



BCV at a glance

2018 highlights

We delivered very solid results in an operating environment where the economic climate was generally favorable but interest rates remained negative

- Volumes expanded across all the Bank's key business sectors, and revenues rose 1% to CHF 977m.
- Operating profit increased 4% to CHF 403m, driven by firm cost control.
- Net profit was up 9% to CHF 350m, underpinning a recommended CHF 2 increase in the dividend to CHF 35.

BCV's credit ratings were reaffirmed by the two main rating agencies

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

We continued to introduce new services, staying in step with evolving customer expectations

- We launched a new online investment advice and support platform, BCV Conseil Plus, for our wealth management clients.
- We pressed ahead with the rollout of a videoconference system with extended opening hours that our customers can use to meet with an advisor remotely.

The Vaud Cantonal Government appointed two new members to the Board of Directors

- Fabienne Freymond Cantone replaced Luc Recordon on 26 April 2018.
- Jean-François Schwarz was named to succeed Paul-André Sanglard as of 1 January 2019.

We paid out CHF 284m to our shareholders and extended our distribution policy

- In May 2018, BCV paid an ordinary dividend of CHF 23 per share and distributed CHF 10 per share out of paid-in reserves, thus returning a total CHF 284m to our shareholders. This payout, together with the appreciation in our share price, equates to a total return of 5.3% in 2018.
- We extended our distribution policy for another five years beginning with the 2018 reporting period. We intend to pay an ordinary dividend of CHF 34–38, barring significant changes in the economic or regulatory environment or in the Bank's situation.

Key figures – 5-year overview

Balance sheet ¹ (in CHF millions)	2014	2015	2016	2017	2018
Total assets	41 819	43 418	44 085	45 415	47 863
Advances to customers	29 720	29 457	29 849	30 233	31 756
Customer deposits	28 532	28 877	29 245	30 512	31 375
Shareholders' equity	3 341	3 397	3 420	3 457	3 522

Assets under management (in CHF millions)

Assets under management	86 382	87 972	85 382	86 490	87 620
<i>cash and cash equivalents</i>	24 547	24 900	26 009	26 977	28 062
<i>investment funds</i>	20 064	21 164	19 812	21 807	21 817
<i>shares</i>	22 223	22 891	21 588	19 871	18 485
<i>bonds</i>	14 182	13 156	11 029	9 764	9 413
<i>other</i>	5 366	5 861	6 945	8 071	9 843

Headcount

Full-time equivalents	1 946	1 947	1 943	1 922	1 896
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Income statement¹ (in CHF millions)

Total income	1 010	1 026	967	967	977
Operating expenses	518	514	509	508	500
Depreciation and amortization of fixed assets and impairment on equity investments	80	76	72	70	69
Other provisions and losses	34	37	3	1	5
Operating profit	379	399	383	387	403
Net profit	296	336	310	320	350

Liquidity and capital ratios²

Liquidity Coverage Ratio (LCR)	105%	111%	113%	121%	113%
Leverage Ratio	6.8%	6.7%	6.6%	6.5%	6.2%
Tier 1 capital ratio ³	17.7%	18.3%	17.5%	17.1%	17.1%
Total capital ratio ³	17.9%	18.4%	17.6%	17.3%	17.2%

Income ratios

Operating profit/average shareholders' equity	11.5%	12.0%	11.4%	11.4%	11.6%
Cost/income ratio ⁴	59.6%	57.2%	59.4%	58.3%	57.6%
Operating profit per employee (in CHF thousands)	192.2	205.5	197.1	201.6	211.8
ROE	9.0%	10.1%	9.1%	9.4%	10.1%

Credit ratings

Standard & Poor's

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

Moody's

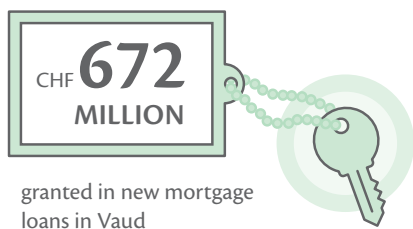
Long term	A1 / stable	Aa2 / stable	Aa2 / stable	Aa2 / stable	Aa2 / stable
Short term	Prime-1	Prime-1	Prime-1	Prime-1	Prime-1

- 1) As of the 2015 financial year, the financial statements are presented in accordance with the new Swiss accounting rules for banks; 2014 figures were adjusted to facilitate like-for-like comparison
- 2) More detailed information on Group and parent company liquidity and capital ratios can be found in the Basel III Pillar 3 report, which is available at www.bcv.ch and on the BCV Investor Relations iPad app.
- 3) To facilitate like-for-like comparison, the ratios for 2014 to 2016 have been recalculated without subtracting the countercyclical buffer from regulatory capital, in accordance with FINMA Circular 2016/1 "Disclosure – banks"
- 4) Excluding goodwill amortization and write-downs

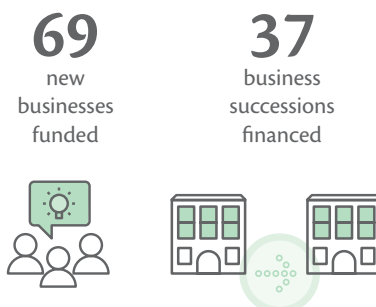
BCV as a responsible corporate citizen in 2018

The Vaud economy

REAL ESTATE



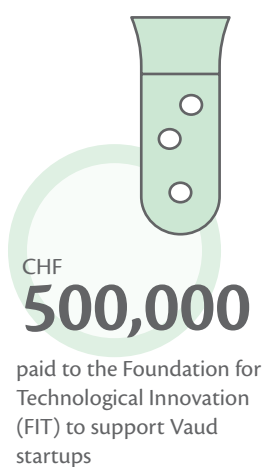
COMPANIES



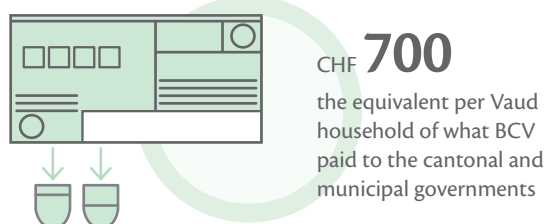
EVERY YEAR



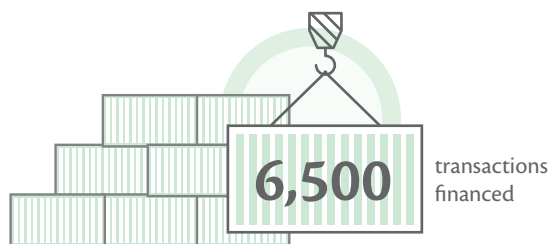
INNOVATION



TAXES AND DIVIDENDS



TRADE FINANCE



Our customers in Vaud:



1 out of every 2 individuals



1 out of every 2 SMEs

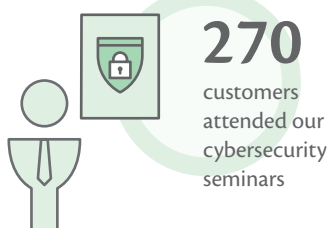


7 out of every 10 pension funds



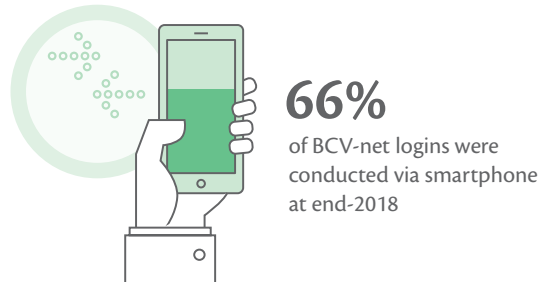
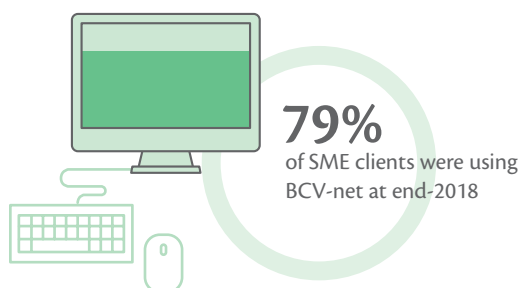
1 out of every 3 mortgages

TRAINING



The environment

ONLINE BANKING



ELECTRICITY



81%

of the electricity we used
came from Swiss hydropower

ENERGY SAVINGS



-3.75%

in electrical energy consumption
in BCV buildings between 2017
and 2018

Our employees

TRAINING



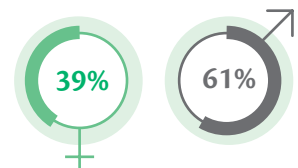
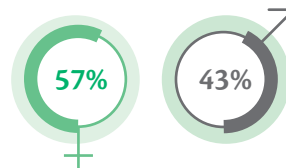
days of in-house training on average
per full-time employee



GENDER PARITY

Personal banking advisors

Branch managers



TRAINING THE NEXT GENERATION

High-school
graduates

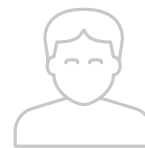
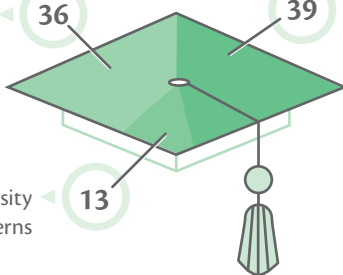
36

39

Trainees

University
interns

13



**1 out of every 3 local high-school graduates and
trainees who go into banking**

The community

SPORTS AND CULTURE



650

events and associations sponsored

LOCAL ARTISTS



18

works by local artists
added to the BCV Art
Collection

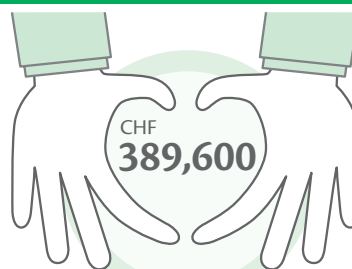
PARTNERSHIP WITH THE RED CROSS

22

disadvantaged Vaud
youth received financial
aid from the "Mimosa
du Bonheur" initiative



DONATIONS



CHF
389,600

donated by the BCV Foundation

"ÉTOILE FILANTE" FOUNDATION



CHF

14,000

donated to make
the dreams of
disabled and
seriously ill
children come
true



Once a decade, the village of Échallens celebrates the Wheat and Bread Festival. This tradition, which dates back to 1978, reflects the importance of grain harvests in Gros-de-Vaud, a fertile region known as Switzerland's breadbasket.

The 2018 Wheat and Bread Festival took place over twelve sunny days, from 15 to 26 August, and drew in more than 100,000 visitors. The highlight of the festival was *Solstices*, a medieval-style fairy tale that reinterpreted local mythology through the exploits of three Gros-de-Vaud adventurers on a quest to save their village. The performance, which involved hundreds of actors, singers, musicians, and extras, was given eight times and attended by 32,000 people.

Échallens also served as the backdrop for the festival's many activities, including a large parade. Pride of place was given to bread, of course, and other local products. Two thousand volunteers contributed to the success of the event.

BCV was already a festival sponsor ten years ago and was the main sponsor this time around. We share in the values of this carefully planned event that brings together generations of Vaud residents in a highly popular celebration of local traditions.

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Letter from the Chairman and the CEO

Revenues and earnings up in core businesses

The global economic climate remained favorable in 2018 despite losing some momentum during the year. Growth for the full year exceeded 3.5%, according to January 2019 estimates by the IMF. That growth was driven mainly by the United States, where there was strong capital investment and near full employment. In the eurozone, output was up by roughly 2%, while China's GDP expanded by around 6%. However, factors including US-China trade tensions and fraught negotiations over the terms of the United Kingdom's exit from the European Union kept visibility going forward very low.

Monetary policies, while still accommodative, have been showing signs of normalizing to some extent. In 2018, the

US Federal Reserve continued to lift its benchmark rates gradually before announcing in early 2019 that it would hold off on further hikes; also in 2018, the European Central Bank stopped its asset purchase program. But none of that led to higher interest rates in Switzerland. Even with Swiss GDP growth accelerating in the past year the Swiss National Bank stuck with its negative-interest-rate stance, lessening the upward pressure on the Swiss franc.

Against this backdrop, we achieved higher revenues and earnings in our core businesses. The Bank posted higher top-line figures across the board except in our trading business; total revenues grew 1% to a total of CHF 977m. As in previous years, we were careful to keep operating expenses under control, paving the way for a 4% increase in operating profit to CHF 403m. Net profit rose 9% to



Jacques de Watteville
Chairman of the Board of Directors

Pascal Kiener
CEO

CHF 350m. That increase was due in part to extraordinary income from a real-estate disposal announced in February 2018; without the disposal, net profit was up 4%.

High-quality service across all distribution channels

We kept on broadening our value proposition with new services such as an all-in-one banking pack for families in Retail Banking and a new investment advisory platform in Private Banking. Our multichannel offering continues to expand, and our customers now have digital options for opening an account and applying for, renewing, or transferring a mortgage loan. In short, BCU customers can bank however they choose: they can sit down with an advisor in one of our branch offices, get answers to their questions through our Customer Service Center, and handle day-to-day banking transactions 24/7 from their smartphone, tablet, or computer.

Across all these channels, improving the customer experience is at the heart of our approach. We keep a sharp focus on our customers' evolving needs, both in terms of our suite of products and services and through our commitment to excellence in service quality. And although surveys show that our customers are fully satisfied with our existing multichannel offering, we'll keep working to improve customer satisfaction.

New members of the Board of Directors

In 2018, Luc Recordon and Paul-André Sanglard stepped down from BCU's Board of Directors after serving the maximum term under cantonal legislation governing BCU. The Vaud Cantonal Government appointed two new members to fill their seats: Fabienne Freymond Cantone, who replaced Mr. Recordon and took up her position on 26 April 2018; and Jean-François Schwarz, who succeeded Mr. Sanglard on 1 January 2019. We would like to express our heartfelt thanks to both outgoing Board members for their hard work in developing and implementing the business strategy that has made BCU a reference among Swiss banks and allows us to look to the future with confidence.

Recognized financial solidity

With a Common Equity Tier 1 (CET1) ratio of 17.1% and a leverage ratio of 6.2%, our Bank comfortably exceeds

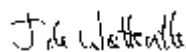
regulatory requirements. In recognition of BCU's financial solidity, the two leading credit rating agencies, Standard & Poor's and Moody's, reaffirmed their respective AA and Aa2 ratings – just two notches below the agencies' highest possible ratings. We also ended the year with a Basel III liquidity coverage ratio (LCR) of 113%, which is well above the 90% regulatory minimum.

Proposed payout of CHF 35 per share

In keeping with the Bank's dividend policy, which has been extended for another five years, and in light of our solid 2018 results, the Board of Directors will recommend an increase in the total payout from CHF 33 to CHF 35 per share. Based on the BCU share's 2018 year-end closing price, that corresponds to a total return of 5.3%, which is one of the highest among listed Swiss companies.

Acknowledgements

Our solid 2018 results would not have been possible without the unfailing commitment of all of our employees. We'd like to take the opportunity to thank them here. We would also like to thank our customers and shareholders for their continuing trust and loyalty. That trust and loyalty serve as motivation for us as we continue to execute on our bank-wide commitment to meeting the highest standards of customer service.



Jacques de Watteville



Pascal Kiener





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 977m in 2018 and total assets of CHF 47.9bn, we rank among Switzerland's top five universal banks by total assets. BCV is the country's second-largest cantonal bank and the largest bank in Vaud, with a network of over 60 staffed branches and close to 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 1,896 full-time-equivalent employees at 31 December 2018. 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 2018 is described on page 135.

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 that strategy, the *CroisSens* growth project, with the aim of taking full advantage of our unrivaled presence in our local market, the Canton of Vaud. That 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 the 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. That 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. In addition, since operational excellence is a key factor in setting ourselves apart from the competition and driving our success, 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 are aiming to make impeccable service quality our differentiating factor, looking for new ways to improve our internal operations, and taking 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 are also seeking 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 are working to better meet our customers' changing needs and expectations, by achieving greater integration among our various distribution channels – 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
- Selected niche growth drivers in asset management, structured products, and trade finance
- Continued development of our other business lines.

We are also working to improve our internal processes and sharpen our focus on the customer experience. This involves:

- Improving customer-service quality through a series of targeted initiatives
- Expanding multichannel 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' skill sets.

In early 2013, we adjusted our key financial objectives. 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 Common Equity Tier 1 (CET1) – or 13.8% as calculated under FINMA Circular 2016/1 "Disclosure – banks." These targets should be viewed from a long-term perspective.

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

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.

The BCV Share

Despite solid growth in the global economy in 2018, stock markets had a rocky year with all the world's main indices finishing in the red. The Nasdaq Composite, which remained in positive territory for almost all of 2018, ended down 1.0%, while the Dow Jones shed 5.6% and the S&P 500 fell 6.2%. In Europe, the DAX dropped 18.3%, the CAC40 lost 11.0%, and Switzerland's SMI ended the year 10.2% lower, at 8,429 points. Elsewhere in the world, the Shanghai Stock Exchange dropped the most, losing 24.6%, while the MSCI Emerging Markets index was down 16.6%.

The BCV share successfully bucked the downward trend, closing at CHF 741 – up 0.8% from end-2017. It significantly outperformed the Swiss banking-sector index, which dropped 31% over the same period. This share-price appreciation, coupled with the dividend paid in 2018 (a total of CHF 33 per share), brought the BCV

share's total return to 5.3% – making it once again one of the best performing stocks in the Swiss banking industry.

With an average of CHF 3.2 million changing hands every day – or 4,270 shares being bought and sold daily – the BCV share was one of the six most liquid banking stocks on the SIX Swiss Exchange.

The two main rating agencies, Standard & Poor's and Moody's, reaffirmed their respective AA and Aa2 ratings for BCV, both with a stable outlook. The agencies pointed in particular to the Bank's diversified revenue streams compared with other cantonal banks and strong capital base relative to its risk profile. BCV remains one of the best rated banks in the world without a formal government guarantee.

