	23 654	419	2
Trading portfolio assets	5.3	155	194	– 39	– 20
Positive mark-to-market values of derivative financial instruments	5.4	349	436	– 87	– 20
Other financial assets at fair value	5.3	581	485	96	20
Financial investments	5.5	3 106	3 221	– 115	– 4
Accrued income and prepaid expenses		103	112	– 9	– 8
Holdings		153	159	– 6	– 4
Tangible fixed assets		496	512	– 16	– 3
Other assets	5.6	41	82	– 41	– 50
Assets	5.18	**42 564**	**41 028**	**1 536**	**4**
Total subordinated assets		0	0	0	0
of which subject to mandatory conversion and/or conditional write-off		*0*	*0*	*0*	*0*

	Notes[1]	31 / 12 / 15	31 / 12 / 14	Change absolute	Change as %
Due to banks		1 409	1 543	– 134	– 9
Repurchase agreements	5.1	1 738	960	778	81
Customer deposits	5.19	27 917	27 475	442	2
Negative mark-to-market values of derivative financial instruments	5.4	328	441	– 113	– 26
Other financial liabilities at fair value	5.3/5.10	666	564	102	18
Medium-term notes		40	57	– 17	– 30
Bonds and mortgage-backed bonds		6 873	6 439	434	7
Accrued expenses and deferred income		207	204	3	1
Other liabilities	5.6	30	37	– 7	– 19
Provisions	5.11	11	45	– 34	– 76
Liabilities		**39 219**	**37 765**	**1 454**	**4**
Reserves for general banking risks	5.11	701	701	0	0
Share capital	5.12/5.15/5.16	86	86	0	0
Regulatory capital reserve		265	351	– 86	– 25
of which tax-exempt paid-in capital		*265*	*351*	*– 86*	*– 25*
Regulatory retained earnings		85	84	1	1
Optional retained earnings		1 865	1 735	130	7
Treasury shares		– 18	– 13	– 5	– 38
Profit for the year		361	319	42	13
Shareholders' equity		**3 345**	**3 263**	**82**	**3**
Total liabilities and shareholders' equity		**42 564**	**41 028**	**1 536**	**4**
Total subordinated liabilities		0	0	0	0
of which subject to mandatory conversion and/to conditional write-off		*0*	*0*	*0*	*0*

[1] The notes are on pages 159-174

Off-balance-sheet transactions (in CHF millions)	Notes[1]	31 / 12 / 15	31 / 12 / 14	Change absolute	Change as %
Contingent liabilities	5.2	1 183	1 294	– 111	– 9
Irrevocable commitments	5.2	992	1 089	– 97	– 9
Commitments relating to calls on shares and other equity securities	5.2	113	113	0	0
Confirmed credits	5.2	53	33	20	61

1) The notes are on page 159

2. Income statement (in CHF millions)

	Notes[1]	2015	2014	Change absolute	Change as %
Interest and discount income		620.3	644.2	– 23.9	– 4
Interest and dividend income from financial investments		47.2	54.3	– 7.1	– 13
Interest expense		– 185.2	– 201.7	– 16.5	– 8
Net interest income before loan impairment charges/reversals		**482.3**	**496.8**	**– 14.5**	**– 3**
Loan impairment charges/reversals		0.8	16.3	– 15.5	– 95
Net interest income after loan impairment charges/reversals (NII)		**483.1**	**513.1**	**– 30.0**	**– 6**
Fees and commissions on securities and investment transactions		180.9	189.1	– 8.2	– 4
Fees and commissions on lending operations		42.6	44.8	– 2.2	– 5
Fees and commissions on other services		75.7	76.3	– 0.6	– 1
Fee and commission expense		– 30.2	– 33.9	– 3.7	– 11
Net fee and commission income		**269.0**	**276.3**	**– 7.3**	**– 3**
Net trading income and fair-value adjustments	7.2	**139.5**	**97.8**	**41.7**	**43**
Gains/losses on disposals of financial investments		10.9	3.0	7.9	263
Income from equity investments		34.6	29.8	4.8	16
Real-estate income		10.3	10.4	– 0.1	– 1
Miscellaneous ordinary income		22.5	22.8	– 0.3	– 1
Miscellaneous ordinary expenses		– 6.6	– 0.9	5.7	633
Other ordinary income		**71.7**	**65.1**	**6.6**	**10**
Total income from ordinary banking operations		**963.3**	**952.3**	**11.0**	**1**
Personnel costs	7.3	– 295.2	– 294.9	0.3	0
Other operating expenses	7.4	– 157.8	– 159.9	– 2.1	– 1
Operating expenses		**– 453.0**	**– 454.8**	**– 1.8**	**– 0**
Depreciation and amortization of fixed assets and impairment on equity investments		– 66.3	– 70.2	– 3.9	– 6
Other provisions and losses	7.5	– 21.3	– 27.5	– 6.2	– 23
Operating profit		**422.7**	**399.8**	**22.9**	**6**
Extraordinary income	7.6	28.6	2.0	26.6	1 330
Extraordinary expenses		0	0	0	0
Taxes	7.7	– 90.8	– 82.7	8.1	10
Profit for the year		**360.5**	**319.1**	**41.4**	**13**
Appropriations	8.1				
Profit for the year		360.5	319.1		
Profit shown on the balance sheet		360.5	319.1		
Appropriation of profit					
- Allocation to optional retained earnings		162.6	129.8		
- Allocation to regulatory retained earnings		0.0	0.0		
- Distribution of dividend on share capital		197.9	189.3		
Other distributions	8.2				
Distribution drawn from paid-in reserves		86.1	86.1		