Total shareholder return¹



¹⁾ Stock-market 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

Standard & Poor's
 Long-term credit rating: AA / stable
 Short-term credit rating: A-1+
 Moody's
 Long-term credit rating: Aa2 / stable
 Short-term credit rating: Prime-1

	2014	2015	2016	2017	2018
Number of shares outstanding (in thousands)	8 606	8 606	8 606	8 606	8 606
Period-end share price (in CHF)	539.00	636.50	645.00	735.00	741.00
Share price high / low (unadjusted, in CHF)					
– high	541.00	640.00	694.00	764.50	823.00
– low	472.75	510.50	582.00	644.00	688.00
EPS ¹ (in CHF)	34.4	39.1	36.0	37.2	40.6
Adjusted EPS ² (in CHF)	34.4	39.1	35.6	37.2	40.6
Dividend per share (in CHF)	22.0	23.0	23.0	23.0	35.0 ³⁾
Dividend yield ⁴ (in %)	4.1	3.6	3.6	3.1	4.7
Total payout ⁵ (in CHF)	32.0	33.0	33.0	33.0	35.0 ³⁾
Total payout yield ⁴ (in %)	5.9	5.2	5.1	4.5	4.7

¹⁾ Based on net profit after minority interests

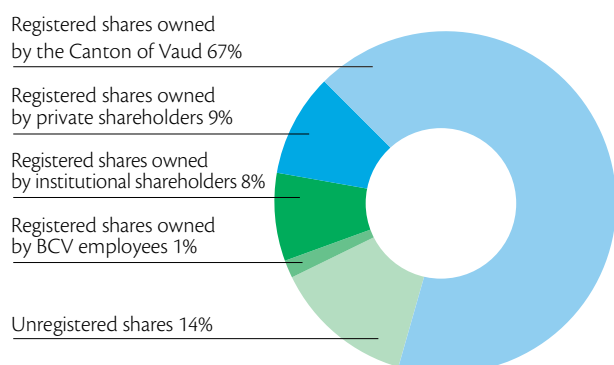
²⁾ Based on net profit after minority interests, excluding an allocation to the reserves for general banking risks

³⁾ Dividend to be proposed at the Shareholders' Meeting on 2 May 2019

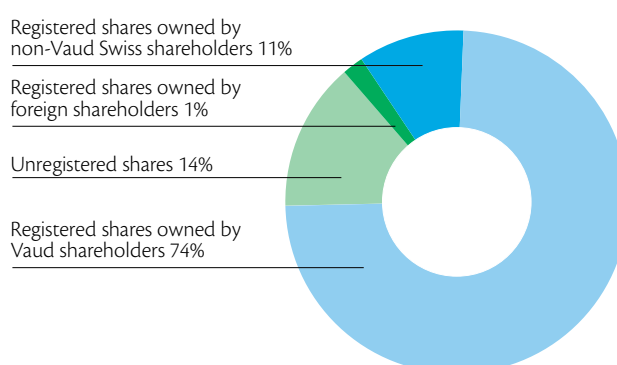
⁴⁾ Relative to the period-end share price

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







BCV's Missions and Corporate Social Responsibility

Under the Cantonal Act Governing the Organization of Banque Cantonale Vaudoise (LBCV), BCV's objective as a full-service bank with a community focus is to contribute 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 as well as to help meet demand for mortgage lending in the Canton. Furthermore, these missions apply across the Canton and entail a particular focus on the principles of economically, environmentally, and socially sustainable development. Our role as a cantonal bank is to produce positive impacts for all our stakeholders – our customers, shareholders, and the people of Vaud. As a modern company mindful of our duties and obligations, we have defined a series of objectives in the area of corporate social responsibility:

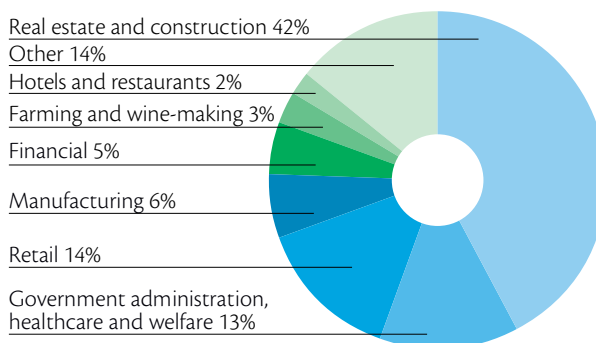
1. Contributing to the development of all sectors of the economy of our home region, the Canton of Vaud, and to the financing of public-sector entities, as well as to help meet demand for mortgage lending in the Canton.
2. Meeting our clients' needs with high-quality financial products and services.
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

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

Business loans by sector



Source: BCV

80% of our lending is local

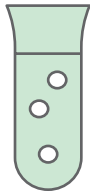
Our loan book covers all areas of the Canton, with the people and businesses of Vaud accounting for 80% of total lending volumes.

At end-2018, 51% of our outstanding customer loans were to individuals and 49% to companies across all sectors of the economy as well as public-sector entities.

We work with companies through every stage of their development: from startup 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 2018, we provided around CHF 61m in financing to get 69 startups off the ground in Vaud Canton.

In addition, BCV is part of Innovaud, the Vaud Cantonal Government's platform for promoting innovation in Vaud Canton. As part of the Innovaud project, we have committed CHF 500,000 in financing per year for 10 years to the Foundation for Technological Innovation (FIT).

CHF
500,000
paid to the Foundation for Technological
Innovation (FIT) to support Vaud startups



To help encourage budding entrepreneurs in Vaud, for the sixth year in a row BCV organized the Silicon Valley Startup Camp in association with the University of Lausanne (UNIL), the École polytechnique fédérale de 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 regularly conduct 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 startup support organization).

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 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

Close ties with our customers

Our local presence is of key strategic importance. We are the Canton's top employer in banking and the most widely accessible bank in Vaud thanks to our dense retail network, which includes nine regional centers of expertise and over 60 branch offices across the Canton (see our retail map and list of branch addresses on pages 198–201).

We believe that our branch footprint effectively aligns with the needs of the dynamic and diversified community and economy that we serve. And we continue to enhance our

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 refurbishment of our head office at Place Saint-François in Lausanne. Since then, we have carried out several smaller-scale projects. Our branches in Renens, Place Chauderon in Lausanne, and La Tour-de-Peilz were all renovated or refurbished in 2018. The major renovation begun on our Nyon branch in 2017 was still underway in 2018 and will continue in 2019.

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 Monday through Friday from 8am to 7pm and on Saturday mornings in some of our shopping center branches. Customers may also speak with an advisor remotely. Our Customer Service Center is available every weekday from 7:30am to 7:30pm, and customers can contact our center's advisors through traditional channels – such as telephone, email, and the post – or through our instant messaging service. Our advisors provide answers to customers' questions on topics spanning day-to-day banking, investments, and loans in videoconference sessions. They can also provide that information via call-back for individuals who make a

request on bcv.ch. In 2018, our Customer Service Center handled 500,000 customer contacts. Our business banking hotline for Vaud companies and the self-employed is available between 8am and 6pm, Monday to Friday. This service handled around 102,000 inquiries in 2018.

We also offer automated services through our network of close to 230 ATMs in over 120 locations across Vaud. Most of our ATMs feature touchscreens for greater ease of use, and one third are equipped with an interface for the visually impaired. In 2018, around 10 million transactions were carried out via our ATMs.

A broad digital proposition

Our clients are increasingly taking advantage of the 24/7 access provided by our online banking services through our website, bcv.ch, and our online banking platform accessible via BCV-net on a computer or BCV Mobile on a smartphone or tablet.

We regularly add new features to our digital-banking proposition. For example, our corporate clients can now open an account or take out a loan on our website; those online services had previously been available only to personal banking customers. We also redesigned our structured products website to keep pace with the latest

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%	15%	17%	12%	11%	7%	8%	15%
Other loans	5%	7%	16%	14%	11%	10%	10%	11%	16%
Workforce distribution	3%	5%	11%	10%	9%	9%	5%	6%	43%

Sources: BCV; Statistique Vaud

Mortgages: real-estate lending including fixed-term loans secured by a mortgage

Workforce distribution: Structural Business Statistics, 2016

browsing trends.

Nearly 60% of our customers bank online and more than eight out of every ten payments are made on BCV-net. Our customers are increasingly using their smartphones to access our online banking services. Two thirds of e-banking log-ins are via our BCV Mobile app, and one quarter of users now do their online banking exclusively on their smartphones.

In addition to the more standard functions, like viewing balances and transaction details and making payments, we have equipped both BCV-net and BCV Mobile with numerous new features. In BCV-net, for example, our corporate clients now use file formats in line with the Electronic Banking Internet Communication Standard (EBICS); this standard has been widely adopted by companies in Europe for processing payments. Our corporate clients can also group recurring payments, saving time when they come up again each month, and manage their employees' access rights to the platform. For our wealth management clients, we rolled out a semi-automated online investment tool that, unlike a simple robo-advisor, seamlessly combines the added value of an automated service with that of a personal advisor.

What's more, all BCV Mobile users can now log in with facial recognition technology, become a BCV customer, open a bank account, contact the Bank through our secure messaging system, and manage standing orders directly on the app. Plus, the BCV Extra app – which offers special deals on leisure activities around the Canton in cooperation with the Vaud Canton Tourist Office – has been integrated into BCV Mobile. These many improvements reflect our pledge to follow through on the customer feedback we receive from focus groups, through the comments left in app stores, or via any other channels. As a result, BCV Mobile is now one of the highest rated banking apps in Switzerland.



66%

of BCV-net log-ins were conducted via smartphone at end-2018

BCV TWINT mobile payment

The BCV TWINT app launched in 2017 is likewise growing in popularity. TWINT is a payment app created by the Swiss banking sector that allows users to pay for in-store and online purchases, transfer money to other TWINT users, and enjoy store discounts. Across Switzerland, the app surpassed the one-million-user mark, with BCV among the banks recording the largest increase in users. The success of BCV TWINT can be measured in other ways, too: more and more users are taking advantage of its full array of features, and a record number of transactions was recorded during Black Friday sales in November.

BCV's TradeDirect platform remains one of the most competitively priced online trading services in Switzerland. The [tradedirect.ch](https://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. An app for smartphones is also available. With this app, users can enter orders, manage their portfolios, track individual stocks, stay up to date with the latest market news, and view ratings and analyses provided by research firm TheScreener.

The real-estate listings website [newhome.ch](https://www.newhome.ch), run by BCV and 17 other cantonal banks, saw the number of listings in Vaud Canton increase by a third. The number of properties listed for sale rose especially sharply.

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

A full range of high-quality banking services

We constantly strive to satisfy the changing needs of our customers – individuals, businesses, pension funds, and public-sector entities. Through our various digital and physical channels, we provide products and services that cover the full range of banking requirements, with a special focus on service quality. Building on our 2009-2013 *BCVPlus* strategy, where customer service had already played a role, we further sharpened the focus on quality of service under our *stratégie2018* program. Under *stratégie2018*, we have rolled out over 200 initiatives to enhance our customers' experience. As an example,

we redesigned the way we welcome customers at our branches and decreased their wait time. We also now run seminars on IT security so that customers can learn about best practices in this field. And, since we adopted a new process for handling customer complaints, nine out of ten claims in 2018 were processed within the target deadlines. We encourage customers to provide feedback on interactions like opening a bank account, applying for a mortgage loan, or visiting one of our branches. We then leverage this valuable feedback to further improve our service quality.

As for our specific banking solutions, we offer a comprehensive range of products and services to Retail Banking customers. That range includes a set of “banking pack” bundles. Customers can choose the banking pack that best fits their daily banking needs. In 2018, we introduced a special banking pack for families that includes a current account, Maestro card, and credit card for each parent as well as custodial savings accounts for their children. The pack's low fees make it one of the most competitive offers on the market. Personal banking customers can also turn to us for their home financing needs and use our asset allocation funds or third-pillar individual retirement accounts to invest their savings for the long term.



1 out of every 3 mortgages

All individual customers, regardless of their wealth, can receive comprehensive financial planning advice and wealth management services. In Wealth Management, we offer a full range of banking and investment solutions and advisory services. Our regional footprint means we have advisors throughout the Canton; clients appreciate knowing that our specialists are close by when they want to sit down and talk over their financial situation or the larger economic picture. In 2018, we launched a new advisory service called BCV Conseil Plus. This online platform combines direct access to an advisor with features that allow customers to track their portfolio,

get the latest financial news, and receive investment proposals – all from the comfort of their home or on the go. In addition, every year we hold 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 offers a comprehensive range of products and services, including financing, treasury management, hedging, occupational pension solutions, and advisory services at all stages of the company's life, from startup to succession. 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. Since 2016, over 1,200 newly created firms have taken advantage of our offer of a year's worth of no-fee services, designed to help them get off the ground. And, every year, BCV finances dozens of business successions, thereby helping ensure that hundreds of jobs remain in the Canton.



1 out of every 2 SMEs

In Asset Management & Trading, investors can take advantage of BCV's proven expertise through our comprehensive range of advisory and other services together with investment products, from investment funds and structured products to management mandates and asset allocation funds in both specific and global investment universes. To meet our clients' needs in institutional asset management – an area in which BCV is a leading player – we focused on socially responsible investment solutions that comply with environmental, social, and governance (ESG) criteria in 2018. As part of this process, we naturally assessed the impact such investments would have on the risk/return profile of our clients' portfolios. Clients also sought advice about the financial markets, which experienced renewed stock-market volatility, with declines in some sectors, and persistently low or negative interest rates in Switzerland

and the rest of Europe. Despite the turmoil, BCV's funds and other investment products generated good returns relative to their benchmark indices and peers.



7 out of every 10 pension funds

Given the current and upcoming regulatory changes affecting financial products, we are adapting our service model and product range accordingly. Our aim is to ensure that all individual and corporate customers are well-informed, protected, and provided with high-quality service across all our physical and digital distribution channels.

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 dimensions of sustainable development: economic development, social development, and environmental protection. These three dimensions ramify into every aspect of our operations so that we, in turn, are mindful of the impacts our activities may have. We have a longstanding commitment to sustainable development and, for the past ten years, have shared the details of our sustainable development performance in our Social Responsibility Report, which we publish every two years.

Our sixth report, published in 2018, looked at the impacts of the Bank's activities across Vaud. Through several interviews, the report gave concrete examples of how BCV combines its sustainable development strategy and its mission as a cantonal bank. The topics ranged from financing the handover of a family-owned business to supporting a housing cooperative that builds residences and providing various forms of aid for innovation and startups.

Among the three dimensions of sustainable development, economic development is, of course, fundamental for a bank. 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 2018, for example, we paid out CHF 246m to our majority shareholder (the Canton of Vaud) and to Vaud municipalities. This amount comprised a dividend and cantonal and municipal taxes.

The principles of sustainable development are intrinsically linked to the financing we provide in all sectors of the Canton's economy. These principles underpin the ways in which we contribute to the local economy and serve individuals and businesses in Vaud, as well as the actions we take to enable employees to reach their full potential.

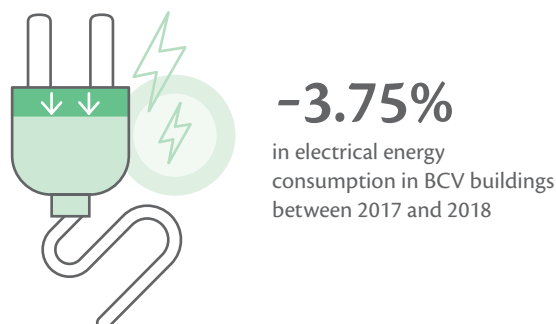
This multidimensional approach is also reflected in our involvement in the local community. Yet another

example of this approach concerns the environment. We continued our efforts to reduce our energy consumption and environmental footprint in 2018. For several years now, we have been commissioning 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 a number of years. We cut our electrical energy consumption by 15% in just five years by installing new electrical equipment.

In recent years, our Aigle and Nyon regional decision-making centers have undergone renovations so that they meet "Minergie" energy-efficiency certification. Thanks to a several-million-franc investment in upgrades such as new thermal insulation, windows, and energy-efficient technical equipment, we were able to reduce energy consumption in both buildings by at least 60%.

We have also made it possible for institutional and private clients to build an ESG-centric portfolio based on socially responsible investment (SRI) principles. By working with our clients, we intend to play an active and constructive role by offering a range of SRI options. Our existing solutions make it possible to incorporate ESG criteria into portfolios without negatively impacting their potential risks or returns – two other central criteria for investors, especially pension funds.

In 2017, BCV earned a B grade from the Carbon Disclosure Project (CDP) survey; B is the third-highest of eight grades ranging from A to D-. The Bank has been taking part in the CDP, which measures the greenhouse gas emissions of companies, every other year since 2010.



BCV's Social Responsibility Reports



2007



2009



2011



2013



2015



2017

The six Social Responsibility Reports we have published since 2007 reflect BCV's longstanding commitment to the three dimensions of sustainable development. Reports contain examples, detailed information, objectives, and a performance review to illustrate how corporate social responsibility (CSR) as a whole is innately linked to BCV's mission and success in the Vaud market.

At BCV, we see this link as a chance to create a virtuous circle that allows us to be both competitive and socially

responsible. That is how we can maximize our impact to benefit our stakeholders – by creating value for our customers, shareholders, and the people of Vaud all while doing our part to address economic, social, and environmental issues.

Our Social Responsibility Reports (in French only) can be downloaded from the BCV website at <https://www.bcv.ch/en/About-us/Corporate-Social-Responsibility>.

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 a total of CHF 3.2bn to our shareholders for the 2007 to 2017 financial years. We distributed 11 ordinary dividends: the first three of CHF 14, CHF 20, and CHF 21 per share; the next five of CHF 22 per share; and the last three of CHF 23 per share. We also made 11 special distributions, which were tax free for shareholders. The first distribution was CHF 32.50 per share and the following 10 were each CHF 10 per share. The first three payments were in the form of par-value reimbursements, while the following eight 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 maintained our AA rating for the seventh year running, and Moody's reaffirmed our long-term rating of Aa2 for the fourth year in a row. 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, 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, promoting diversity, and offering the same opportunities to all staff.

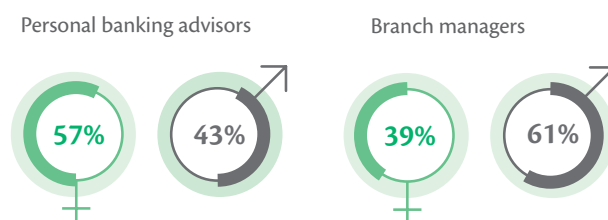
A common corporate culture is an integral part of our human resources policy. At the heart of this culture

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 BCV Group. This code, which is available on our website, was reviewed and expanded in 2013.

Staff

At the end of 2018, BCV Group had 1,896 employees on a full-time-equivalent (FTE) basis, down slightly from the prior year. The parent company accounts for the largest share of the workforce, with a total of 1,895 employees, or 1,700 FTEs. In 2018 we filled 297 positions: there were 154 outside hires, and 105 internal transfers, and 38 people were kept on after they completed BCV internships or training programs. Average staff turnover was 9.8% in 2018.

In terms of gender equality, the parent company had 806 female employees (43% of the workforce) at the end of 2018. Women accounted for 27% of employees with signing authority (263 positions) and 7% of all senior managers (22 positions). In addition, women run 39% of our branches (15 positions), where they play a key role in running our retail network. There were 407 women (50% of the Bank's female staff) working part time at the end of the year.

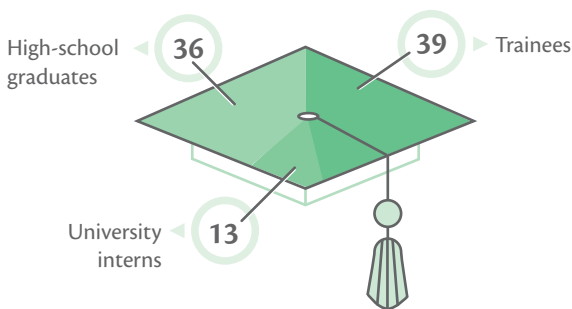


BCV regularly commissions a third-party polling service to conduct an anonymous survey of all staff members in order to obtain their opinions on working conditions, workplace relations, satisfaction with supervisors and, more generally, to determine employee buy-in and commitment. 84% of employees took part in the 2018 survey. The findings showed that employee buy-in remains high. Once again this year, the results were

considered very good in comparison with those at other companies in almost all areas studied, but especially in terms of support for the Bank's strategy and confidence in senior management.

Focus on training

In 2018 BCV provided job training for 99 entry-level employees, including 39 trainees, 36 high-school graduates, 13 university interns and 11 participants 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 260 instructors, more than three quarters of whom work elsewhere within the Bank.

In 2018, the training center focused on skills development for all of the Bank's employees. 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, we adopted a certification system used by several other banks that is in line with the ISO 17024 standard and recognized by the Swiss Association for Quality (SAQ). Over 150 client advisors had received their certification by end-2018.

The participants in BCV's 2017–2018 Micro MBA program, offered in collaboration with the Entrepreneurial Leadership program at the University of Geneva's School of Economics and Management, finished the program in October. The 16 participants, five of whom are women, developed interdisciplinary and project management skills. In addition, 19 BCV employees received post-secondary degrees from outside institutions in 2018, 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 2018, pension fund members comprised 2,023 employees, 1,824 of whom were working at the parent company, and another 1,304 pension recipients, including 1,022 retirees.

BCV takes several kinds of action in the interest of employees' health. Our focus is on prevention, for instance by 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.

22

disadvantaged Vaud youth received financial aid from the "Mimosa du Bonheur" initiative



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, the Venoge Music Festival, Rock Oz'Arènes, the Cully Jazz Festival, the Red Pigs Festival in Payerne, the Paillote Festival in Morges, the Festival Off at the Montreux-Vevey Septembre Musical, the Théâtre

du Jorat, the Théâtre de Beausobre, the Théâtre Benno Besson in Yverdon-les-Bains, the Vevey Festival of Images, Lausanne-Pully Museum Night, the Maison d'Ailleurs science-fiction museum, the Fondation Vaudoise pour la Culture, the Fondation du Conservatoire de Lausanne, and the Fondation de soutien à la plateforme Pôle muséal (i.e., the Plateforme 10 project to convert a railway site into a new arts district in Lausanne).

We also support a number of outreach initiatives, which help bring together the local community. In 2018, 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, Ma Vie Ton Sang, the Association Cantonale Vaudoise des Samaritains (a first-aid training organization), Fondation Pro-xy (an organization that supports caregivers), and the 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.

Sports activities are also a key part of the social fabric of Vaud and are central to our sponsorship policy. Last year we sponsored a number of sports clubs and events, including: 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, and the Leysin Tobogganing Park.

We also support various other important initiatives in the Canton, including the Forum de l'Economie Vaudoise, the Forum des 100, the Christmas market in Vevey, Switzerland's national Digital Day, and the Numerik Games Festival in Yverdon-les-Bains.



For over 10 years we have had links with programs that allow staff members to take part in humanitarian and environmental initiatives in association with non-governmental organizations. In 2018 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. Another initiative close to our heart is BCV Solidarity. In 2012, we decided to replace the end-of-year gift to employees with an annual donation in our employees' name to a humanitarian project somewhere in the world. Every year, a different project is chosen by a working group selected from a pool of volunteers. In 2018, BCV Solidarity supported a project run by the Fair Future Foundation to equip a public hospital that the foundation had recently built in an impoverished region in Bali. The Lucens-based foundation provides healthcare to poor people in Indonesia.

In addition, BCV supports its employees' involvement in the community, thereby contributing to their personal development. In 2018, some 200 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 2016–2017 Social Responsibility Report (available in French only) on our website, bcv.ch.





Year in Review

Economic Environment

The global economic environment remained positive in 2018, although there was some loss of momentum. GDP growth, at 3.7%, was virtually unchanged from 2017, but the outlook worsened in 2018 because of trade tensions between the United States and a number of countries, most notably China, along with a slowdown in the eurozone and China.

In Switzerland, growth accelerated to 2.4% in 2018, from a more subdued 2.0% in 2017; likewise, in Vaud growth picked up from 2.1% in 2017 to 2.8% in 2018. Both Switzerland as a whole and Vaud Canton benefited from robust domestic demand and solid exports.

Weakening global growth

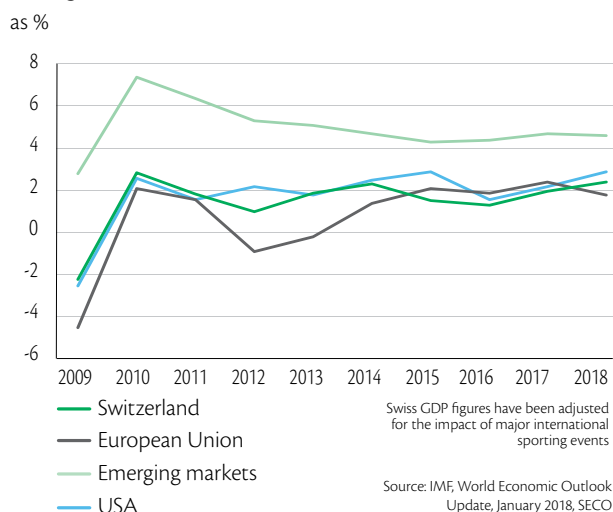
The broad global economic upturn that took place in 2016 and 2017 was replaced by a more mixed picture in 2018. Although the world economy remained on relatively strong footing – with growth of 3.7%, virtually the same as in 2017 – several clouds appeared on the horizon. Strong output expansion in the US only just made up for the

slowdown in the eurozone and China, and the International Monetary Fund (IMF) cut its economic growth forecasts in January 2019. Trade tensions between the US and several other countries also weighed on economic activity, while financial markets were adversely affected by further monetary tightening by the US Federal Reserve.

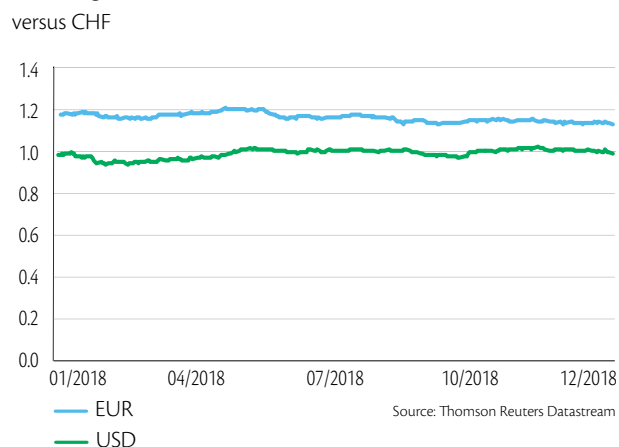
In the US, GDP growth accelerated from 2.2% in 2017 to 2.9% in 2018. Despite a decline in manufacturing activity late in the year, the world's largest economy is now running at full employment after several years of rapid economic expansion. This prompted the Fed to keep hiking official interest rates at a moderate pace. In the eurozone, aggregate growth slowed from 2.4% to 1.8%, pulled down by the region's leading economies. In the UK, Brexit-related uncertainties caused growth to weaken from 1.8% to 1.4%.

The combination of those factors, accompanied by a decline in commodity prices, also impacted emerging economies. They posted aggregate GDP growth of 4.6%, roughly the same as 2017. A minor improvement in countries that have experienced problems in recent years – such as Brazil

GDP growth around the world



Exchange rates



and Russia – partly offset a slowdown in China's economy, where growth decelerated from 6.9% to 6.6%.

Stock-market correction in the fourth quarter

2018 was also a year of contrasts for stock markets. They dipped in the first quarter on investor concerns about the Fed's monetary policy stance, mounting inflation, and the ramifications of the US-China trade dispute. However, investors became more optimistic in the following two quarters as the main US market indices rallied and hit a series of all-time highs. Yet the momentum behind equity markets was weaker than in 2017, and by the third quarter, markets in Europe and the developing world were already down year on year. In the fourth quarter, the environment for equities deteriorated, and all of the world's stock markets experienced corrections.

In the US, stock markets gained ground until early fall, when they swung into negative territory and remained there. The S&P 500 shed 6.2% on the year. In Switzerland, the Swiss Market Index (SMI), made up of the largest companies listed on the SIX Swiss Exchange, ended the year down 10.2%. The Euro Stoxx 50 eurozone blue-chip index fell 14.3%. The MSCI Emerging Markets Index (USD) lost 16.6%.

In the fixed-income market, the main development in 2018 was a rise in US bond yields. At the short end of the yield curve, the US Federal Reserve, after hiking rates five times between 2015 and 2017, raised the fed funds target range

a further four times, from 1.25%–1.50% to 2.25%–2.50%. At the long end of the yield curve, 10-year US Treasury yields rose from 2.41% to 2.69% and were volatile during the year, briefly exceeding the 3% mark in the fall. European markets were less turbulent. The Swiss National Bank (SNB) maintained an interest rate of –0.75% on sight deposits in excess of a given exemption threshold, while the 10-year Swiss government bond yield moved between –0.25% and 0.16%, starting the year at –0.13% and ending it at –0.24%. In the eurozone, the European Central Bank (ECB) left its deposit facility rate at –0.4%, while in Germany, the 10-year Bund yield fell from 0.42% at the start of January to 0.25% at the end of December, with a year low of 0.22% and a year high of 0.72%.

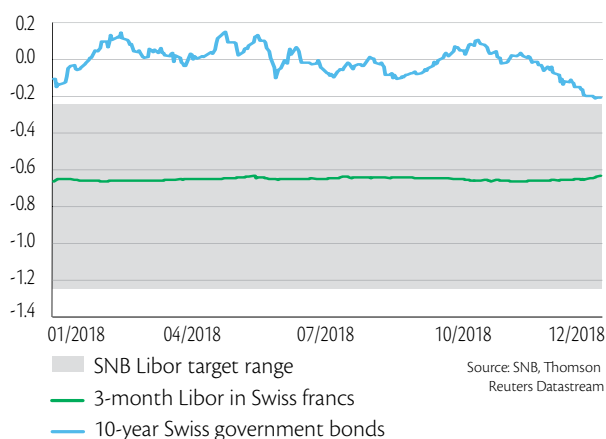
Inflation remained low around the world. In Switzerland, it ticked up to 0.9% on the back of higher rent and energy prices. Prices rose 1.6% in the eurozone and 1.9% in the US.

In the precious metals market, the gold price fell in dollar terms, ending the year down 0.9% at USD 1,279 per ounce. In Swiss-franc terms, gold rose 0.1% to CHF 40,574 per kilo.

In the forex market, the euro started the year by gaining ground against the Swiss franc, rising above CHF 1.20 before falling substantially as a result of growing uncertainty. Over 2018 as a whole, the euro fell from CHF 1.17 to CHF 1.13, a decline of 3.7%. However, the dollar gained 1.2% against the Swiss franc, rising from CHF 0.97 to CHF 0.99.

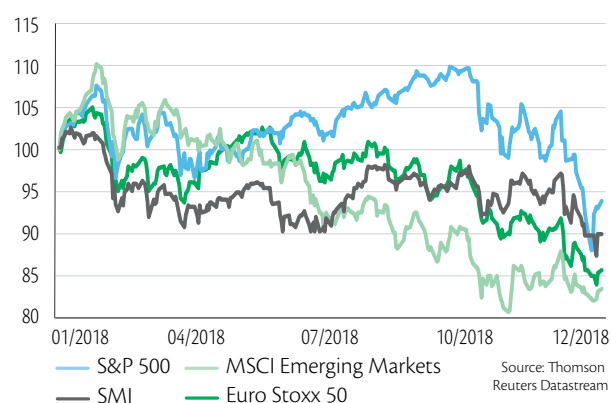
Interest rates

as %



Stock-market indices in local currency terms

base of 100 at 31 December 2017



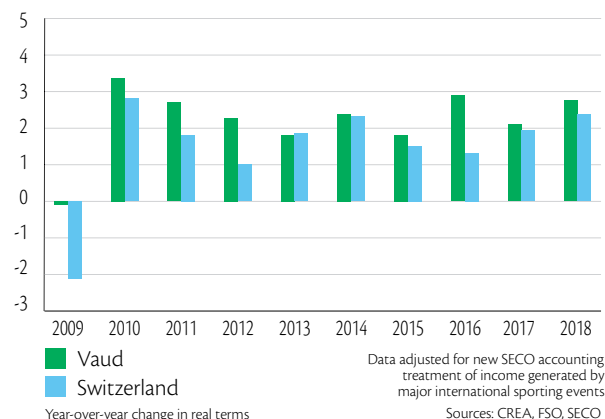
Faster Swiss growth

In a mixed but still broadly positive global economic climate, the Swiss economy improved after three years of dealing with the effects of the SNB dropping the euro/franc exchange-rate floor. Swiss GDP growth accelerated from 2.0% in 2017 to 2.4% in 2018 (adjusted for fluctuations in income generated by major international sporting events, under the new calculation method used by SECO). The average Swiss unemployment rate fell to a 10-year low of 2.6%, versus 3.2% in 2017. The upbeat economy boosted job creation: in the fourth quarter of 2018, the number of secondary- and tertiary-sector jobs was up 1.6% year on year, totaling 3.9m (on a full-time-equivalent basis). The number of jobs rose 1.4% in the secondary sector to 1.0m and 1.7% in the tertiary sector to 2.9m.

Several factors drove those gains. The Swiss franc was less overvalued in 2018 than it had been in previous years, even though it appreciated again in the second half. With global trade still buoyant, this boosted Swiss exports, which grew 5.7% in nominal terms to CHF 233.1bn, a new record. Manufacturers supplying the Swiss market also benefited from ongoing firm domestic demand.

Vaud and Swiss GDP growth

as %



Renewed impetus in Vaud Canton

Vaud's economy was also brisk, with GDP growth picking up from 2.1% in 2017 to 2.8% in 2018 (adjusted for fluctuations in income generated by major international sporting events), according to January 2019 figures from the CREA Institute of Applied Economics in the Business and Economics Faculty of the University of Lausanne. Like their peers elsewhere in the country, Vaud's manufacturers benefited from a Swiss franc that was weaker than in previous years and the ongoing strength of global trade, despite signs of a slowdown. The CVCI's fall economic survey also showed a sharp upturn in business for manufacturers. Vaud's exports amounted to CHF 13.9bn in nominal terms, down 0.4% but close to their all-time high. Exports were boosted in particular by greater demand for machinery. The largest increases in exports were to emerging-market countries, especially in Asia and Central and Eastern Europe. Vaud's economy also enjoyed firm domestic demand. According to the CVCI survey, service-sector companies saw business levels rise, although the increase was less pronounced than in manufacturing.

The Vaud job market was also firm. The number of jobs (on a full-time-equivalent basis) in the Canton was up 0.8% year on year in the fourth quarter of 2018, driven by a 1.3% increase in the secondary sector. Tertiary-sector jobs saw more-limited growth of 0.7%. As in Switzerland as a whole, the unemployment rate in Vaud fell to a 10-year low; it went from an average of 4.5% in 2017 to 3.8% in 2018. However, that figure masks regional differences. Unemployment was below the Vaud Canton average in Gros-de-Vaud (2.7%), Lavaux-Oron (2.8%), Morges (3.0%), Nyon (3.3%), and Broye-Vully (3.6%), while it was close to the average in Jura-Nord Vaudois (3.9%). Unemployment was above average in Riviera-Pays-d'Enhaut (4.2%), Aigle (4.6%), West Lausanne (4.6%), and Lausanne (5.2%).

Real-estate market still relatively firm

The environment remained favorable for the Vaud real-estate market in 2018. In particular, prices of owner-occupied housing continued the upward trend that started in early 2017. On average across the Canton, prices of single-family homes rose 4.6% year on year and apartment prices were 2.5% higher, according to Wüest Partner figures. As a result, prices in both categories are roughly back to where they were in 2013–2015.

High prices, stringent criteria for home buyers, and weaker population growth limited the number of potential buyers. However, low interest rates continued to stimulate interest from households with sufficient income and capital to consider buying a home. In certain cases, prices rose above the highs reached in 2013–2015. That was particularly true of apartments in the eastern half of the Canton and those close to Lake Geneva (West Lausanne, Lausanne, Lavaux-Oron, and Riviera-Pays-d'Enhaut) and in Broye-Vully. Single-family home prices also hit new highs in Aigle, Broye-Vully, Gros-de-Vaud, Jura-Nord Vaudois, Lausanne, and Lavaux-Oron. Some buyers opted for basic or smaller properties, while the number of transactions fell.