1) The notes are on pages 176-178

3. Statement of changes in equity (in CHF millions)

	Share capital	Capital reserve	Regulatory retained earnings	Reserves for general banking risks	Optional retained earnings	Treasury shares	Profit/loss for the year	Total equity capital
Status at 1 January 2013	**86**	**523**	**84**	**701**	**1 497**	**0**	**320**	**3 211**
Allocation to other reserves					131		– 131	0
2012 dividend							– 189	– 189
Distribution out of paid-in reserves		– 86						– 86
Profit/loss for the year							297	297
Status at 31 December 2013	**86**	**437**	**84**	**701**	**1 628**	**0**	**297**	**3 233**
Allocation to other reserves					107		– 107	0
2013 dividend							– 190	– 190
Distribution out of paid-in reserves		– 86						– 86
Purchases of treasury shares						– 13		– 13
Disposals of treasury shares								0
Profit/loss for the year							319	319
Status at 31 December 2014	**86**	**351**	**84**	**701**	**1 735**	**– 13**	**319**	**3 263**
Allocation to other reserves					130		– 130	0
2014 dividend							– 189	– 189
Distribution out of paid-in reserves		– 86						– 86
Purchases of treasury shares						– 45		– 45
Disposals of treasury shares						40		40
Gain on disposals of treasury shares and dividends			1					1
Profit/loss for the year							361	361
Status at 31 December 2015	86	265	85	701	1 865	– 18	361	3 345

4. Parent-company name and accounting principles

4.1 Company name, legal status and head office

Banque Cantonale Vaudoise (BCV) was founded on 19 December 1845 by the Vaud Cantonal Parliament as a société anonyme de droit public (i.e., a corporation organized under public law). Its legal status is defined in the Cantonal Act Governing the Organization of Banque Cantonale Vaudoise (LBCV) of 20 June 1995, and its head office is in Lausanne.

4.2 Accounting principles for the parent company financial statements

BCV's financial statements have been prepared in accordance with the Swiss Federal Act of 8 November 1934 on Banks and Savings Institutions, the corresponding Ordinance of 30 April 2014 and the Swiss Accounting Rules for Banks, Securities Dealers, Financial Groups and Conglomerates of 27 March 2014 (FINMA Circular 2015/1). The financial statements give a true and fair view of the Bank's financial position that would enable a third party to form an accurate opinion of the Bank's financial situation.

4.3 Accounting and valuation principles

The valuation principles used to draw up the parent company financial statements are the same as those used for the consolidated financial statements, with the exception of the following items:

4.3.1 Holdings

This line item comprises shares and other equity securities held as long-term investments. They are carried at cost less any impairment.

4.3.2 Treasury shares

Dividend payments on treasury shares and gains and losses on treasury-share disposals are allocated directly to regulatory retained earnings, while for the consolidated financial statements they are allocated directly to the capital reserve.

4.4 Changes to accounting principles

The accounting principles and presentation have been brought into line with the new Swiss accounting rules for banks (ARB).

Figures for the previous year have been adjusted to facilitate like-for-like comparison.

4.5 Risk-assessment and risk-management principles

Risk-assessment and risk-management principles for the parent company are the same as those for the Group; they are detailed in note 7 to the consolidated financial statements.

4.6 Use of hedge accounting

Information on the use of hedge accounting by the parent company is the same as for the Group; it is provided in note 8 to the consolidated financial statements.

4.7 Events taking place after the closing date

To the parent company's knowledge, there was no event liable to have a material influence on the financial statements as of 4 March 2016, when the writing of this annual report was completed.

5. Notes to the balance sheet

5.1 Repurchase and reverse repurchase agreements (in CHF millions)

	31 / 12 / 15	31 / 12 / 14
Book value of claims arising from cash collateral pledged in connection with securities borrowing or reverse repurchase agreements[1]	280	415
Book value of liabilities arising from cash collateral received in connection with securities lending or repurchase agreements[1]	1738	960
Book value of securities held for own account, lent or transferred as collateral in connection with securities borrowing or repurchase agreements	1647	908
of which those that can be sold or repledged without restriction	*1647*	*908*
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	311	445
of which securities repledged as collateral	*0*	*0*
of which sold securities	*0*	*0*

1) Before netting agreements

5.2 Risk mitigants for loans and off-balance-sheet transactions Impaired loans (in CHF millions)

		Type of risk mitigant			
		Mortgage	Other	Unsecured	Total
Loans and advances to customers		439	1270	3121	4830
Mortgages		24082			24082
Residential real estate		*20011*			*20011*
Office and business premises		*2737*			*2737*
Commercial and industrial property		*1310*			*1310*
Other		*24*			*24*
Loans (before impairment charges/reversals)	31 / 12 / 15	**24521**	**1270**	**3121**	**28912**
	31 / 12 / 14	**24180**	**1349**	**3694**	**29223**
Loans (after impairment charges/reversals)	31 / 12 / 15	**24511**	**1270**	**3055**	**28836**
	31 / 12 / 14	**24169**	**1349**	**3628**	**29146**
Contingent liabilities		5	312	866	1183
Irrevocable commitments		201		791	992
Commitments relating to calls on shares and other equity securities				113	113
Confirmed credits				53	53
Off-balance-sheet transactions	31 / 12 / 15	**206**	**312**	**1823**	**2341**
	31 / 12 / 14	**204**	**365**	**1960**	**2529**

		Gross receivables	Realization value of risk mitigants	Net receivables	Individual impairment charge/reversal
Impaired loans	31 / 12 / 15	**200**	**– 110**	**90**	**72**
	31 / 12 / 14	**186**	**– 89**	**97**	**74**
Change (absolute)		14	21	– 7	– 2
Change (as %)		8	24	– 7	– 3

5.3 Trading portfolio assets and liabilities
Other financial assets and liabilities at fair value (in CHF millions)

Assets	31 / 12 / 15	31 / 12 / 14
Debt securities	28	45
of which listed on a recognized stock exchange	*28*	*45*
Equity securities	2	1
Commodities and precious metals	125	148
Trading portfolio assets	**155**	**194**
Debt securities	167	183
Structured products	0	0
Other	414	302
Other financial assets at fair value	**581**	**485**
Total	**736**	**679**
of which determined using a valuation model	*0*	*0*
of which securities eligible for repurchase agreements in accordance with liquidity regulations	*21*	*36*