Nevertheless, the market for owner-occupied housing slowed, as reflected in the falling number of new residences being built in that segment. There have been around 5,000 new home starts per year in Vaud since 2013, but the proportion intended for owner-occupiers has fallen from around two thirds on average between 2005 and 2015 to around 40% in 2018. The housing market is also becoming less stretched. Since hitting a low of 0.4% in 2009, the vacancy rate has been rising, reaching 1.1% in 2018, and rents have fallen by 16.0% overall in Vaud since 2014.



BCV Immobilier

In 2018, BCV published two more issues of BCV Immobilier, a half-yearly report on the Vaud real-estate market that first appeared in 2017. These latest issues focused on how the Lausanne-Morges region has developed and on the funds that apartment owners set aside for building renovation. Although no substitute for advice from a real-estate professional, the 24-page guide provides valuable information to prospective buyers, homeowners, individuals, and businesses wanting to keep up to date with market developments.

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

Vaud Canton and Switzerland in figures

	Vaud	Switzerland
Area	3,212 km ²	41,285 km ²
Population (end-2018) ¹	800,162 inhabitants	8,541,859 inhabitants
Population density	249 inhabitants/km ²	207 inhabitants/km ²
Working population (2017)	419,055	4,658,361
Number of companies ²	58,913	680,097
Primary sector	6.5%	8.1%
Secondary sector	13.5%	14.1%
Tertiary sector	79.9%	77.8%
Jobs	434,478	5,120,245
Primary sector	3.0%	3.2%
Secondary sector	16.4%	21.0%
Tertiary sector	80.5%	75.8%
Unemployment rate (2018 average)	3.8%	2.6%
GDP (2018 est.) ³	CHF 57.0bn	CHF 700.4bn
GDP/inhabitant	CHF 71,259	CHF 81,996

¹Vaud: Source = Statistique Vaud; Switzerland: Source = estimate based on quarterly FSO data

²A company or part of a company (e.g., a workshop or factory) located in a given place

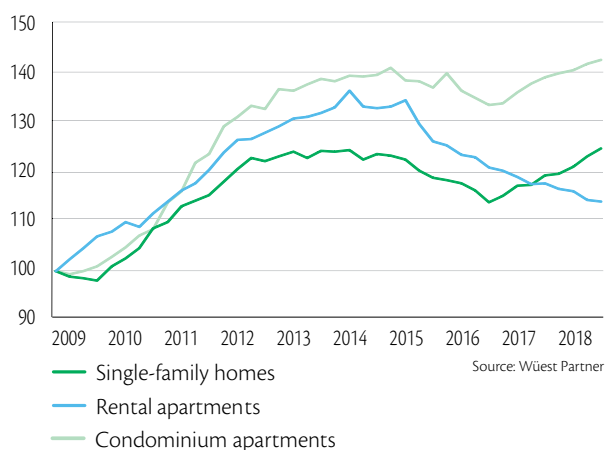
³Data adjusted for new SECO accounting treatment of income generated by major international sporting events

Sources: Structural Business Statistics 2016, FSO, SECO, CREA

However, the investment real-estate market remains strong, for both institutional investors and individuals seeking alternatives to putting their money in bonds. Prices rose and spending on rental property construction increased sharply in 2018, suggesting that the rental market will continue to ease. Some observers are concerned that there will eventually be a correction in the prices of investment properties, caused by a combination of high prices, large-scale construction activity, and slower population growth.

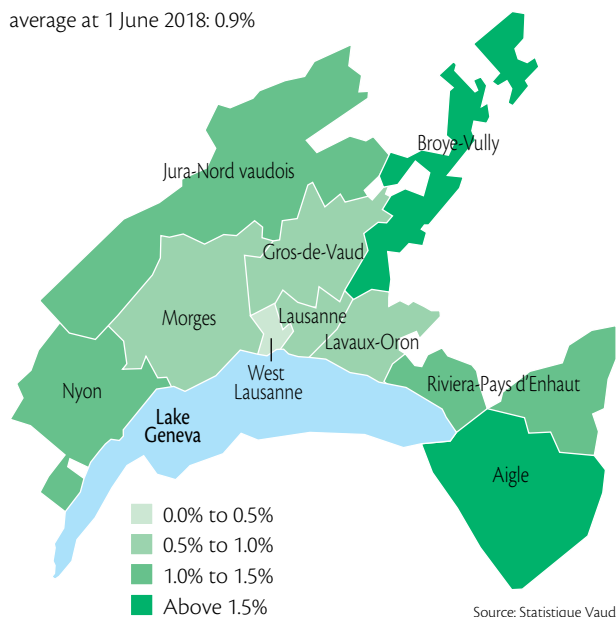
Real-estate prices in Vaud

indices, base of 100 in Q1 2009



Housing vacancy rates in Vaud

average at 1 June 2018: 0.9%



Outlook

Economic forecasts published in late 2018 and early 2019 were relatively positive, although they showed greater caution compared with the optimism of a year earlier. In January 2019, the IMF projected a deceleration in global growth to 3.5%. The US is expected to undergo a moderate slowdown, as are the eurozone and other industrialized economies. In emerging markets, output expansion is also likely to weaken, but only slightly. However, a number of uncertainties remain. For example, the impacts of the Brexit process, monetary-policy normalization in the US, and the future normalization in the eurozone are hard to predict. In addition, there are various sources of geopolitical tension throughout the world.

GDP growth is also set to be more sluggish in both Switzerland and Vaud as a result of the slowing global economy. In March 2019, the State Secretariat for Economic Affairs (SECO) lowered its full-year growth forecast for Switzerland from 1.5% to 1.1%; the corresponding figure for Vaud was not available at the time of writing. As is the case

Vaud's population now above 800,000

Despite growing more slowly in recent years, Vaud's population broke through the 800,000 barrier in 2018. The number of people who reside permanently in Vaud Canton grew by 5,778 (0.8%) in 2018 to 800,162 according to estimates from Statistique Vaud. That is the smallest increase in Vaud's population since 2000. Population growth was significantly lower than in 2017 (1.0% or 8,249 people) and the average over the past ten years (1.7% or 11,800 people).

This weaker demographic trend reflects a decline in net immigration. While the number of Swiss citizens rose by 1.3% (6,667 people) in 2018, the number of foreign nationals fell by 0.3% (889 people) – the first decline since 1979, as Statistique Vaud notes. This was partly due to record numbers of foreigners taking Swiss citizenship, probably in anticipation of a change in the law.

worldwide, many risks remain. Unexpectedly weak global growth or a rise in the Swiss franc could cause economic conditions to deteriorate in Vaud and Switzerland as a whole. At the national level, Switzerland faces some uncertainty about its relationship with the European Union. In Vaud, the corporate tax reform will come into force in 2019, which is good news for the Canton's economy.

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

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, cope fairly well with the impact of the SNB's decision to scrap the euro/Swiss franc exchange-rate floor in 2015, and stage a recovery since then. Most of the Canton's main economic sectors held up relatively well in 2018, although to varying degrees.

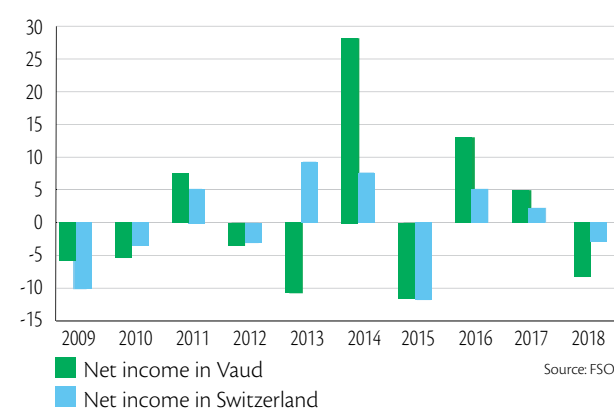
Primary sector

Vaud's agriculture sector suffered from unusual weather conditions in 2018. Data from the Federal Statistics Office (FSO) show that the value of farming output was nearly flat (up 0.3% to CHF 1.2bn), while total farm income fell 8.2% to CHF 335m. Major crops (grain, industrial crops, and potatoes) were damaged by drought and generated 8.9% less income than in 2017. Fruit and vegetable crops also suffered, with income down 12.0% and 1.4% respectively. However, those declines were offset by higher income from feed crops (up 3.2%), wine crops (up 8.4%), and livestock (up 1.5%).

The unusual weather conditions were a boon to wine harvests, despite a lack of water in some places during the summer. New wine production rose 11.3% to 29.7 million liters, yields were close to quota limits, and grape quality was exceptional, according to Vaud's Department of Agriculture and Winegrowing. In addition, weather conditions meant that there was relatively little pest damage.

Change in farming income

as %



2018 growth by economic segment in Vaud

Growth above 2%

Water and electricity production and distribution
Chemicals, pharmaceuticals, rubber, glass, metallurgy, etc.
Machinery, instruments, watches, etc.
Hotels and restaurants
Government administration, healthcare, education, sports, etc.
Finance and insurance
Real estate, business services, etc.

Growth of 0.5% to 2%

Construction
Food, textiles, leather, wood, paper
Wholesale and retail distribution, repairs, etc.
Transport, postal services, telecommunications, publishing

Growth of under -2%

Primary sector

Sources: CREA, FSO, SECO

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

Compared with 2017, 2018 was a better year for manufacturing activity, which was boosted by a Swiss franc that was less overvalued against the euro than in previous years and by a global economy that remained robust despite showing signs of slowing. According to the CVCI fall 2018 survey, more than 85% of companies found business trends at least satisfactory. Domestically oriented firms, particularly those operating in the construction industry, benefited from Switzerland's robust domestic economy.

Manufacturing

Strong exports led to improved conditions for Vaud's manufacturers in 2018. In its year-end survey, the CCV found that order books grew substantially during the year, with three-quarters of Vaud companies surveyed stating that their order books were at normal or high levels at year-end. That had a positive impact on employment, with the aggregate workforce rising by around 5% after contracting in previous years. Almost all manufacturing segments experienced an uptrend in business, particularly in the electronics, optics, and precision-instrument segments. 2018 was also a good year for chemicals and plastics, metals and metalworking, and wood and other non-metallic products.

Construction

The construction industry benefited from a large number of rental housing projects. The CCV's indicator of construction business conditions remained positive overall, with respondents reporting strong order books in structural works, civil engineering, and non-structural and technical fit-out work. Overall, prices remained under substantial pressure, particularly in structural works, and the number of people working in construction rose 1.5% to 27,616.



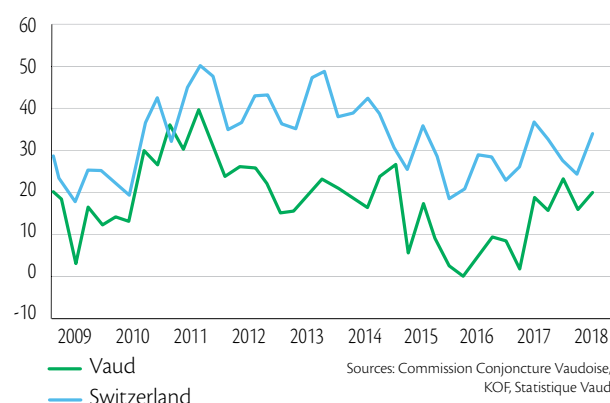
Affordability of real estate in Vaud

This study, published in 2018 by the Observatoire BCV de l'Economie Vaudoise (an economic think-tank housed at BCV), shows that there were increasing signs of cooling in the Vaud real-estate market, particularly due to growth in new rental-property investment. It also explains how high prices and high rents remained an obstacle for those seeking a new home. By looking at ratios of house prices and rents to incomes, and how these ratios have changed over time, the study illustrates that the affordability of housing in Vaud has declined over the years. It also indicates in which Vaud regions it is easiest for households to buy a home.

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

Business sentiment in construction

net positive responses



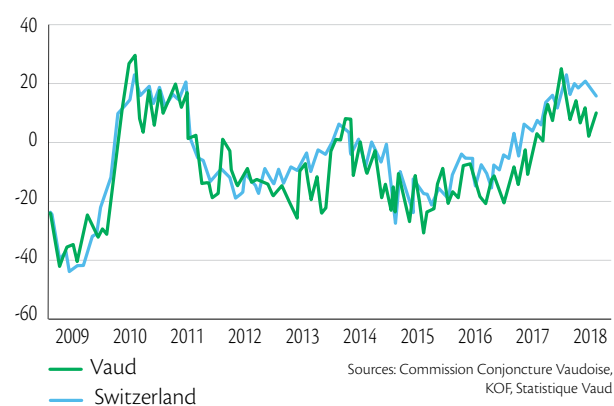
Structure of the Vaud economy

Sectors and segments	Share of Vaud GDP (2018)	Full-year growth (2009-2018)	Jobs (2016)	Share of total jobs (2016)
Primary sector	1.3%	-1.0%	13,236	3.0%
Agriculture, forestry, hunting, fishing	1.3%	-1.0%	13,236	3.0%
Secondary sector	19.9%	2.9%	72,156	16.4%
Food, textiles, leather, wood, paper	2.7%	0.0%	11,295	2.6%
Chemicals, pharmaceuticals, rubber, glass, metallurgy, etc.	5.4%	9.4%	11,286	2.6%
Machinery, instruments, watches, etc.	5.2%	0.0%	17,359	4.0%
Water and electricity production and distribution	2.2%	-3.7%	4,049	0.9%
Construction	4.4%	1.7%	28,167	6.4%
Tertiary sector	78.9%	2.4%	353,356	80.5%
Wholesale and retail distribution, repairs, etc.	15.3%	3.2%	54,403	12.4%
Hotels and restaurants	1.9%	0.8%	20,820	4.7%
Transport, postal services, telecommunications, publishing	5.5%	1.9%	24,050	5.5%
Finance and insurance	8.1%	1.5%	17,974	4.1%
Real estate, business services, etc.	23.1%	2.1%	83,607	19.1%
Government administration, healthcare, education, sports, etc.	23.7%	2.8%	145,911	33.3%
Other	1.3%	0.9%	6,591	1.5%
Total Vaud GDP (after adjustments)	100.0%	2.5%	438,748	100.0%

Sources: CREA, SECO, FSO

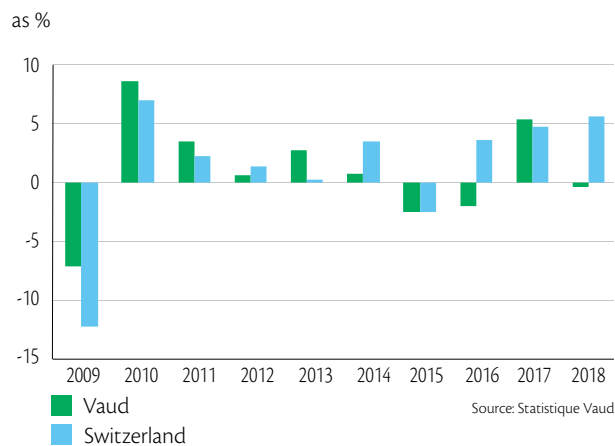
Composite index of business sentiment in manufacturing

net positive responses



Change in exports by year

as %



Tertiary sector

In 2018, the tertiary sector moved past the rough patch of the previous year. Most segments saw stronger growth, and the CVCi's fall 2018 business-climate survey showed further improvement, with 85% of tertiary-sector companies at least satisfied with current business trends.

Wholesale and retail distribution

The operating environment for retailers improved in 2018. While the concerns from past years remained in place – growing competition from e-commerce, Swiss consumers continuing to shop abroad as the franc remained overvalued against the euro, sluggish consumer spending, stagnant disposable incomes, and downward pressure on prices in some segments – the retail sector has gradually recovered from the removal of the euro/Swiss franc exchange-rate floor in 2015. The CCV's retail indicator turned upwards in 2018 and pricing pressure eased. The most notable improvements concerned small shops and large retailers, and especially non-specialist stores such as

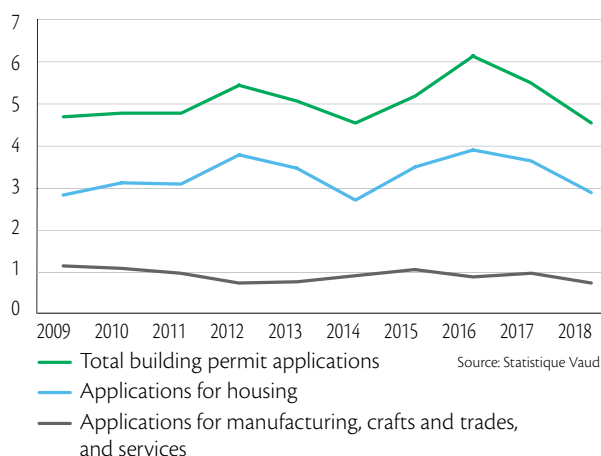
supermarkets. In Switzerland as a whole, retail sales leveled off in real terms after falling for the previous two years. Food and non-food retail sales continued to move in opposite directions. While food sales rose, sales of decorative items, household appliances, clothing, footwear, and cultural and leisure goods all fell.

Hospitality services

Hotels benefited from the excellent weather conditions, including good snowfall in the 2017–2018 and 2018–2019 winter seasons and an exceptionally hot, dry summer. As a result, the number of overnight stays increased in mountain resorts. Hotels in Lausanne also experienced growth in occupancy, although overnight stays fell elsewhere in the Canton. 2018 was a positive year overall, with overnight stays rising 0.8%, driven mainly by guests from Switzerland and to a lesser extent from Asia (China, Taiwan, and Thailand), the Middle East (Saudi Arabia, the United Arab Emirates, and Israel), Canada, and certain European countries (France, Germany, and Russia). This increase was due in part to a weaker Swiss franc compared with previous

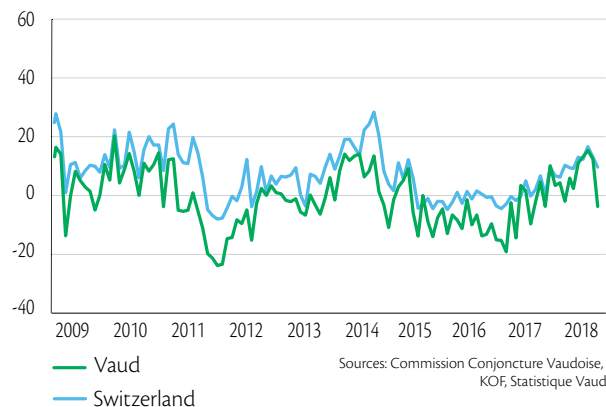
Value of work from building permit applications in Vaud

in CHF billions



Business sentiment in the retail sector

net positive responses



years and a relatively buoyant global economy. However, conditions in the restaurant trade remained grim. Many restaurants reported weaker revenues as a result of low customer numbers, according to the CCV survey. Small establishments with fewer than ten employees were affected more than large restaurants.

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 trend indicator remained in positive territory in 2018, although it was lower than in previous years, showing weaker momentum.

Regional overview

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

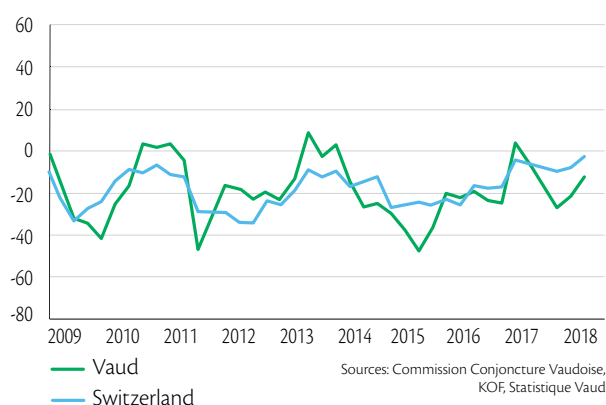
Prices of apartments and single-family homes continued to rise in 2018 according to Wüest Partner figures. However, the large number of new homes hitting the market meant that it took longer for homes to sell. In the rental segment, rents were under pressure and properties took longer to rent. However, building continued apace and supported the construction industry. Farmers had to contend with unusual weather conditions in 2018, particularly a summer drought.

Chablais

The operating environment for mountain resorts was favorable with abundant snowfall, the success of the multi-resort “Magic Pass” ski pass, and exceptionally hot, dry summer weather: these were ideal conditions for tourists and drove an increase in overnight stays. The real-estate market was calm in the Vaud Alps. Away from the mountains, the large supply of properties, primarily in the rental segment, together with sustained construction activity led to an

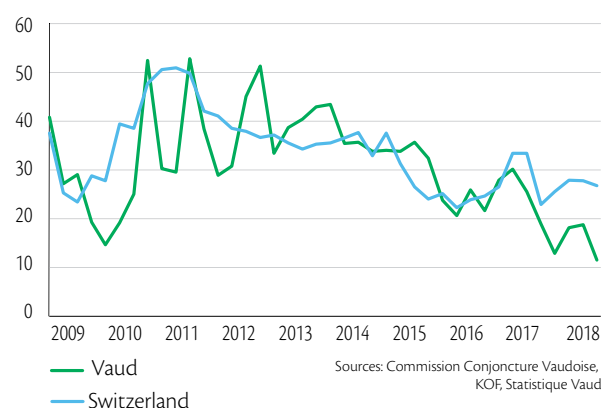
Sales index in the hotel and restaurant industry

net positive responses



Sales index in the services sector

net positive responses



increase in the proportion of residential properties lying vacant. 2018 was a good year for manufacturing, as the global economic climate was broadly positive and a weaker franc reduced pressure on local companies.

Gros-de-Vaud

Business levels were generally good for companies in this region. Construction activity remained robust. In certain towns, Switzerland's amended regional planning act caused some projects to be stopped, while others went ahead and are set to attract new residents to the region. As a result, some towns are investing heavily in new school and daycare facilities. Like elsewhere in the Canton, prices remained under pressure in the construction industry. The region's manufacturers were resilient, even though competition remained tough.

Lausanne

Lausanne's tertiary sector, which accounts for 90% of jobs in the region, stayed on the same firm track as the year before. However, the news was not all encouraging: there was widespread pressure on profit margins, and retailers suffered from competition from e-commerce. Hotel occupancy was good, although prices remained under pressure. Economic activity was supported by large numbers of housing and infrastructure construction projects.

Lavaux

The real-estate market leveled off to some extent after slowing for 18 months. Prices remained high in large towns in the southern part of the region, particularly Pully and Lutry. In the northern part of the region, in Oron and Jorat-Mézières, the market slowed, reflecting the implementation of Switzerland's amended regional planning act. However, new schools should start to be built in 2019 in order to bring existing capacity in line with the population growth seen in recent years.

Morges

Construction of rental properties continued apace, which should help lift the market's vacancy rate in the next two to three years. As a result, construction firms had a good year, although visibility in terms of orders remained limited. In manufacturing, the positive economic climate

drove companies' revenues up, although the Swiss franc exchange rate remained a concern. Business parks continued to expand with, most notably, medium- and large-sized companies moving into the industrial zone in Aclens. However, a relatively large percentage of commercial real estate remained unoccupied, due in particular to the growth of e-commerce and consolidation by certain multinational companies.

Nord Vaudois

The watchmaking industry saw an upturn in exports, while solid order intake means that the outlook is bright. Manufacturers in segments like machinery, precision instruments, and plastic injection, which either export their products or supply local firms, also benefited from the strong economy. The Y-Parc technology park continued to grow, and several major businesses announced plans to move there. The real-estate market remained relatively stable in terms of both prices and demand in Yverdon-les-Bains, Orbe, Chavornay, and Grandson. The primary sector was affected by a summer drought.

Nyon

The real-estate market started to feel the impact of Switzerland's amended regional planning act, especially in the construction of new apartment buildings in outlying towns. However, construction business remained firm, thanks to investment by public-sector entities and projects to build rental properties in the center of the region. The retail industry was still impacted by growth in e-commerce and there was a trend towards greater tenant turnover. A drought affected the primary sector, but the grape harvest was excellent, with volumes significantly higher than in 2017.

Riviera

Economic activity was firm in the region, as reflected in the large number of startups, rising business volumes, and good profit margins at established companies. Hotels saw an increase in overnight stays, but had to deal with the twin challenges of lower average prices per night and increasingly shorter stays. In the real-estate market, prices have been rising since 2017, showing the appeal of the region, but discussions regarding the Montreux land-use plan slowed the progress of several projects.

Economic structure by BCV region

	Broye	Chablais	Gros-de-Vaud	Lausanne	Lavaux	Morges	Nord Vaudois	Nyon	Riviera
Population at end-2018	33,891	50,441	64,178	235,667	61,474	77,300	93,293	100,761	83,157
Population growth in 2018	+2.2%	+0.4%	+0.9%	+0.7%	+1.3%	+0.9%	+0.5%	+1.2%	-0.6%
Proportion of Canton's population	4.2%	6.3%	8.0%	29.5%	7.7%	9.7%	11.7%	12.6%	10.4%
Jobs (2016)	14,773	22,151	24,168	187,418	20,997	39,011	47,672	43,708	38,850
Proportion of Canton's jobs	3.4%	5.0%	5.51%	42.7%	4.8%	8.9%	10.9%	10.0%	8.9%
Jobs in the primary sector	9.8%	7.6%	6.5%	0.2%	6.1%	5.8%	5.3%	3.6%	1.4%
Jobs in the secondary sector	25.9%	22.2%	30.8%	10.0%	16.7%	21.2%	31.2%	14.7%	10.6%
Jobs in the tertiary sector	64.2%	70.2%	62.6%	89.8%	77.2%	73.0%	63.5%	81.7%	88.0%
Average unemployment in 2018	3.5%	3.9%	2.8%	4.9%	2.7%	3.0%	3.6%	3.2%	4.1%
Change in unemployment in 2018	-1.1%	-0.8%	-0.4%	-0.9%	-0.6%	-0.6%	-0.8%	-0.5%	-0.8%

Sources: Statistique Vaud, FSO, SECO

Year in Review

BCV in 2018

We delivered very solid 2018 results despite the negative-interest-rate environment. Total revenues were up 1% to CHF 977m. Thanks to firm cost control – operating expenses declined 2% to CHF 500m – operating profit rose 4% to CHF 403m. Net profit increased 9% to CHF 350m owing in part to a real-estate disposal that had already positively impacted the Bank's 2017 results (see our 15 February 2018 earnings release).

In 2018, we also pressed ahead with our current strategic phase, *stratégie2018*. As part of our initiative to enhance our online services, we further expanded our digital offering to support customers as they increasingly migrate to digital channels. Our aim is for them to be able to conduct almost all of their day-to-day banking through the channel of their choice. They can now open an account and apply for, renew, or transfer a mortgage online, as well as speak with an advisor via videoconferencing. We also offer the BCV TWINT app – Switzerland's digital wallet. In addition, we made progress on some important behind-the-scenes projects aimed at improving our internal processes and the quality of our services.

A mixed economic environment

The global economic climate remained relatively robust, even though growth was weighed down in the second half by the trade tensions between the US and China and the slump in the eurozone and China.

After a mixed year in 2017, both the Vaud economy and that of Switzerland as a whole experienced an uptick in growth. Switzerland's GDP growth went from 2.0% in 2017 to 2.4% in 2018, and that of Vaud from 2.1% to 2.8%, with both economies lifted by firm domestic demand and solid exports.

In the cross-border banking business, implementation of the Common Reporting Standard for account information

continued. Switzerland has signed agreements with a number of jurisdictions, including the European Union, and the exchange of information took place for the first time in 2018. At BCV, our offshore private banking business is geared towards tax-compliant clients in around 15 countries.

The property market in Vaud Canton continued to stabilize after rising for 15 years. Prices for apartments and single-family homes increased once again, but remained broadly in line with the highs recorded in 2014 and 2015. In addition, the proportion of new home starts intended for owner-occupied housing declined, dropping from an average of around two-thirds between 2005 and 2015 to approximately 40% in 2018.

Continued growth in customer-driven business volumes

Mortgage lending rose 3%, or CHF 672m, to CHF 26.1bn. Other loans were up by 18% (+CHF 851m), to CHF 5.7bn, due to an increase across all business segments. On the liabilities side, customer deposits grew further, rising 3%, or CHF 863m, to CHF 31.4bn. Total assets grew 5% to CHF 47.9bn.

The Group's assets under management expanded 1% to CHF 87.6bn. Net new money totaled CHF 4bn. This figure comprised CHF 1.2bn in fund inflows from personal banking customers and Vaud SMEs as well as CHF 2.8bn from large-corporate and institutional clients.

Financial results

BCV Group's revenues rose 1% to CHF 977m. In an environment marked by continued negative interest rates, net interest income before loan impairment charges was steady at CHF 496m. Net interest income grew 3% to CHF 490m owing to lower loan impairment charges. Net fee and commission income was flat at CHF 317m. Net trading income, which derives mainly from client forex

trading activities, totaled CHF 128m (–4%). Other ordinary income rose 6% to CHF 41m.

Operating expenses decreased 2% to CHF 500m. Personnel costs fell 1% to CHF 333m and other operating expenses were down 2% to CHF 167m. Depreciation and amortization declined 2% to CHF 69m. These factors drove operating profit up 4% to CHF 403m.

Extraordinary income came in at CHF 35m. That amount primarily reflected a real-estate disposal that had already positively impacted the Bank's 2017 results. Net profit rose 9% to CHF 350m.

The cost/income ratio went from 58.3% to 57.6%. In an environment marked by negative interest rates, the net interest margin stood at 1.10%, down slightly on the 2017 figure (1.12%). Shareholders' equity rose 2% to CHF 3.5bn. The Group's Common Equity Tier 1 (CET1) ratio at 31 December 2018 was 17.1%, and the leverage ratio was 6.2%. Finally, the Bank's return on equity stood at 10.1%.

Business sector overview

Retail Banking

Retail Banking experienced solid business growth in 2018, in line with previous years. Customers continued to enjoy historically low interest rates on their mortgage loans without being charged negative interest on their deposits. The mortgage book expanded by 2% to CHF 8.0bn and customer deposits were up 2% to CHF 8.5bn. Sector revenues grew by 1% to CHF 172m. Operating profit rose 6% to CHF 29m as higher depreciation and amortization during the year was offset by firm cost control. Through its Digital & Multichannel Banking Department, Retail Banking continued to enhance its services and adapt to customers' changing needs by expanding its digital offering.

Corporate Banking

Against the backdrop of a strong Vaud economy, Corporate Banking achieved very solid business growth in 2018. Vaud SMEs had a good year overall, the Trade Finance business expanded, and there was an uptick in the Large Corporates business. Lending and commitments climbed 7% to CHF 17.3bn, while deposits grew 6% to CHF 9.6bn. The Sector's revenues rose 3% to CHF 267m, and operating

profit was up 6% to CHF 156m. New provisioning needs stayed low as the corporate loan book remained healthy.

Wealth Management

The Wealth Management Sector had a good year across all its businesses in 2018. In onshore private wealth management, the positive trend seen in recent years continued, and institutional wealth management grew its business in German-speaking Switzerland while maintaining its solid market share in the French-speaking part of the country. Business in cross-border wealth management remained in line with the trend of the previous year. The Sector's assets under management rose 1% to CHF 64.4bn. Net new money from onshore individual and institutional clients offset the impact of the financial-market downturn and the limited outflows of offshore funds. The mortgage book expanded by 2% to CHF 7.7bn. The Sector's revenues rose 1% to CHF 355m, and operating profit was up 1% to CHF 131m. A new investment advisory service, BCV Conseil Plus, was rolled out for onshore private banking clients.

Trading

Volumes were down in all three of the Trading Sector's businesses, and particularly in currency trading, which accounts for more than 70% of the Sector's total revenues. Trading revenues fell 17% to CHF 44m, and operating profit decreased 35% to CHF 15m. Risk levels stayed low, as BCV's trading activities are focused primarily on customer-driven transactions.

Highlights of the year

Dividend payment and special distribution

In 2018, we executed on our distribution policy for the tenth consecutive year, with an ordinary dividend of CHF 23 per share and a special distribution of CHF 10 per share. In May, we distributed CHF 198m 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 190m of the CHF 284m paid out to shareholders in 2018. For the 2007 to 2017 financial years, we returned a total of CHF 3.2bn to our shareholders

Distribution policy extended

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

Credit ratings

Standard & Poor's maintained our long-term rating of AA, with a stable outlook, a rating we were first assigned in 2011. Moody's reaffirmed our long-term rating of Aa2, also with a stable outlook.

New Chairman of the Board of Directors

The Vaud Cantonal Government appointed Jacques de Watteville as the new Chairman of BCV's Board of Directors. He took up his position on 1 January 2018, succeeding Olivier Steimer, the Bank's Chairman from 2002 to 2017. Mr. de Watteville served as State Secretary for International Financial Matters in the Federal Department of Finance from 2013 to 2016 and as Switzerland's chief negotiator with the European Union from 2015 to 2017.

New members of the Board of Directors

In April 2018, the Vaud Cantonal Government appointed two new members to the BCV Board of Directors: Fabienne Freymond Cantone replaced Luc Recordon and took up her position on 26 April 2018; and Jean-François Schwarz succeeded Paul-André Sanglard, who had been Vice Chairman, on 1 January 2019. Reto Donatsch, a Board member since 2011, became the new Vice Chairman on 1 January 2019.

Key projects and investments

Stratégie2018

The Bank's current strategic phase – *stratégie2018* – aims to continue developing all of the Bank's business lines. We are working 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 distribution channels – 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 EHL, the renowned Lausanne school of hotel management. Such initiatives continued in 2018, with a number of internal measures both large and small – and even the smallest are designed to improve the service we offer customers. Other achievements included shortening the time it takes to process mortgage applications. For our business customers, we simplified the process for granting and managing loans, and for our bank operations as a whole, we adopted a faster, more systematic process for handling customer claims. In addition, we made progress on some important behind-the-scenes projects aimed at improving our internal processes and the quality of our services.

We have been working to expand our online services as customers increasingly migrate to digital channels for their banking needs. Our aim is for them to be able to conduct almost all of their day-to-day banking through the channel of their choice. For several years now, they have been able to make payments and check account balances from a computer or mobile device. But now, they can also open an account and apply for, renew, or transfer a mortgage online, as well as speak with an advisor via videoconferencing. We also offer the BCV TWINT app – Switzerland's digital wallet.

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, and operating IT systems. For printing and mailing banking documents to customers, we changed service providers from IBM to Swiss Post Solutions SA. 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
- Selected niche growth drivers in asset management, structured products, and trade finance
- Continued development of our other business lines.

With *stratégie2018*, we are also working to improve our internal processes and sharpen our focus on the customer experience. This involves:

- Improving customer-service quality through a series of targeted initiatives
- Expanding multichannel 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' skill 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 Common Equity Tier 1 (CET1) ratio of 13% – or 13.8% as calculated under FINMA Circular 2016/1 "Disclosure – banks." These targets should be viewed from a long-term perspective.

Business trends at the main subsidiaries

Piguet Galland & Cie SA

Piguet Galland & Cie SA is a private bank with its head office in Yverdon-les-Bains, main branch in Geneva, and three other branch offices across French-speaking Switzerland. It provides a comprehensive approach underpinned by personalized investment solutions to private and institutional clients. In 2018, Piguet Galland & Cie SA rolled out a new fee schedule, the last step in the overhaul of its comprehensive wealth advisory service. Net profit for the year stood at CHF 2m, with revenues climbing 2% and operating expenses dropping 1%. At end-2018, AuM amounted to CHF 5.2bn.

Gérifonds SA

Gérifonds SA is the fund administrator for BCV and nine other fund distributors. At-year end, assets of funds under management had declined CHF 300m (–2%) to CHF 13.3bn. However, average assets of funds under management over the year were up CHF 1.2bn (+10%) to a record CHF 13.9bn. At 31 December 2018, Gérifonds managed 119 funds, 77 of which were registered in Switzerland and 42 in Luxembourg.

Gérifonds' 2018 revenues increased 4% to CHF 14.6m, while net profit rose 20% to CHF 3.5m.

GEP SA

GEP SA manages the Fonds Immobilier Romand (FIR), a listed, Swiss-registered real-estate fund launched in 1953 and open to private investors. At end-2018, FIR had a portfolio of some 3,800 residences in 143 buildings, most of which are located in the Lake Geneva region.

At 31 December 2018, total assets were CHF 1.2bn (+5%) and rental income stood at CHF 68m. In light of the increasingly competitive property market, FIR has adopted a highly selective growth strategy based on acquiring buildings in prime locations and developing new projects. In 2019, 169 new rental units in Fribourg and Lausanne will be put on the market.