Liabilities	31 / 12 / 15	31 / 12 / 14
Trading portfolio liabilities	**0**	**0**
Debt securities	0	0
Structured products	666	564
Other financial liabilities at fair value	**666**	**564**
Total	**666**	**564**
of which determined using a valuation model	*0*	*0*

5.4 Derivative financial instruments (in CHF millions)

		Trading instruments			Hedging instruments		
		Positive mark-to-market value	Negative mark-to-market value	Value of underlying asset	Positive mark-to-market value	Negative mark-to-market value	Value of underlying asset
Swaps		93	101	3 163	227	255	7 117
Futures				101			
Options (OTC)							
Interest-rate instruments		**93**	**101**	**3 264**	**227**	**255**	**7 117**
Forward contracts		43	42	4 339			
Combined interest-rate and currency swaps		300	298	32 107			
Options (OTC)		79	45	10 933			
Foreign currencies and precious metals		**422**	**385**	**47 379**	**0**	**0**	**0**
Futures				7			
Options (OTC)		98	78	540			
Equity securities / indices		**98**	**78**	**547**	**0**	**0**	**0**
Total	31 / 12 / 15	613	564	51 190	227	255	7 117
of which determined using a valuation model		–	–	–	–	–	–
	31 / 12 / 14	763	712	43 354	189	245	7 160
of which determined using a valuation model		–	–	–	–	–	–

		Positive mark-to-market value	Negative mark-to-market value	Value of underlying asset
Breakdown				
Trading instruments		613	564	51 190
Hedging instruments		227	255	7 117
Total before netting agreements	31 / 12 / 15	840	819	58 307
	31 / 12 / 14	952	957	50 514
Total after netting agreements	31 / 12 / 15	349	328	58 307
	31 / 12 / 14	436	441	50 514
Change	absolute	– 87	– 113	7 793
	as %	– 20	– 26	15

Breakdown by counterparty

	Central clearing houses	Banks and securities dealers	Other clients
Positive mark-to-market value (after netting agreements)	0	183	166

5.5 Financial investments (in CHF millions)

	31 / 12 / 15 Book value	31 / 12 / 15 Fair value	31 / 12 / 14 Book value	31 / 12 / 14 Fair value
Debt securities	3 059	3 221	3 157	3 364
of which securities intended to be held until maturity	*3 059*	*3 221*	*3 157*	*3 364*
of which securities available for sale	*0*	*0*	*0*	*0*
Equity securities	26	66	38	80
of which significant holdings (minimum of 10% of capital or voting rights)	*4*	*4*	*14*	*15*
Available-for-sale real estate	21	24	26	29
Financial investments	**3 106**	**3 311**	**3 221**	**3 473**
of which securities eligible for repurchase agreements in accordance with liquidity regulations	*2 982*	*–*	*3 058*	*–*

Counterparty breakdown by rating

	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Below B-	Not rated	Total
Book value of debt securities	2 898	0	0	0	0	161	3 059

The rating categories are based on Standard & Poor's ratings; they are used for the specific instruments to which the Group has subscribed. If an instrument is not rated by Standard & Poor's, the Moody's rating is used; failing that, the Fitch rating is used. Where there is no specific rating for a given instrument, the issuer's long-term rating is used, with the same order of rating agencies.

Unrated positions are top-quality positions in Swiss cantons, municipalities and cantonal banks for which none of the three agencies provides a rating of either the instrument or the issuer.

5.6 Other assets and liabilities (in CHF millions)

	31 / 12 / 15 Other assets	31 / 12 / 15 Other liabilities	31 / 12 / 14 Other assets	31 / 12 / 14 Other liabilities
Offset accounts	12	0	43	0
Indirect taxes	9	11	5	16
Coupons/coupons and securities due	3	1	7	2
Settlement accounts	15	7	21	10
Miscellaneous assets and liabilities	2	11	6	9
Other assets and liabilities	**41**	**30**	**82**	**37**

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

	31 / 12 / 15 Amount or book value of pledge	31 / 12 / 15 Real liability	31 / 12 / 14 Amount or book value of pledge	31 / 12 / 14 Real liability
Assets pledged or assigned to Swiss National Bank	184	0	186	0
Mortgages pledged or assigned to Central Mortgage-Bond Institution of Swiss Cantonal Banks	7 005	5 470	6 743	5 194
Other	211	211	250	250
Total assets pledged or assigned	**7 400**	**5 681**	**7 179**	**5 444**
Assets with reservation of title	**0**	**0**	**0**	**0**

5.8 Commitments relating to own occupational pension funds

BCV shares held by own occupational pension funds (in CHF millions)

	31 / 12 / 15	31 / 12 / 14
Customer deposits	58	109
Negative mark-to-market values of derivatives	0	0
Medium-term notes	0	0
Bonds	11	11
Total	**69**	**120**

BCV's own occupational pension funds held no BCV shares at 31 December 2015.

5.9 Economic situation of own occupational pension funds (in CHF millions)

Economic benefit/liability and pension expenses	Surplus / deficit	Economic benefit/liability			Contributions adjusted for the period	Pension expenses included in "Personnel costs"	
	31 / 12 / 15	31 / 12 / 15	31 / 12 / 14	Change	2015	2015	2014
Employer-financed pension funds: "Fonds de prévoyance en faveur du personnel de la BCV"[1]	42.3	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	30.5	30.5	30.3
Pension funds with surpluses: "Fondation de prévoyance complémentaire en faveur de l'encadrement supérieur de la BCV"	0.5	0	0	0	1.7	1.7	1.7
Total	**42.8**	**0**	**0**	**0**	**32.2**	**32.2**	**32.0**

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 2015.

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.

5.10 Issued structured products (in CHF millions)

Underlying risk of embedded derivative		Carrying value – Single treatment: Recognized in trading portfolio liabilities	Carrying value – Single treatment: Recognized in other financial liabilities at fair value	Carrying value – Separate treatment: Value of the host instrument	Carrying value – Separate treatment: Value of the derivative	Total
Interest-rate instruments		–	12	0	0	12
Equity securities		–	585	993	– 71	1 507
Foreign currencies		–	69	23	– 2	90
Commodities and precious metals		–	0	0	0	0
Total	31 / 12 / 15	–	666	1 016	– 73	1 609
	31 / 12 / 14	–	564	857	– 41	1 380

All structured products issued by the Bank have a debenture component.

Single accounting treatment

Participation structured products (i.e., representing a fraction of an equity basket) and yield-enhancement structured products issued by the Bank with an initial term of less than one year are each treated as a single position. They are recognized under “Other financial liabilities at fair value,” and their fair value is based on a quoted market price. Subsequent revaluations are recognized under “Net trading income and fair-value adjustments.”

Separate accounting treatment

Yield-enhancement, participation and capital-protection structured products issued by the Bank with initial terms of more than one year are each treated as two separate positions. They contain an interest-rate component and provide a source of financing.

For these structured products, the host instrument and the embedded derivative(s) are treated separately. The host instrument is recorded under “Bonds” at nominal value as a debt issued by the Bank. Embedded derivatives are carried as either positive or negative mark-to-market values. Subsequent variations are recognized under “Net trading income and fair-value adjustments.”

Interest accrued in the interest-rate component is recorded under “Interest expense” using the accrual method.

5.11 Provisions

Reserves for general banking risks (in CHF millions)

	Status at year-end	Used as allocated	Changes in scope of con-solidation	Currency translation differences	Recoveries, overdue interest	New provisions charged to income statement	Releases credited to income statement	Status at year-end
	2014							2015
Provisions for credit risk	1					1		2
Other provisions	44	– 54		0	0	19	0	9
Total provisions	**45**	**– 54**	**0**	**0**	**0**	**20**	**0**	**11**
Reserves for general banking risks[1]	**701**							**701**
Provisions for credit risk and country risk	**77**	**– 12**	**0**	**0**	**13**	**24**	**– 25**	**77**
of which provisions for impaired loans	*74*	*– 12*			*13*	22	– 25	72
of which provisions for latent risks	3					2		5

1) Reserves for general banking risks are taxable

5.12 Share capital (in CHF millions)

		2015 Number of shares (in units)	2015 Total par value	2014 Number of shares (in units)	2014 Total par value
Share capital					
Registered shares, 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.

5.13 Stock options granted to members of the Board of Directors, Executive Board members and other employees
Employee share-ownership plans

		2015
	Shares (in units)	Value (in CHF)
Members of the Board of Directors	112	72 900
Executive Board members	4 522	2 243 820
Other employees	34 729	12 780 083
Total	**39 363**	**15 096 803**

No stock options have been granted to members of the Board of Directors, Executive Board members or other employees.

Employee share ownership
Annual performance-based compensation

For the Chairman of the Board of Directors, Executive Board members and department heads, 30% of annual performance-based compensation must be taken in BCV shares with a lock-up period of five to ten years.

Other employees receiving annual performance-based 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%.

The Chairman of the Board of Directors and Executive Board members are allocated their shares subject to approval at the Shareholders' Meeting. The number of shares allocated will be calculated based on the closing market price on 2 May 2016, rounded up to the nearest whole number.

Other employees will receive their shares at the end of April 2016. The number of shares allocated will be calculated based on the closing market price on 18 March 2016, rounded up to the nearest whole number. These employees have until 1 April 2016 to make their decision. As their decision was not known at the time this report was published, the amount shown in the above table corresponds to the maximum amount payable in the form of shares.

The market prices used to calculate the number of shares will be those on 18 March 2016 and 2 May 2016 (see above), so they were not known at the time this report was published. As a result, the number of shares was calculated based on the closing market price on 4 March 2016, the date of the Board of Directors' final decision on this compensation.

Share-ownership plan

The Executive Board and other BCV employees were given the opportunity to subscribe to the share-ownership plan in April 2015 on the following terms:

- The number of shares that may be purchased is determined by the level of responsibility inherent in the employee's position.
- The subscription period ran from 12–24 March 2015.
- The subscription price was set at CHF 410 per share, and the market price used was CHF 541 (closing price on 12 March, the first day of the subscription period).

The amount shown in the above table corresponds to the number of shares subscribed multiplied by CHF 131, which is the difference between the market price of CHF 541 and the subscription price of CHF 410.

Long-term performance-based compensation

At the beginning of each three-year share-ownership plan, participants are informed of the number of shares that will be allocated if all objectives are met in full. At the end of each plan, the Bank informs participants of the extent to which objectives have been met based on the Bank's financial results and strategic and qualitative performance. The number of shares initially allocated is multiplied by the level of attainment of the objectives in order to determine the number of shares allocated to each participant.

The amounts shown in the table on the previous page correspond to the expense recorded in 2015 for the various plans in progress.

Free shares

The Bank awards three BCV shares to trainees and university interns who successfully complete their training and are then hired by BCV.

The number allocated and their value, based on the market price on the last business day of the month before the shares are awarded, is also shown in the table.

5.14 Receivables and commitments with respect to related parties (in CHF millions)

	31 / 12 / 15		31 / 12 / 14	
	Receivable	Commitment	Receivable	Commitment
Canton of Vaud - significant shareholder	5	1 528	5	1 355
Group companies	18	209	17	415
Affiliated companies	36	203	55	194
Governing bodies	32	12		

Corporations organized under public law in Vaud Canton and public-private entities in which Vaud Canton has a qualified holding are considered affiliated companies.

Transactions with related parties were conducted on market terms.

5.15 Significant shareholder

	31 / 12 / 15			31 / 12 / 14		
	Number of shares (in units)	Total par value	Stake	Number of shares (in units)	Total par value	Stake
Voting rights						
Vaud Canton, direct interest	5 762 252	57.6	66.95%	5 762 252	57.6	66.95%

5.16 Treasury shares and breakdown of share capital

Number of shares (in units)	Average transaction price	Total	Treasury shares
Status at 31 December 2014		8 606 190	26 453
Purchases	539		76 619
Sales	532		– 69 967
Status at 31 December 2015		8 606 190	33 105

The breakdown of share capital is provided in note 5.12, page 165.