Year in Review

Business Sector Reports

Retail Banking

- Retail Banking experienced solid business growth in 2018, in line with previous years. Customers continued to enjoy historically low interest rates on their mortgage loans without being charged negative interest on their deposits.
- The mortgage book expanded by 2% to CHF 8.0bn and customer deposits were up 2% to CHF 8.5bn.
- Sector revenues grew by 1% to CHF 172m. Operating profit rose 6% to CHF 29m as higher depreciation and amortization during the year was offset by firm cost control.
- Through its Digital & Multichannel Banking Department, Retail Banking continued to enhance its services and adapt to customers' changing needs by expanding its digital offering.

Business and strategy

In 2018, Retail Banking employed 359 people. They serve the banking needs of around 370,000 individuals with assets of up to CHF 250,000 or mortgages of up to CHF 1.2m. In addition to current accounts, savings accounts, credit cards, and home loans, BCU offers a full range of banking products such as investments, financial planning services, and trading via our online platform, TradeDirect (tradedirect.ch).

Most of BCU's customers first came to the Bank for retail banking services. We offer a comprehensive range of distribution channels: more than 60 branch offices providing dense coverage of Vaud, a network of nearly 230 ATMs across the Canton, a highly efficient call center, and an internet banking platform, BCU-net, that can be accessed using a computer or a mobile device such as a smartphone or tablet. BCU-net is used by 60% of our

customers, and eight 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 BCU's staff. Many employees working in BCU'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 BCU's other divisions.

2018: business report

Conditions in the Vaud real-estate market remained positive in 2018. Selling prices on owner-occupied housing continued the rebound that started in early 2017. The market was supported by low interest rates coupled with a lower supply of new homes intended for owner-occupiers and a concomitant increase in investments in rental properties. However, the market continued to soften, as illustrated by the housing vacancy rate which edged up once again in 2018, from 0.9% at end-2017 to 1.1% a year later.

Against this backdrop, Retail Banking grew its business volumes. The mortgage book expanded by 2% to CHF 8.0bn, and customer deposits were up 2% to CHF 8.5bn.

Sector revenues also rose, by 1% to CHF 172m. Operating profit climbed 6% to CHF 29m reflecting firm cost control.

Continually improving the quality of customer service is the Bank's number one strategic goal. In 2018, Retail Banking took steps to enhance the customer experience in BCU's branch offices; the Renens branch was completely refurbished and the 24/7 ATM center at the Lausanne

Chauderon branch was remodeled. A new range of all-in-one banking packs for families was introduced during the year, with low fees that make this offering one of the most attractive in this market segment. Retail Banking also made improvements to its digital banking services, with rollouts of several new features and functions. These improvements focused in particular on the BCV Mobile banking app, and included face-recognition technology, the new eBill service – a Swiss-wide electronic billing system that replaces BCV's former e-bills function – and an online investment proposal feature that provides personalized investment-fund recommendations based on answers to a risk-profile questionnaire

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.

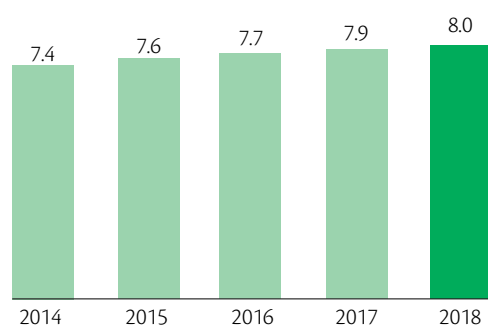
Objectives and outlook

Over the next few years, Retail Banking will continue implementing various initiatives to deliver an improved

2014–2018 financial data

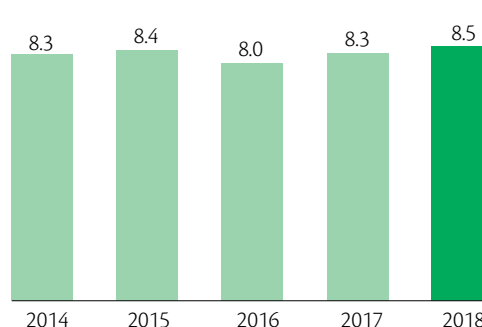
Mortgage loans

in CHF billions



Customer deposits

in CHF billions



Key figures

	2018	2017
Total revenues (CHF millions)	171.8	170.1
Operating profit (CHF millions)	29.0	27.5
Cost/income ratio (excluding goodwill amortization and write-downs)	81%	82%
ROE	8.2%	8.7%
Headcount	359	358

2017 figures were adjusted to facilitate like-for-like comparisons

Corporate Banking

- Against the backdrop of a strong Vaud economy, Corporate Banking achieved very solid business growth in 2018. Vaud SMEs had a good year overall, the Trade Finance business expanded, and there was an uptick in the Large Corporates business.
- Lending and commitments climbed 7% to CHF 17.3bn, while deposits grew 6% to CHF 9.6bn.
- The Sector's revenues rose 3% to CHF 267m, and operating profit was up 6% to CHF 156m.
- New provisioning needs stayed low as the corporate loan book remained healthy.

Business and strategy

The 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 BCU, and BCU has relationships with most 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. BCU 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.

2018: business report

The global economic recovery remained on track despite the increased uncertainty resulting from trade tensions between the US and China and turmoil in the EU relating to Italy and Brexit. In 2018, both the Swiss and Vaud economies expanded, with expected GDP growth rates of 2.4% and 2.8%, respectively, according to SECO and CREA estimates.

Given the firmly entrenched global expansion, central banks began normalizing their monetary policies – starting with the Fed, which raised interest rates four times in 2018. The European Central Bank kept its rates unchanged throughout the year. The Swiss National Bank chose to do the same in order to prevent the Swiss franc from rising.

Commodity prices slumped at the end of the year as the global economy lost steam. Energy and base metals, which are highly cyclical, were hit hardest; the prices of agricultural commodities remained largely unchanged. Looking at the full year, the metals index fell 19% while the energy index was off 21%. However, average prices over the course of 2018 were higher than those seen in 2017.

Business volumes rose in 2018, with lending and commitments up 7% to CHF 17.3bn. Deposits grew 6% to CHF 9.6bn despite ongoing low interest rates.

Lending and commitments to Vaud SMEs continued to expand (+6%). In the Large Corporates segment, volumes rose, and lending and off-balance-sheet commitments were up 4% year on year. Trade Finance continued the uptrend begun in 2017, with average lending and commitments up 12%.

The Sector's revenues rose 3% to CHF 267m, and operating profit was up 6% to CHF 156m.

The loan book remained healthy and new provisioning needs were well below expectations.

Objectives and outlook

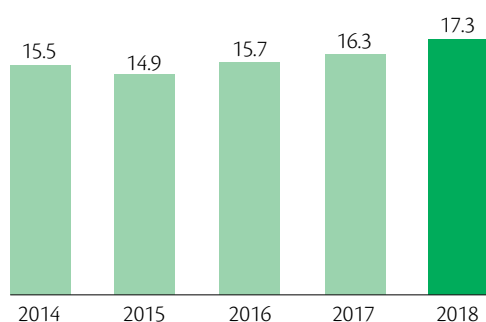
After picking up in 2018, economic growth should continue but at a more moderate pace. Corporate Banking will seek to increase its presence among local SMEs and ensure maximum responsiveness to their needs, continuing to stand with them in still-uncertain economic times.

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

2014–2018 financial data

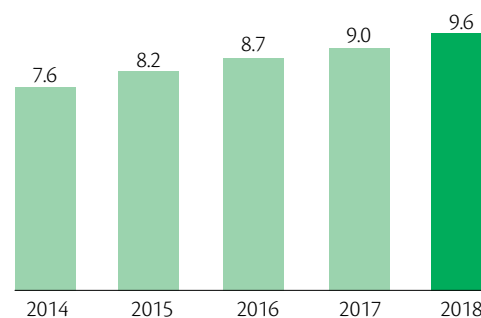
Lending and off-balance-sheet commitments

in CHF billions



Customer deposits

in CHF billions



Key figures

	2018	2017
Total revenues (CHF millions)	267.0	258.8
Operating profit (CHF millions)	156.4	148.1
Cost/income ratio (excluding goodwill amortization and write-downs)	35%	36%
ROE	8.7%	8.8%
Headcount	188	184

2017 figures were adjusted to facilitate like-for-like comparisons

Wealth Management

- The Wealth Management Sector had a good year across all its businesses in 2018. In onshore private wealth management, the positive trend seen in recent years continued, and institutional wealth management grew its business in German-speaking Switzerland while maintaining its solid market share in the French-speaking part of the country. Business in cross-border wealth management remained in line with the trend of the previous year.
- The Sector's assets under management rose 1% to CHF 64.4bn. Net new money from onshore individual and institutional clients offset the impact of the financial-market downturn and the limited outflows of offshore funds. The mortgage book expanded by 2% to CHF 7.7bn.
- The Sector's revenues rose 1% to CHF 355m, and operating profit was up 1% to CHF 131m.
- A new investment advisory service, BCV Conseil Plus, was rolled out for onshore private banking clients.

Business and strategy

BCV Group's wealth management business comprises the activities of the parent company and those of its subsidiaries Piguët Galland & Cie SA, G rifonds 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 & Trading Division works with institutional clients. With 498 employees in wealth management, BCV Group has a major regional presence in private banking. We are also the Canton of Vaud's leading institutional asset manager.

In light of the Vaud region's strong potential in private banking, the Wealth Management Sector is maintaining the growth strategy initiated in 2009. Because BCV operates in all areas of banking, efforts to attract private clients can be coordinated with other business sectors, creating valuable synergies. For example, the Bank's private banking business benefits from a steady stream of high-potential referrals from Retail Banking, whose client base

includes most of the 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 Deuxi me Pilier, which has around 550 member companies. Having traditionally focused our activities in French-speaking Switzerland, we have recently expanded our business in the German-speaking part of the country by leveraging our investment expertise and our ability to create high-value-added financial products.

Pigu t Galland & Cie SA is a 99.7%-owned subsidiary of BCV. It was created following the merger between Banque Pigu t & Cie SA and Banque Fran c Galland & Cie SA, which BCV acquired in 2011. It operates out of Geneva, Lausanne, Yverdon-les-Bains, Nyon, and Neuch tel. Pigu t Galland & Cie SA aims to be one of the leading wealth managers in French-speaking Switzerland, offering an exclusive, high-end service.

G rifonds 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.

2018: business report

In private wealth management, the trend seen in recent years continued. In response to changing customer needs, evolving regulatory requirements, and moves by our competitors, we launched BCV Conseil Plus: a new online platform that provides customers with investment recommendations they can use to personalize their portfolio while remaining in line with their investor profiles.

Institutional wealth management once again delivered growth in German-speaking Switzerland, where it is recognized as a niche player. The sales team was expanded in 2018 and moved into new offices in Zurich.

Cross-border wealth-management business volumes were in line with the trend of the previous year.

The Sector's assets under management grew 1% to CHF 64.4bn. Net new money from private and institutional clients offset the impact of the relatively poor financial-market performance and the limited outflows of offshore funds. The mortgage book continued to expand at a moderate pace of 2%, reaching CHF 7.7bn.

Wealth Management's revenues and operating profit rose to CHF 355m (+1%) and CHF 131m (+1%), respectively.

Objectives and outlook

We will press ahead with the growth strategy that we implemented several years ago in onshore wealth management, with the aim of becoming the market leader in Vaud Canton.

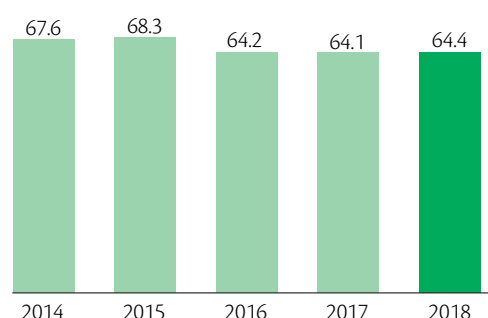
In institutional asset management, we aim to continue growing our business in Vaud and the rest of French-speaking Switzerland, as well as in the German-speaking part of the country through our representative office in Zurich. As a creator and distributor of investment products, Asset Management will continue to design its investment strategies with a sharpened focus on the risk/return profile. We will keep developing our product range in line with client needs and new investment styles.

Piguet Galland & Cie SA is aiming to grow its business in French-speaking Switzerland's wealth management market and will continue to generate synergies with BCV, capitalizing on work done at the parent company.

2014–2018 financial data

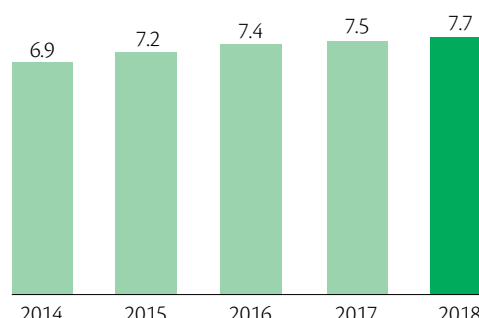
Assets under management

in CHF billions



Mortgage loans

in CHF millions



Key figures

	2018	2017
Total revenues (CHF millions)	355.1	353.0
Operating profit (CHF millions)	130.8	129.6
Cost/income ratio (excluding goodwill amortization and write-downs)	61%	61%
ROE	27.7%	29.3%
Headcount	498	505

2017 figures were adjusted to facilitate like-for-like comparisons

Trading

- Volumes were down in all three of the Trading Sector's businesses, and particularly in currency trading, which accounts for more than 70% of the Sector's total revenues.
- Trading revenues fell 17% to CHF 44m, and operating profit decreased 35% to CHF 15m.
- Risk levels stayed low, as BCV's 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 floors in French-speaking Switzerland. Our traders operate directly on the SIX Swiss Exchange. 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 directly through BCV's trading floor use our e-FOREX platform.

Our trading floor 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 floor. This combination enables us to make the most of synergies between the trading floor and the Asset Management Department, helping us to provide investment products that are responsive to customer needs and consistent with our investment policy.

2018: business report

2018 was a mixed year for stock markets. After falling in January as investors became concerned about the Fed's monetary policy stance and trade tensions between the US and China, markets rallied over the rest of the first half with some indices – especially in the US – hitting record highs. The second half of the year was more difficult for equities except in the US. However, even US stocks succumbed to the general downward trend in the fourth quarter, when all of the world's main indices plummeted and ended the year in negative territory.

As expected, investment-grade bonds put in a lackluster performance in 2018. Nevertheless, a decline in bond yields in November and December prevented them from closing the year in the red. This fourth-quarter boost was driven by the release of discouraging economic data and the correction in equity markets.

In the forex market, the euro started the year with a rally against the Swiss franc, coming close to the CHF 1.20 mark. It then dropped considerably, reflecting mounting uncertainty. Over the year, the euro lost 3.7% against the Swiss franc, sliding from CHF 1.17 to CHF 1.13. The dollar, however, gained 1.2%, rising from CHF 0.97 to CHF 0.99.

The low level of market volatility pushed volumes down in all three of the Trading Sector's businesses, and most notably in currency trading, which accounts for more than 70% of the Sector's total revenues.

Trading revenues as a whole fell 17% to CHF 44m, and operating profit was down 35% to CHF 15m.

The Sector's risk profile remained very low, with an average VaR (1-day, 99%) of around CHF 0.2m over the course of the year.

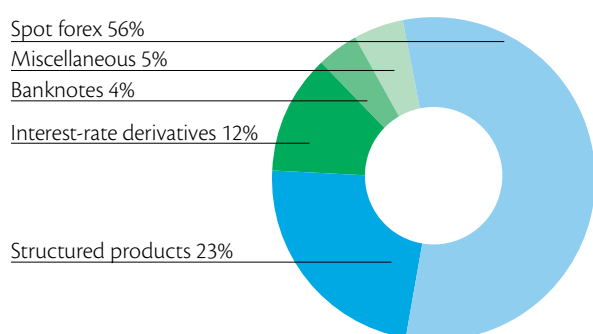
Objectives and outlook

In the coming years, the Trading Sector will further develop its range of services to focus on customers' core trading needs. Our products for both hedging and investment purposes will continue to meet strict transparency criteria.

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

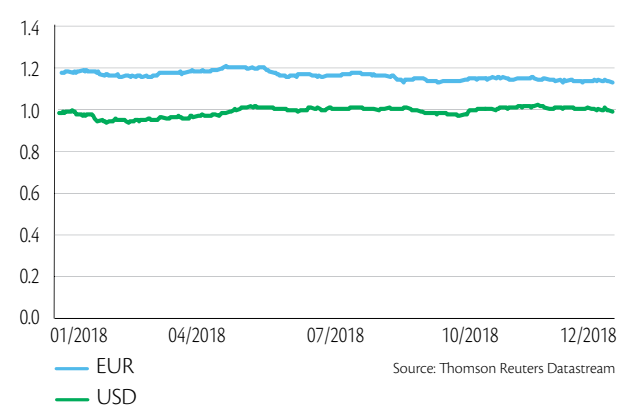
2018 financial data

Breakdown of trading income by market segment



Exchange rates

versus CHF



Key figures

	2018	2017
Total revenues (CHF millions)	43.9	53.1
Operating profit (CHF millions)	14.6	22.5
Cost/income ratio (excluding goodwill amortization and write-downs)	64%	55%
ROE	12.8%	18.3%
Headcount	56	58

2017 figures were adjusted to facilitate like-for-like comparisons





Risk Management

1. General approach

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 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. Credit risk

2.1 Customer credit risk

Managing credit risk is a core competency 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

		31/12/15	31/12/16	31/12/17	31/12/18
BCV Group capital adequacy ¹	• Risk-weighted assets (CHF billions)	16.6	17.6	18.2	18.4
	• Total capital ratio	18.4%	17.6%	17.3%	17.2%
	• Tier 1 capital ratio	18.3%	17.5%	17.1%	17.1%
Non-impaired loans (parent company)	• Customer loans, on and off balance sheet ² (CHF billions)	30.3	31.2	31.8	33.3
	• Expected loss ratio (relative to amount drawn)	14 bps	14 bps	13 bps	13 bps
Impaired loans (parent company)	• Impaired loans ³ (CHF billions)	0.2	0.2	0.2	0.2
	• As a % of total customer loans and due from banks	0.6%	0.6%	0.6%	0.6%
	• Specific provisioning ratio	36%	39%	46%	42%
Market risk in the trading book (parent company)	• Trading Dept.: VaR ⁴ (CHF millions, 1-day, 99%)	0.3	0.3	0.2	0.2
	• Asset mgt. nostro portfolio: VaR ⁴ (CHF millions, 180-day, 99%)	0.8	0.9	0.7	0.1
Market risk in the banking book (parent company)	• Sensitivity of capital to a 100-bp rise in interest rates (CHF millions)	-403.1	-371.2	-363.4	-378.3
Operational risk (parent company)	• New provisions and direct losses (CHF millions) ⁵	20.6	2.7	0.8	1.0

¹⁾ Determined 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 approved on the basis of standardized criteria through an automated credit analysis, using 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, SMEs, real-estate professionals,

trade finance, large corporations, municipalities within Vaud, 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 hedonic method. 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. 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. For each customer segment, credit-risk exposures, risk-weighted assets, expected loss (amount and rate), provisioned commitments, value adjustments, and risk concentration indicators are analyzed and compared with prior years. Changes in the exposures on specific portfolios are also analyzed. The results of these analyses are reported to management. Every year, the Bank evaluates the potential impact of adverse economic scenarios in order to assess its capital adequacy. This type of evaluation is also applied to specific loan portfolios so as to better understand their risk profiles.