Transactions with market participants were conducted on market terms.

Non-distributable reserves

If the combined total of regulatory retained earnings and the regulatory capital reserve does not exceed half the amount of the Bank's share capital (i.e., CHF 43m), these line items can be used only to cover losses or for measures designed to sustain the company in the event of an operating loss. There are no regulatory restrictions on how optional reserves can be used.

The Bank must set part of its reserves aside in order to meet regulatory capital requirements.

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

5.17.1 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 2015, the seven members of the Board of Directors in office at 31 December 2015 were accorded total compensation of CHF 1,730,815. This includes annual performance-based compensation of CHF 243,000 for the Chairman, subject to approval at the Shareholders' Meeting on 21 April 2016. If approved, this amount will be paid in May 2016 in two parts: CHF 170,100 in cash and the remaining CHF 72,900 in the form of shares locked up for ten years, as decided by the Chairman. The variable compensation paid in May 2016 for the 2015 financial year will be the last variable compensation paid. From the 2016 financial year onwards, all Board members, including the Chairman, will receive only fixed compensation. Benefit expense resulting from compensation to the Board of Directors totaled CHF 146,687 for occupational pensions and CHF 171,396 for other benefits (social security, unemployment insurance, accident insurance and family allowances), subject to approval of the proposed annual performance-based compensation at the Shareholders' Meeting.

Compensation comprises fees, remuneration and expenses.

For the members of the Board committees – the Audit and Risk Committee and the Compensation, Promotions and Appointments 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 chairman and CHF 10,000 for the other members of the Compensation, Promotions and Appointments Committee.

The average compensation of Board members, excluding the Chairman, amounted to CHF 133,333.

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

The Bank increased the fixed salary of Executive Board members in 2015 in order to offset the reduction in annual performance-based compensation. This adjustment will also be made to all other employees' salaries in 2016.

For 2015, the eight members of the Executive Board in office at 31 December 2015 were accorded total compensation of CHF 7,911,798. This includes annual performance-based compensation for an aggregate amount of CHF 3,665,000, subject to approval at the Shareholders' Meeting on 21 April 2016. If approved, this amount will be paid in May 2016 in two parts: CHF 2,565,500 in cash and the remaining CHF 1,099,500 in the form of shares locked up for between five and ten years, as decided by the recipient. Benefit expense resulting from compensation to the Executive Board totaled CHF 1,227,590 for occupational pensions and CHF 753,722 for other benefits (social security, unemployment insurance, accident insurance, income replacement and family allowances), subject to approval of the proposed annual performance-based compensation at the Shareholders' Meeting.

Allocation of shares during 2015

Members of the Board of Directors

For 2015, the Chairman of the Board will receive a number of locked-up BCV shares equivalent to 30% of his annual performance-based compensation. The number of shares will be determined in accordance with the closing share price on 2 May 2016. No other member of the Board of Directors is eligible for any type of share allocation.

Members of the Executive Board
For 2015, Executive Board members in office at 31 December 2015 will receive a number of locked-up BCV shares equivalent to 30% of their annual performance-based compensation. The number of shares will be determined in accordance with the closing share price on 2 May 2016. They also subscribed to 700 locked-up shares under the employee share-ownership program. They paid a subscription price of CHF 410, while the share price at the time of purchase was CHF 541. Every year the Board of Directors determines the subscription price based on the current share price and sets the number of shares to which the Executive Board may subscribe.

Under the 2013-2015 long-term performance-based salary plan, 2,103 shares were allocated to Executive Board members (see page 84 in section 5 of the Corporate Governance chapter).

Other fees and compensation

Members of the Board of Directors and Executive Board received no fees or other compensation from BCV that are not included in the above compensation. Moreover, all fees and other amounts received by Executive Board members representing BCV on the boards of directors of other companies are remitted to the Bank. In 2015, such payments to the Bank amounted to CHF 357,172.

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 2015. The interest charged on Libor mortgage loans and on medium- and long-term fixed-rate loans was between 0.25% and 0.9% above market rates, depending on the term of the loan.

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 2015, directors and their close relations held a total of 7,654 BCV shares.

Members of the Executive Board
At 31 December 2015, Executive Board members and their close relations held 22,110 BCV shares.

Compensation of members of the Board of Directors for the 2015 financial year (in CHF)

	Olivier Steimer	Stephan A.J. Bachmann	Ingrid Deltenre	Reto Donatsch	Pierre Lamunière	Luc Recordon	Paul-André Sanglard	Total	Average compensation
	Chairman	Vice Chairman	Member	Member	Member	Member	Member		Excluding Chairman
Fees	690 008	120 000	100 000	100 000	100 000	100 000	100 000	1 310 008	103 333
Committee-related compensation		40 000	10 000	20 000	20 000	10 000	20 000	120 000	20 000
Annual performance-based compensation paid in cash[1]	170 100							170 100	0
Annual performance-based compensation paid in shares[1, 2]	40 707							40 707	0
Other	30 000	10 000	10 000	10 000	10 000	10 000	10 000	90 000	10 000
Total	**930 815**	**170 000**	**120 000**	**130 000**	**130 000**	**120 000**	**130 000**	**1 730 815**	**133 333**
Previous year								*1 760 817*	*136 667*
Occupational pension	146 687							146 687	
Other benefits[3]	72 810	18 752	15 300	16 983	14 396	17 155	16 000	171 396	16 431
Previous year									
Occupational pension								*205 100*	
Other benefits[3]								*180 978*	*17 979*

1) Subject to approval at the 2016 Annual Shareholders' Meeting
2) The number of shares will be calculated based on the market price on 2 May 2016, and rounded up to the nearest unit. The value of the shares (in Swiss francs) is discounted according to the duration of the share lock-up period
3) Social security, unemployment insurance, accident insurance and family allowances

Compensation of members of the Executive Board for the 2015 financial year (in CHF)