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 a strategy that has been developed using criteria which, 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.

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 approved by the Board of Directors.

The Trade Finance, Country, 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.

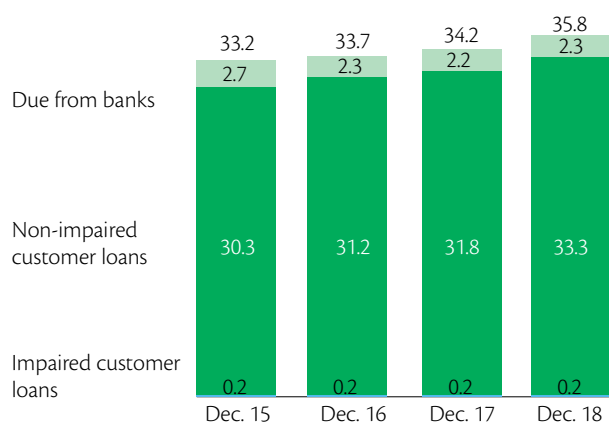
2.3 Exposure to credit risk

The parent company's total credit-risk exposure amounted to CHF 35.8bn at 31 December 2018, a year-on-year increase of 4.8%. At CHF 2.3bn, bank-counterparty lending represented 7% of total credit-risk exposure.

For non-bank-counterparty lending, the Bank's business is largely with customers located in Vaud Canton and accounts for 80% of this type of lending. BCV's corporate loan book reflects the economic structure of the Canton, albeit with a somewhat larger exposure to real estate and construction (42%).

Customer loans and amounts due from banks

CHF billions, on and off balance sheet, for the parent company¹⁾



¹⁾ Excluding financial investments

Customer loans by geographical zone

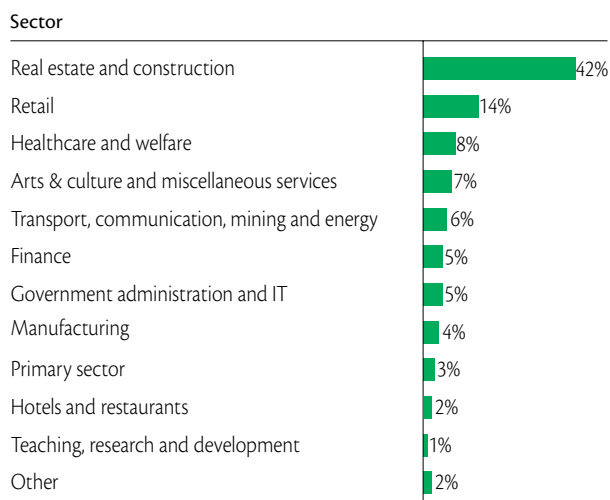
as a % of on-balance-sheet customer loan exposure, for the parent company¹⁾

Client domicile	31/12/2017	31/12/2018
Vaud Canton	81%	80%
Rest of Switzerland	13%	13%
European Union + North America	2%	2%
Other	5%	5%

¹⁾ Excluding financial investments

Corporate loans by economic sector

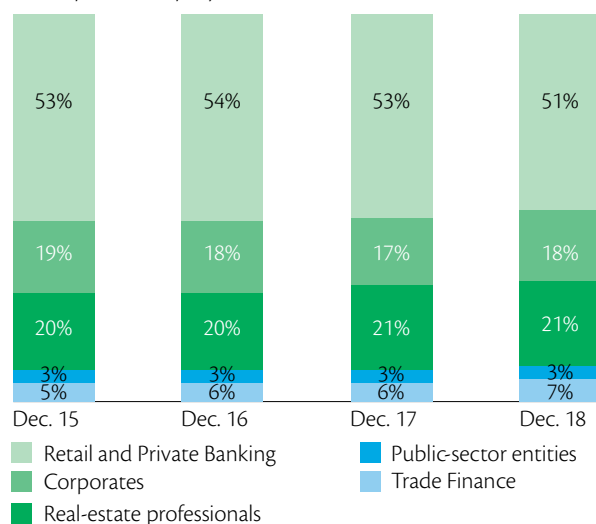
as a % of on-balance-sheet corporate loan exposure, for the parent company¹⁾ at 31 December 2018



¹⁾ Excluding financial investments

Customer loans by segment

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



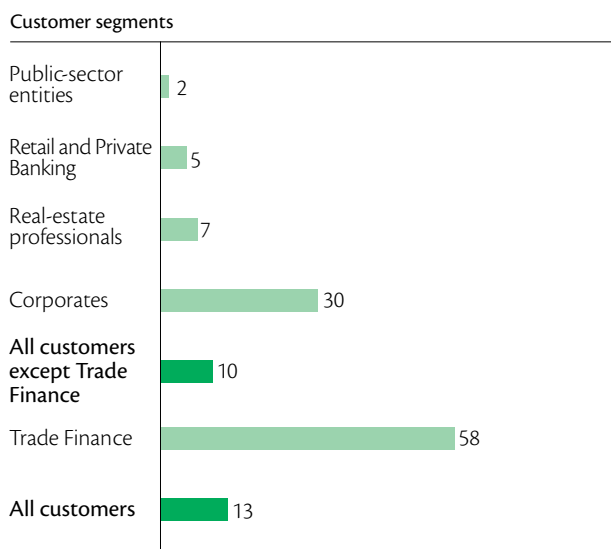
The 2018 breakdown by sector was generally stable compared with 2017. Retail and private banking clients remained the largest sector in total non-impaired loan-book exposures, at 51% at end-2018.

The low expected-loss ratio and impaired-loan level attest to the quality of the Bank's loan book. The expected loss ratio on drawn loans reflects counterparty quality, the degree of credit coverage and the amount of undrawn limits. For non-impaired customer loans as a whole, the expected loss ratio was 13 basis points, or 10 basis points excluding trade-finance exposures. Impaired loans were CHF 218m 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.

Expected loss rate

expressed in basis points of drawn customer loans, including OTC derivatives, at 31 December 2018



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 primarily in equities, fixed-income instruments, forex and precious metals on behalf of clients. 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 Asset Management Department is responsible for the financial-management nostro portfolio, which 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.

3.1.3 Exposure to market risk on the trading book

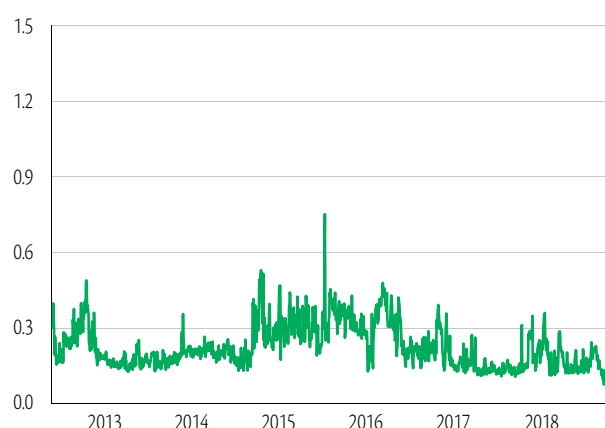
Various techniques are used to measure market-risk exposure within the Trading Department's trading portfolio:

- 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.

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

in CHF millions



Throughout 2018, VaR for the trading book remained low, at an average of around CHF 0.2m.

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 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. BCU'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. It is designed to mitigate operational risk factors by identifying areas for improvement and strengthening the Bank's operational and management control systems.

Operational risk factors are grouped into categories; each factor represents a potential threat to the Bank's operations. 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

- External factors such as the risks of natural disasters, pandemics, and social unrest.

Reviews are carried out periodically to anticipate the main operational risks. These are supplemented by ad-hoc reviews, for instance if a potential new threat emerges or a major risk materializes at another bank. These reviews are carried out by management and business-line experts with the support of the Operational Risk Unit within the Risk Management Department. The reviews aim to identify possible improvements to the Bank's operational and management control systems.

In addition, the Bank systematically collects data on the main operational risk incidents that occur and carries out an exhaustive analysis in each case.

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).

5. Security function and efforts to combat cybercrime

The Bank's security function is responsible for mitigating threats to any aspect of the Bank's operations, including both external threats and threats originating inside the Bank. The security function's remit further encompasses ensuring that the Bank's mechanisms to protect against such threats remain effective and that the Bank has appropriate response procedures in place should a threat materialize. Accordingly, the function has four key objectives:

- To keep the Bank's operations and IT systems secure
- To keep the people, infrastructure, and assets within the Bank safe and secure
- In the event of a crisis, to implement crisis-management procedures and ensure business continuity
- To implement fraud-prevention measures

As more and more banking services have been made available online, cybercrime – where criminals target banks' IT systems and customers – has increasingly become a key topic for banks.

In response to this threat, BCPV has installed a vast data-security system in collaboration with specialized partner firms. And because the methods used by cybercriminals are changing constantly, the Bank regularly updates this system with more advanced data-protection measures

and regularly tests its capacity to withstand a cyberattack.

6. 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 Circulars 2017/1 and 2008/21 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 2018/3 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 skill 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 one and two by the Internal Audit Department.

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





Corporate Governance

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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.¹
- Apply the principal standards of corporate governance. BCV follows the recommendations contained in the Swiss Code of Best Practice for Corporate Governance² 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, Basel III Pillar 3 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 be 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 2018)

Details of all BCV Group companies are shown in note 10.7 (consolidated and non-consolidated holdings) to the consolidated financial statements, on page 135. BCV is the only listed company 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 2018, the value of BCV's listed shares with a par value of CHF 10 was CHF 6.4bn
Security number	1.525.171
ISIN code	CH0015251710

1.1.3 Unlisted companies included in the scope of consolidation (at 31 December 2018)

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 135 of the consolidated financial statements.

1.2 Major shareholders

At 1 January 2019, 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 22.72% of the Group's capital at 31 December 2018.

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 2016, 2017, and 2018 may be found in notes 3 and 5.12 to the parent company financial statements (pages 169 and 177). Additional information on the Group's capital is shown on page 117 of the consolidated financial statements.

At 31 December 2018, 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 2018.

2.3 Capital structure at the end of the 2016, 2017, and 2018 financial years

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

Number of shares

Share capital	31/12/2016	31/12/2017	31/12/2018
Share capital (fully paid-in registered shares)	8,606,190	8,606,190	8,606,190

Equity – Group

CHF millions

Equity	31/12/2016	31/12/2017	31/12/2018
Share capital (fully paid-in)	86	86	86
Capital reserves and retained earnings	2,633	2,670	2,735
Reserves for general banking risks	701	701	701
Minority interests in shareholders' equity	0	0	0
Total	3,420	3,457	3,522

2.4 Shares and participation certificates

Registered shares at 31 December 2018

Number of shares	8,606,190
Proposed ordinary dividend	CHF 35
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 right.

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/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 2018, 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 2018, 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, with the exception of Jean-François Schwarz, who joined the Board of Directors on 1 January 2019.

The members of the Board of Directors 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) gives an appointment letter to the members that it appoints to the Board of Directors. The VCG appoints four of the seven members of the Board; its appointees in 2018 were Jacques de Watteville, Fabienne Freymond Cantone (as of 26 April 2018), Peter Ochsner, Luc Recordon (until 26 April 2018), and Paul-André Sanglard. Mr. Sanglard served on the Board of Directors until 31 December 2018 and was replaced by Jean-François Schwarz, who was appointed by the VCG and has also been given an appointment letter. The purpose of the appointment 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 to 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. Ochsner, Committee Chairman, Mr. Sanglard until 31 December 2018, and Mr. Schwarz as of 1 January 2019) – who therefore hold such appointment letters – and one elected by shareholders (Jack Clemons). 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.

The seven members of the Board of Directors are independent members within the meaning of FINMA Circular 2017/1 "Corporate governance – banks." Three members are elected by shareholders and four are appointed by the VCG. Although the four members appointed by the VCG are given appointment letters, they are independent members in that they receive compensation for any BCV board-related activities from the Bank alone and do not receive any specific instructions from the VCG.

Name, year of birth and nationality	Education	Career experience
Jacques de Watteville, 1951, Swiss citizen	Business degree and doctorate in law from Lausanne University, and member of the Bar of Vaud Canton	Chairman of the Board of Directors since 1 January 2018. After serving as a Delegate of the International Committee of the Red Cross in Lebanon, he began his career in diplomacy when he entered the diplomatic service of the Swiss Federal Department of Foreign Affairs (FDFA) in 1982. Mr. de Watteville served as Switzerland's official representative to several countries as well as the European Union, and in the late 1990s was named Head of the FDFA's Economic and Financial Affairs Division where he worked on a number of international issues relating to Switzerland's financial services sector and played an important role in resolving various tax disputes. Mr. de Watteville became State Secretary for International Financial Matters in 2013, and from 2015 until June 2017 led Switzerland's negotiations with the EU, most notably on matters related to the free movement of persons, tax issues, and bilateral agreements.
Paul-André Sanglard, 1950, Swiss citizen	PhD in economics with a specialization in political economy from the University of Geneva	Mr. Sanglard joined the Board of Directors on 30 October 2002 and was appointed Vice Chairman of the Board on 21 April 2016. 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. He stepped down from BGV's Board of Directors on 31 December 2018, having served the maximum term under the LBCV.
Reto Donatsch, 1950, Swiss citizen	Degree in economics from the University of Geneva	Reto Donatsch was elected to the BGV Board of Directors at the Annual Shareholders' Meeting on 5 May 2011 and appointed Vice Chairman by the Vaud Cantonal Government on 1 January 2019. He is also Chairman of the Compensation, Promotions and Appointments Committee. 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.
Jack G. N. Clemons, 1966, Dual Swiss and British citizen	Master's degree from Cambridge University and MBA from INSEAD, France Fellow of the Institute of Chartered Accountants in England & Wales	Mr. Clemons was elected by shareholders at the Annual Shareholders' Meeting held on 21 April 2016 and joined the Board of Directors on that date. He started his career in auditing and subsequently became a partner at Deloitte. He then served as Chief Operating and Financial Officer for a pan-European internet group. In 2006, Mr. Clemons joined Lausanne-based Bata, a leading global manufacturer and retailer of footwear, as Chief Financial Officer; he was later appointed Chief Executive Officer, a position he held until 2015. Since then, he has served on the boards of several companies and foundations.

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. From 2010 until 2017, Ms. Deltenre was Director General of the Geneva-based European Broadcasting Union (EBU), an organization with close to 400 employees.
Fabienne Freymond Cantone, 1963, Dual Swiss and Italian citizen	Master's degree in economics with a specialization in political economy from the University of Geneva	Fabienne Freymond Cantone was appointed to the Board by the Vaud Cantonal Government, taking up her position on 26 April 2018. Ms. Freymond Cantone began her professional career at Arthur Andersen and then worked at Banca della Svizzera Italiana. She served on and subsequently presided the finance committee of the Nyon municipal legislature from 1998 to 2006 and then served as head of finance in the Nyon municipal government from 2006 to 2011. Ms. Freymond Cantone was a member of the Vaud Cantonal Parliament from 2002 to 2018. She served on its finance committee until 2012 and became chair of the parliament's control committee in 2017.
Peter Ochsner, 1956, Swiss citizen	Degree in business economics from ESCEA Management School, Zurich Swiss-Certified Accountant	Mr. Ochsner was appointed by the Vaud Cantonal Government and joined the Board on 1 July 2016. He also became Chairman of the Audit and Risk Committee on that date. Mr. Ochsner joined PricewaterhouseCoopers S.A. in 1982 after gaining experience in the Internal Audit & Organization Department of the Swiss National Bank. He served on PwC's management board, and headed the firm's auditing practice in Switzerland from 2006 to 2014. Mr. Ochsner is a Swiss-Certified Accountant and, while at PwC, was a lead bank auditor. He has extensive experience with clients in the banking and insurance industries, both in Switzerland and internationally. Mr. Ochsner retired from PwC in 2014.
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 was appointed by the Vaud Cantonal Government on 1 February 2002 and became Chairman of the Compensation, Promotions and Appointments Committee on 21 April 2016. He 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. He stepped down from BCV's Board of Directors at the Annual General Meeting on 26 April 2018, having served the maximum term under the LBCV.
Jean-François Schwarz, 1955, Swiss citizen	Master's degree in economics with a specialization in business administration from Lausanne University	Mr. Schwarz, who has over 40 years of experience in the banking sector, was appointed by the Vaud Cantonal Government, taking up his position on 1 January 2019. He began his career at BCV in 1976 in corporate lending. From 1986 to 2003, he worked for Credit Suisse in Lausanne, New York, Zurich, and Geneva, where he took on important roles in the bank's lending and SME businesses. In 2003, he returned to BCV as a member of the Executive Board with responsibility for the Corporate Banking Division, which comprises the SME, Large Corporates, and Trade Finance departments. He retired from the Executive Board in June 2017.