	Total		Pascal Kiener CEO	
	Shares (in units)		Shares (in units)	
Fixed salary		4 560 048		960 000
Annual performance-based compensation paid in cash[1]		2 565 500		434 000
Annual performance-based compensation paid in shares[1, 2]		732 486		103 861
Shares acquired under an employee share-ownership program[3]	700	30 964	0	0
Stock options (BCV has no employee stock-option plan)	0	0	0	0
Other		22 800		6 000
Total		**7 911 798**		**1 503 861**
Previous year		*7 313 982*		
2013-2015 long-term performance-based compensation plan				
Shares allocated at CHF 654 per share[4]	2 103	1 375 362	281	183 774
Previous year	*2 163*	*1 186 406*		
Total		**9 287 160**		**1 687 635**
Previous year		*8 500 388*		
Occupational pension		1 227 590		194 157
Other benefits[5]		753 722		134 900
Previous year				
Occupational pension		*1 190 577*		
Other benefits[5]		*688 025*		

1) Subject to approval at the 2016 Annual Shareholders' Meeting
2) The number of shares will be calculated based on the market price on 2 May 2016, and rounded up to the nearest unit. The value of the shares (in Swiss francs) is discounted according to the duration of the share lock-up period
3) Difference between the subscription price (CHF 410) and the market price on 12 March 2015 (CHF 541) at its discounted value
4) Market price on 4 March 2016
5) Social security, unemployment insurance, accident insurance, income replacement and family allowances

Loans to members of governing bodies (in CHF)

	Position	Nominal	Secured	Unsecured	31 / 12 / 15 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
Ingrid Deltenre	Member	0			0
Reto Donatsch	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		**30 266 000**	**30 266 000**	**0**	**25 841 000**
Previous year		*29 458 000*	*29 458 000*	*0*	*17 296 000*
Jean-François Schwarz[1]	Member	8 950 000	8 950 000	0	5 581 000

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) of the members of the Board of Directors and Executive Board 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 / 15 Drawn down
Total	**8 000 000**	**5 610 000**	**2 390 000**	**2 787 000**
Previous year	*6 000 000*	*3 000 000*	*3 000 000*	*0*

Share and option ownership

		31 / 12 / 15 Shares (in units)	31 / 12 / 14 Shares (in units)
Board of Directors			
Olivier Steimer	Chairman	5 754	7 620
Stephan A.J. Bachmann	Vice Chairman	1 000	1 000
Ingrid Deltenre	Member	100	100
Reto Donatsch	Member	100	100
Pierre Lamunière	Member	100	100
Luc Recordon	Member	100	100
Paul-André Sanglard	Member	500	500
Total		**7 654**	**9 520**
Executive Board			
Pascal Kiener	CEO	5 650	9 989
Aimé Achard	Business Support	2 082	2 014
Stefan Bichsel	Asset Management & Trading	3 500	3 183
Gérard Haeberli	Private Banking	2 391	2 043
Thomas W. Paulsen	CFO	1 393	1 530
Bertrand Sager	Credit Management	3 366	2 890
Jean-François Schwarz	Corporate Banking	3 179	2 567
José François Sierdo	Retail Banking	549	200
Total		**22 110**	**24 416**

Members of the Board of Directors and Executive Board held no options at 31 December 2015.

5.17.2 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 2015 financial year

No compensation was paid to former members of the Board of Directors and Executive Board for the 2015 financial year.

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

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

At 31 December 2015, there were no outstanding loans to former members of the Executive Board on the preferential terms accorded to employees.

5.18 Breakdown of assets by solvency of country groups (in CHF millions)

Internal country rating	Standard & Poor's rating	Absolute value	31 / 12 / 15 as % of total
1	AAA to AA-	2 558	80
2	A+ to A-	269	8
3	BBB+ to BBB-	87	3
4	BB+ to BB-	127	4
5 to 7	B+ to B-	38	1
8	CCC+ to C	68	2
Not rated	Not rated	42	1
Net foreign exposure		**3 189**	**100**

The rating categories are based on Standard & Poor's ratings.

5.19 Special "Caisse d'Epargne Cantonale Vaudoise" account (in CHF millions)

	2015	2014
Capital on deposit at 1 January	**245.5**	**269.0**
Movements:		
Net payment surplus during the financial year	– 18.6	– 23.6
Capitalization of net interest at 31 December	0.1	0.1
Net change	– 18.5	– 23.5
Total capital on deposit at 31 December	**227.0**	**245.5**
of which guaranteed by the Canton of Vaud	*150.3*	*169.1*

	31 / 12 / 15	31 / 12 / 14	Change
Breakdown by type of service			
Registered savings books and accounts	149.1	157.1	– 8.0
Senior citizens' savings books and accounts	46.6	53.3	– 6.7
Bearer savings books	29.7	33.3	– 3.6
Youth savings books and accounts	1.6	1.8	– 0.2
Total	**227.0**	**245.5**	**– 18.5**

6. Notes to off-balance-sheet transactions

6.1 Fiduciary transactions (in CHF millions)

	31 / 12 / 15	31 / 12 / 14	Change absolute	Change as %
Fiduciary investments with third parties	79	48	32	66
Fiduciary transactions	**79**	**48**	**32**	**66**

6.2 Assets under management

As BCV is not required to disclose these figures, they are provided voluntarily and only on a consolidated basis (see note 11.4 to the consolidated financial statements).

7. Notes to the income statement

7.1 Refinancing of trading positions Negative interest

As these positions are not material, they are not disclosed separately.

7.2 Net trading income and fair-value adjustments (in CHF millions)

Breakdown by business sector	2015	2014	Change absolute	Change as %
Retail Banking	21.5	18.1	3.4	19
Corporate Banking	10.1	9.3	0.8	9
Wealth Management	12.8	11.4	1.4	12
Trading	62.6	48.6	14.0	29
Corporate Center	32.5	10.4	22.1	212
Total	**139.5**	**97.8**	**41.7**	**43**

Trading income and fair-value adjustments	2015	2014	Change absolute	Change as %
Fixed-income instruments (including funds)	1.5	3.2	– 1.7	– 53
Equity securities (including funds)	21.1	17.5	3.6	21
Currencies and precious metals	123.5	82.4	41.1	50
Total trading income and fair-value adjustments	**146.1**	**103.1**	**43.0**	**42**
of which fair-value adjustments	*20.7*	*n/a*	–	–
of which fair-value adjustments on assets	*– 9.8*	*n/a*	–	–
of which fair-value adjustments on liabilities	*30.5*	*n/a*	–	–
Trading fee expense	– 6.6	– 5.3	1.3	25
Net trading income and fair-value adjustments	**139.5**	**97.8**	**41.7**	**43**

7.3 Personnel costs (in CHF millions)

	2015	2014	Change absolute	Change as %
Fixed and variable compensation	226.5	226.4	0.1	0
of which charges related to share-based compensation and other variable compensation (including the portion paid in cash)	*42.5*	*41.5*	*1.0*	2
Employee benefits	22.1	21.8	0.3	1
Contributions to staff pension funds	32.2	32.0	0.2	1
Other personnel expenses	14.4	14.7	– 0.3	– 2
Total	**295.2**	**294.9**	**0.3**	**0**

7.4 Other operating expenses (in CHF millions)

	2015	2014	Change absolute	Change as %
Premises	19.7	20.0	– 0.3	– 2
IT	69.1	68.7	0.4	1
Machinery, furniture, vehicles, etc.	3.6	3.9	– 0.3	– 8
Office supplies	1.1	1.1	0.0	0
Telecommunications and shipping	8.2	8.1	0.1	1
Marketing and communications, gifts and subscriptions	17.3	16.4	0.9	5
Financial information	12.7	12.0	0.7	6
Auditor fees	2.2	2.2	0.0	0
of which for financial and prudential audits	*1.8*	*1.9*	*– 0.1*	*– 5*
of which for other services	*0.4*	*0.3*	*0.1*	*33*
Other professional fees	3.7	3.9	– 0.2	– 5
Payment transactions	11.9	10.7	1.2	11
Issuing fees	2.5	7.1	– 4.6	– 65
Miscellaneous operating expenses	5.8	5.8	0.0	0
of which charges for the guarantee by the Canton of Vaud[1]	*0.4*	*0.5*	*– 0.1*	*– 20*
Total	**157.8**	**159.9**	**– 2.1**	**– 1**

[1] Limited guarantee by the Canton of Vaud for deposits with the Caisse d'Epargne Cantonale Vaudoise, and managed by BCV

7.5 Other provisions and losses (in CHF millions)

Miscellaneous provisions	19.8	26.2	– 6.4	– 24
Miscellaneous losses	1.5	1.3	0.2	15
Total	**21.3**	**27.5**	**– 6.2**	**– 23**

7.6 Extraordinary income (in CHF millions)

Disposals of equity holdings	26.6	0.0	26.6	n/s
Disposals of tangible fixed assets	0.0	1.0	– 1.0	n/s
Other extraordinary income	2.0	1.0	1.0	100
Total	**28.6**	**2.0**	**26.6**	**1 330**

7.7 Taxes (in CHF millions)

Direct federal tax	26.5	24.1	2.4	10
Cantonal and municipal taxes	64.3	58.6	5.7	10
Total	**90.8**	**82.7**	**8.1**	**10**
Weighted average tax rate, based on operating profit	21%	21%		

8. Proposals by the Board of Directors

At the Annual Shareholders' Meeting to be held on 21 April 2016, the Board of Directors will recommend the following appropriation of profit and distributions:

8.1 Appropriation of profit

The proposed allocation of available earnings of CHF 360.5m is as follows:

	Dividend in CHF per registered share	Number of shares (in units)	Appropriation (in CHF millions)
Payment of an ordinary dividend	23.00	8 606 190	197.9
Allocation to regulatory retained earnings			0
Allocation to optional retained earnings			162.6
			360.5

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 27 April 2016.

8.2 Other distributions

In addition, a distribution of CHF 86.1m drawn from tax-exempt paid-in capital will be proposed:

	Amount in CHF per registered share	Number of shares (in units)	Distribution (in CHF millions)
Distribution drawn from tax-exempt paid-in capital	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 27 April 2016.

9. 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, statement of changes in equity and notes (pages 154 to 178), for the year ended 31 December 2015.

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 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 2015 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 (art. 728 CO and art. 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with art. 728a para. 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 and of the regulatory capital reserve comply with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

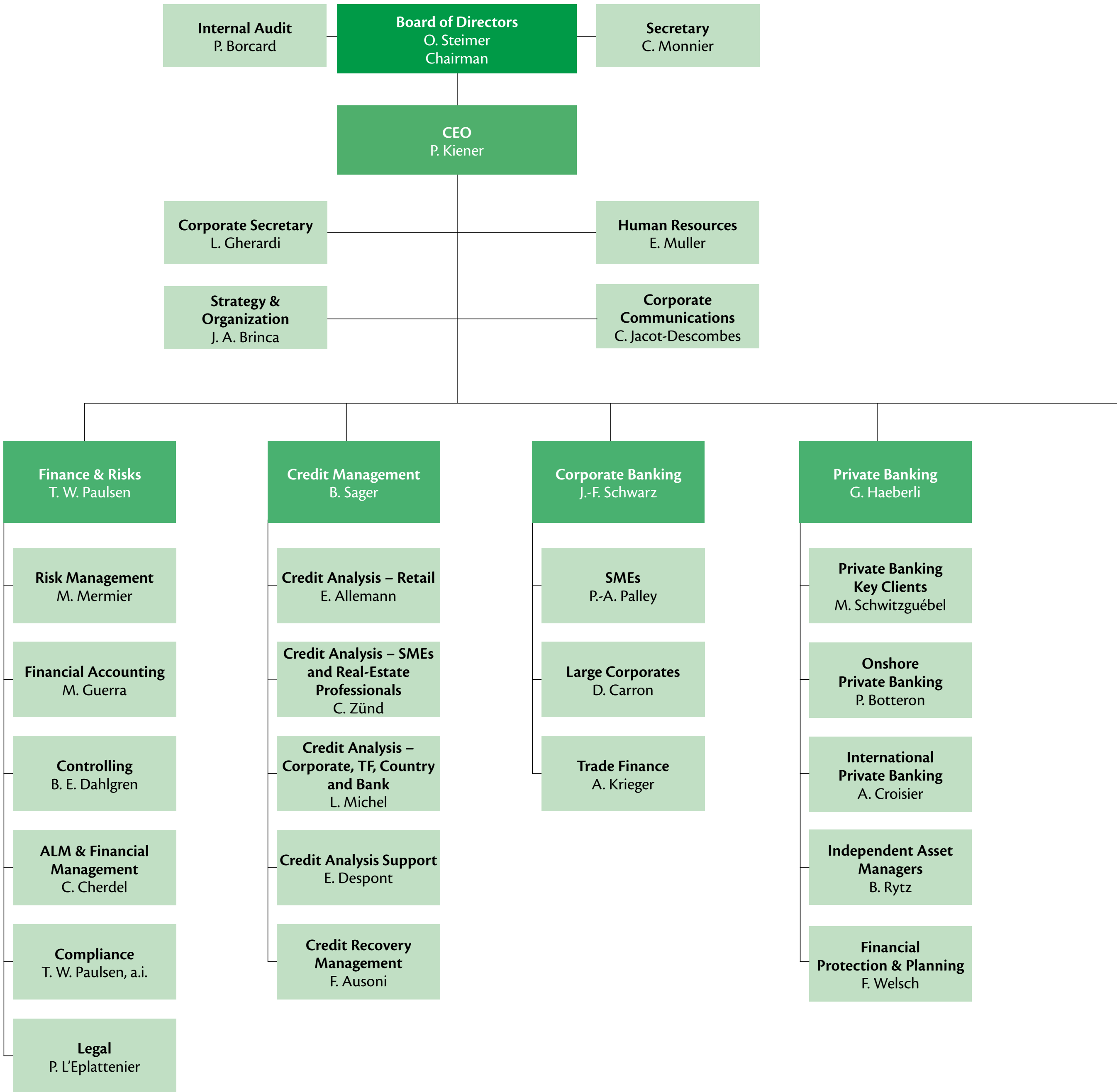
PricewaterhouseCoopers Ltd

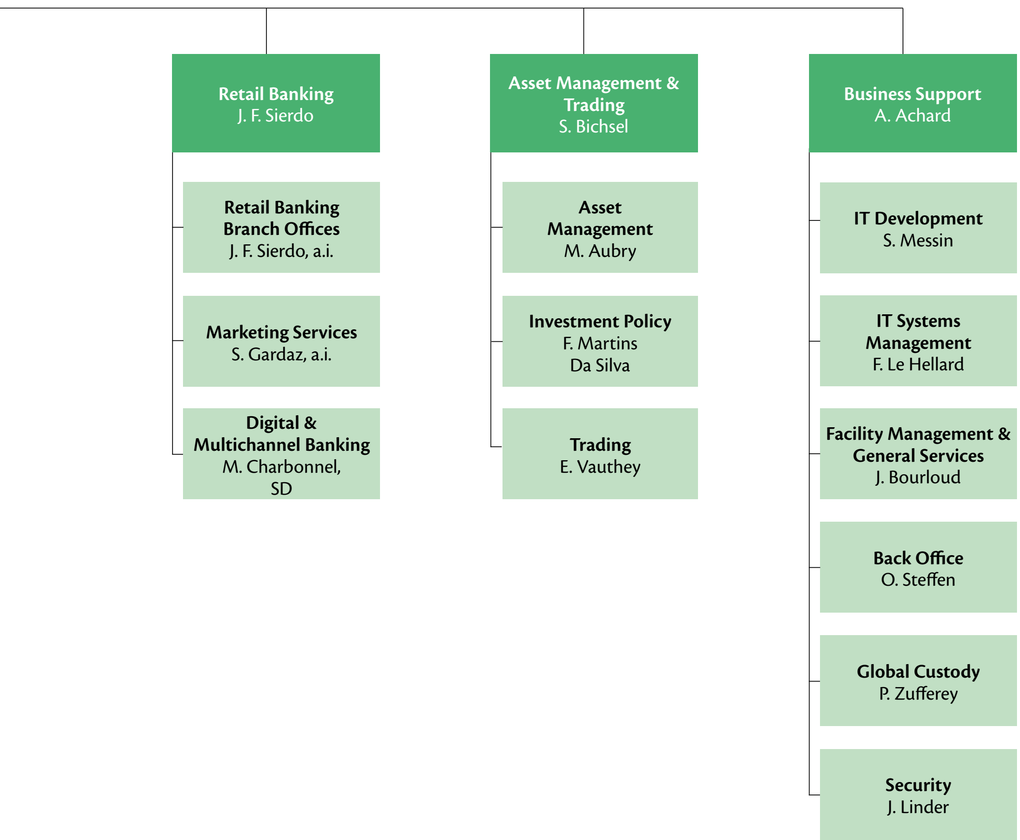
Alex Astolfi	Omar Grossi
Audit expert	*Audit expert*
Auditor in charge	

Lausanne, 10 March 2016

Organization Chart

As of 1 March 2016




Retail Banking
J. F. Sierdo
Retail Banking Branch Offices
J. F. Sierdo, a.i.
Marketing Services
S. Gardaz, a.i.
Digital & Multichannel Banking
M. Charbonnel, SD
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
Security
J. Linder

Retail Network

As of 1 March 2016

Regional Managers

As of 1 March 2016

Broye region

Retail banking	Patrick Balzli
Private banking	André Cherbuin
SME	Fabrice Chollet

Chablais / Vaud Alps 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	Jean-Daniel Dreifuss
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 2016

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 / Vaud Alps 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
Case postale 105
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
1006 Lausanne

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
Pont-de-Chailly
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
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 24
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 1208
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
Case postale 353
1800 Vevey

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