3.2 Other activities and business relations (at 1 March 2019)

Jacques de Watteville	<ul style="list-style-type: none"> • Member of the Board of the BCV Foundation, Lausanne • Member of the Board of Fondation Leenaards, Lausanne • Member of the Executive Council and Vice President of the Jean Monnet Foundation for Europe, Lausanne • Member of the Board of Directors of S.I. Le Schuss Villars SA, Villars-sur-Ollon
Paul-André Sanglard	<ul style="list-style-type: none"> • Chairman of the Board of Directors of Groupe Vaudoise Assurances, Lausanne • Chairman of the Board of Directors of Banque Heritage SA, Geneva • Vice Chairman of the boards of directors: QNB Banque Privée (Suisse) SA, Geneva; and Société Générale Private Banking (Suisse) SA, Geneva • Member of the following boards of directors: TSM Insurance Company, La Chaux-de-Fonds; Edmond de Rothschild Asset Management (Suisse) SA, Geneva; Pury Pictet Turrettini & Cie SA, Geneva; Baader Helvea SA, Zurich; and Millennium Banque Privée BCP (Suisse) SA, Geneva • Member of the following foundation boards: CODECO, Porrentruy; the Finance and Investment Commission of Swiss Solidarity, Geneva; and Observatoire de la Finance, Geneva
Reto Donatsch	<ul style="list-style-type: none"> • Member of the Board of Directors of Constellation Capital AG, Freienbach • Member of the Investment Committee of the Bern Canton Pension Fund, Bern • Board member of the Swiss Red Cross Humanitarian Foundation, Bern • Member of the Adjunct Faculty of the Swiss Finance Institute
Jack G. N. Clemons	<ul style="list-style-type: none"> • Fellow of the Institute of Chartered Accountants in England and Wales • Member of the International Board and of the Audit Committee of the World Wide Fund for Nature (WWF), Gland • Member of the Board of Directors of the Peter Scott Wildlife Endowment Fund, Gland
Ingrid Deltenre	<ul style="list-style-type: none"> • Member of the Board of Directors of Givaudan SA, Vernier • Member of the Board of Directors of Sunrise SA, Zurich • Member of the Board of Directors of Agence France-Presse, Paris • Member of the University of Zurich's Executive MBA advisory board • Member of Aufsichtsrat Deutsche Post/DHL, Bonn
Fabienne Freymond Cantone	<ul style="list-style-type: none"> • Member of the Nyon municipal government • Chair of the following boards of directors: Téléréseau de la Région nyonnaise (TRN SA), Nyon; and Canal Saturne SA, Nyon • Committee member of the following associations: Association Pro-jet, Association of the Friends of the Museums of Nyon (AMN), Association de la Fête de la Musique de Nyon, Nyon Région Tourisme, and Association pour la Fête de la Vigne, all of which are based in Nyon; and Association intercommunale pour l'exploitation d'un couvert régional à plaquettes et bois énergie, Trélex • Member of the following foundation boards: Fondation pour les Arts et la Culture, Conservatoire de l'Ouest vaudois, Fondation pour le Musée du Léman, Fondation pour le développement du Musée romain, Fondation Abraham Hermanjat, Fondation du Midi, and Fondation Guido Comba, all of which are based in Nyon
Peter Ochsner	<ul style="list-style-type: none"> • Member of the Board of Directors of Kieger SA, Zurich • Head of Finance and Accounting for the Festival of Zurich Foundation, Zurich • Member of the Board of the Professor Dr. Max Cloëtta Foundation, Zurich
Jean-François Schwarz	<ul style="list-style-type: none"> • No other board or committee memberships

Jacques de Watteville
Chairman of the Board of Directors



Reto Donatsch
Vice Chairman of the Board of Directors



Fabienne Freymond Cantone
Member of the Board of Directors



Jack G. N. Clemons
Member of the Board of Directors



Peter Ochsner

Member of the Board of Directors



Ingrid Deltenre

Member of the Board of Directors



Jean-François Schwarz

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 terms of office may be renewed, but the total term of each member 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

Jacques de Watteville, who was appointed by the Vaud

Cantonal Government, joined the Board of Directors as Chairman on 1 January 2018. The current Vice Chairman is Reto Donatsch, who was already a Board member when he was appointed Vice Chairman. Mr. Donatsch replaced Paul-André Sanglard, who stepped down from the Board of Directors on 31 December 2018 after serving the maximum term under the LBCV. The other members are Ingrid Deltenre, Fabienne Freymond Cantone (who succeeded Luc Recordon on 26 April 2018 as he had reached the maximum term under the LBCV), Jack Clemons, Peter Ochsner, and Jean-François Schwarz (who succeeded Paul-André Sanglard on 1 January 2019).

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 2018, the Audit and Risk Committee was made up of Peter Ochsner (Chairman), Reto Donatsch until 26 April

Members of the Board of Directors	Year of birth	Date of first election	Latest possible expiration of term of office	Appointed by
Jacques de Watteville (Chairman)	1951	1 January 2018	2021	Vaud Government
Reto Donatsch (Vice Chairman)	1950	5 May 2011	2020	Shareholders' Meeting ¹
Jack G. N. Clemons	1966	21 April 2016	2032	Shareholders' Meeting
Ingrid Deltenre	1960	1 May 2014	2030	Shareholders' Meeting ²
Fabienne Freymond Cantone	1963	26 April 2018	2033	Vaud Government
Peter Ochsner	1956	1 July 2016	2026	Vaud Government
Jean-François Schwarz	1955	1 January 2019	2025	Vaud Government

¹ Term of office renewed for four years at the 2015 Annual Shareholders' Meeting

² Term of office renewed for four years at the 2018 Annual Shareholders' Meeting

2018 when he joined the Compensation, Promotions and Appointments Committee and was replaced by Jack Clemons, and Paul-André Sanglard. Jean-François Schwarz subsequently replaced Mr. Sanglard on 1 January 2019.

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 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 Chief Risk Officer's report every quarter, and the Bank's financial data 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 also 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 2018 that focused on a number of topics related to risks and the evolving regulatory landscape.

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

Compensation, Promotions and Appointments Committee

In 2018, the Compensation, Promotions and Appointments Committee, which is expressly provided for in the Articles of Incorporation (Article 30a), consisted of Luc Recordon (Chairman until 26 April 2018), Ingrid Deltenre, and Jack Clemons (until 26 April 2018 when he joined the Audit and Risk Committee). On that same date, Reto Donatsch, who previously sat on the Audit and Risk Committee, took over as Chairman of the Compensation, Promotions and Appointments Committee, which Fabienne Freymond Cantone also joined. 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 Chair 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 2018, the Board of Directors held 11 ordinary plenary meetings. Each meeting generally lasted a half day, with the exception of three full-day meetings. The Board of Directors also went on two 2-day retreats, in part with the Executive Board. 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.

In 2018, the attendance rate for Board meetings was 94%.

The Board committees meet whenever required by the business at hand. In 2018, the Audit and Risk Committee met six times (four full-day meetings and two meetings that lasted a few hours) and took part in a full-day training seminar; the Compensation, Promotions and Appointments Committee met five times (for an average

of three hours each time) and held several meetings related to changes in Board membership.

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 responsibilities (see also section 3.6). Since 2009, the Board of Directors has delegated more matters to the committees. Decision-making authority nevertheless rests with the Board.

3.4.4 Performance appraisal of the Board of Directors

Pursuant to Article 30b, paragraph 2, of the Articles of Incorporation, 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 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.

In 2018, the Board commissioned a leading independent consultancy firm to assess the procedures and overall efficiency of the Board and its committees. The analysis found that the Board functions well overall and brought to light certain points to explore further; these points

were shared and discussed at a Board meeting.

Furthermore, the Board meets once a year without the Chairman to evaluate his or her performance.

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.

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 external auditor's annual reports and 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. 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 FINMA requirements 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 the FINMA directive.

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 half-year and full-year financial statements provided by the Financial Accounting Department and presented in detail to both the Audit and Risk Committee and the Board of Directors, the Executive Board sends (and in some cases presents) quarterly reports on the following issues to the Board of Directors: risks, ALM, equity, investor relations, human resources, and investment policy. It also provides half-yearly reports on compliance and legal matters. The Board of Directors also reviews the parent company and consolidated financial statements for the first and third quarters.

The "Risk Management" section (pages 60–69) provides a summary of BCV's risk management procedures and an overview of its risk profile. Note 7 of the financial

statements (pages 125–128) explains the principles applied by the Bank in assessing and managing risk. The Bank publishes a Basel III Pillar 3 report, which is updated every six months and can be found in the Investor Relations section of the BCV website (www.bcv.ch).

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 Swiss banking regulations.

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 auditors. 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 Audit and Risk Committee also has an objective external audit carried out at least once every five years, in accordance with international standards. This audit looks at all of the Internal Audit Department's systems and activities; the most recent one was conducted in 2016 and found that the Bank is in compliance with the standards issued by the Institute of Internal Auditors (IIA) and with the requirements of FINMA Circular 2017/01.

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.
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.
Andreas Diemant, 1968, Swiss citizen	Member of the Executive Board with responsibility for the Corporate Banking Division since 1 September 2017	BSc in business administration from the Bern University of Applied Sciences and an Executive MBA from the Universities of Bern and Rochester.	Mr. Diemant began his career in insurance, working for Zürich Versicherungs-Gesellschaft and subsequently for La Suisse Assurances in Lausanne. He moved into banking in 1994 when he took a position at UBS in corporate banking for Switzerland's Mittelland region. Mr. Diemant then rose through the ranks across all corporate segments to reach the position of Head of Institutional Clients, Switzerland & Global Asset Servicing. On 1 September 2017, he joined BCV's Executive Board as head of the Corporate Banking Division.
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 BCV's Executive Board with responsibility for the Private Banking Division on 1 July 2009.

Christian Meixenberger, 1960, Swiss citizen	Member of the Executive Board with responsibility for the Business Support Division since 1 January 2017	Degree in electronic engineering from the University of Neuchâtel in 1987. MBA from the University of Lausanne in 1993.	From 1987 to 1993, Mr. Meixenberger worked as a software engineer at the Swiss Center for Electronics and Microtechnology (CSEM) in Neuchâtel before joining Credit Suisse in Geneva, where he was in charge of business processes and IT. In 1997, he became head of IT at Banque Cantonale de Fribourg. He was then appointed to that bank's Executive Board as head of the Services Division in 2000. He took up his position as head of BCV's Business Support Division on 1 January 2017.
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. 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.
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 Air Surveillance Wing. He joined BCV's Executive Board as Head of the Retail Banking Division on 3 March 2014.

Pascal Kiener
CEO



Christian Meixenberger
Member of the Executive Board,
Head of Business Support



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



Bertrand Sager
Member of the Executive Board,
Head of Credit Management



Thomas W. Paulsen

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



Andreas Diemant

Member of the Executive Board,
Head of Corporate Banking



Gérard Haerberli

Member of the Executive Board,
Head of Private Banking



José F. Sierdo

Member of the Executive Board,
Head of Retail Banking

4.2 Other activities and business relations (at 1 March 2019)

Executive Board members also perform the following functions:

Pascal Kiener	<ul style="list-style-type: none"> • 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 Foundation Board of the Swiss Finance Institute, Zurich • Member of the Strategic Advisory Board of the Swiss Federal Institute of Technology in Lausanne (EPFL) • Member of the Foundation Board of Foot Avenir, Paudex
Stefan Bichsel	<ul style="list-style-type: none"> • Chairman of the Board of Directors of GEP SA, Lausanne • Chairman of the Board of Directors of Gérifonds SA, Lausanne • Member of the Board of Directors of Banque Cantonale du Jura SA, Porrentruy • Member of the SIX Strategic Advisory Board, Zurich • Member of the International Orientation Committee of EDHEC, Lille and Nice • Chairman of the Pro Aventico Association, Avenches
Andreas Diemant	<ul style="list-style-type: none"> • Member of the Executive Committee of the Economic Development – Canton of Vaud (DEV)
Gérard Haerberli	<ul style="list-style-type: none"> • Chairman of the Board of Directors of Piguët Galland & Cie SA • Member of the Board of the Institute for Studies in Finance and Banking (ISFB) • Member of the Business Advisory Board of the University of Lausanne's Faculty of Business and Economics
Christian Meixenberger	<ul style="list-style-type: none"> • Member of the Board of Directors and Audit and Risk Committee of Aduno Holding SA • Member of the IT Commission of the Canton of Fribourg • Member of the SIX Strategic Advisory Board, Zurich
Thomas W. Paulsen	<ul style="list-style-type: none"> • Member of the Board of Directors and the Audit and Risk Committee of Piguët 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 • Member of the Foundation Board of the "Caisse de pensions de la Banque Cantonale Vaudoise" • Member of the Board of the "Fonds de prévoyance en faveur du personnel de la BCV" • Member of the Foundation Board of ISREC
Bertrand Sager	<ul style="list-style-type: none"> • Committee member of the Chambre Vaudoise Immobilière • Member of the Board of Directors of GEP SA • Member of the Board of the "Caisse de pensions de la Banque Cantonale Vaudoise" • 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"
José F. Sierdo	<ul style="list-style-type: none"> • Member of the Board of Directors of newhome.ch AG • Member of the Board of Directors of TWINT AG and TWINT Acquiring AG • Member of the Board of Directors and Treasurer of the Vaud Banking Association (AVB) • Member of the Board of Directors and Treasurer of the Vaud Foundation for Banking Education (FVFB)

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 BCU'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 March 2019)

Main roles

Risk Management Committee

Thomas W. Paulsen (Chairman)
Pascal Kiener
Stefan Bichsel
Andreas Diemant
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 Haerberli
Andreas Diemant
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
Andreas Diemant
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

Christian Meixenberger (Chairman)
Pascal Kiener
Thomas W. Paulsen
José François Sierdo
Serge Messin
Denys Papeil

- 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 BGV's Articles of Incorporation that were approved at the Shareholders' Meeting held on 1 May 2014. The regulations were again amended in 2016 following the decision to extend the minimum lock-up period for shares granted as annual performance-based compensation from three years to five years. 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, every year the Bank participates in two salary surveys carried out by specialized institutes Hostettler & Co and Willis Towers Watson. The main employers in the financial sector nationwide take part in these surveys, which provide BGV with an overview of market trends for virtually all positions. 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 BGV aims to promote individual and team performance, skills development, and professionalism to ensure the long-term success of the Bank

	Base salary	Annual performance-based compensation		Long-term performance-based compensation	Share-ownership plan (optional)
Board of Directors	100% cash				
Executive Board ¹	100% cash	Maximum: 100% of base salary		From 0%-100% of total approved by shareholders	Maximum 100 BGV shares
		70% cash	30% in BGV shares with at least a 5-yr lock-up period	100% in BGV shares paid at the end of the 3-yr plan	100% in BGV shares with a 3-yr lock-up period
Department heads ¹	100% cash	70% cash	30% in BGV shares with at least a 5-yr lock-up period	100% in BGV shares paid at the end of the 3-yr plan	100% in BGV shares with a 3-yr lock-up period
All other employees ¹	100% cash	100% cash. 30% of annual performance-based compensation in BGV shares with a 3-yr lock-up period if that performance-based compensation is > CHF 21,000			100% in BGV shares with a 3-yr lock-up period

¹ All fees and other amounts received by employees representing BGV are remitted to the Bank.

while fulfilling its legally mandated corporate missions.

The components of the system are base salary, annual performance-based compensation, and the employee share-ownership plan. In addition, the Executive Board and senior management are eligible for long-term performance-based compensation. No stock-option plans are offered as part of compensation.

Detailed compensation figures can be found in the tables on page 183.

Board of Directors

The Board of Directors receives only fixed compensation composed of fees, compensation for sitting on the various committees, and expenses. The Bank does not make any occupational-pension contributions on behalf of the seven members of the Board. Members of the Board do not receive separate annual variable performance-based compensation.

Members of the Board do not participate in the employee share-ownership plan.

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 Chairman's compensation is set by the Board of Directors (excluding the Chairman), upon the recommendation of the Vice Chairman (see also section 3.4.4 on page 84).

Overall fixed compensation (comprising fees, compensation for sitting on the various committees, and expenses) between one Shareholders' Meeting and the next is subject to approval at the Shareholders' Meeting.

Executive Board

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. More details are given on page 183.

Base salary

The base salary of each member of the Executive Board is set according to the job description, in line with current market practice.

Annual performance-based compensation

All members of the Executive Board are eligible for annual performance-based compensation. An overall level of annual performance-based compensation is set for the Bank and allocated to members of the Board individually, based on each member's performance.

The overall level of annual performance-based compensation is calculated on the basis of the Bank's financial performance, which is measured by return on equity and adjusted to reflect the degree of achievement of the Bank's strategic objectives, implementation of key projects, operational excellence, and customer satisfaction. The overall level is then broken down by division based on each division's results.

Each Executive Board member is evaluated by the CEO; the CEO is evaluated by the Board of Directors. These evaluations are based on the degree to which the individual's objectives – which are set at the start of the period and stem directly from the Bank's strategy – are met. The individuals are given a final evaluation on a scale of 1 to 5, which is used to determine the level of performance-based compensation for that year. For Executive Board members, this level can vary from 0 to 100% of their base salary.

30% of the performance-based compensation for Executive Board members must be taken in BCV shares with a lock-up period of at least five years and up to ten years, according to each Executive Board member's choice.

For the 2018 financial year, these shares will be allocated at the closing price on 13 May 2019, subject to shareholder

approval of Executive Board compensation at the Annual Meeting.

Long-term performance-based compensation

The purpose of long-term performance-based compensation is to further the Bank's long-term strategic development by generating lasting shareholder value. Objectives are set through three-year plans, with a new plan starting each year. These objectives have a financial, strategic, and qualitative component.

The financial component is measured in terms of economic profit. Economic profit is defined as profit generated after deducting the cost of equity using an approach that factors in the Bank's risk level. The financial component is then adjusted to reflect the extent to which strategic and qualitative objectives have been achieved. These objectives are set with the Board of Directors and relate to implementing the Bank's strategy and driving change within its operations.

Long-term performance-based compensation is paid exclusively in BCV shares. The number of shares can range between 0% and 100% of the total approved by shareholders at the Annual Meeting, and their value cannot exceed CHF 1.2m for the entire Executive Board at the time the plan begins.

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 each plan is spread over the relevant financial years.

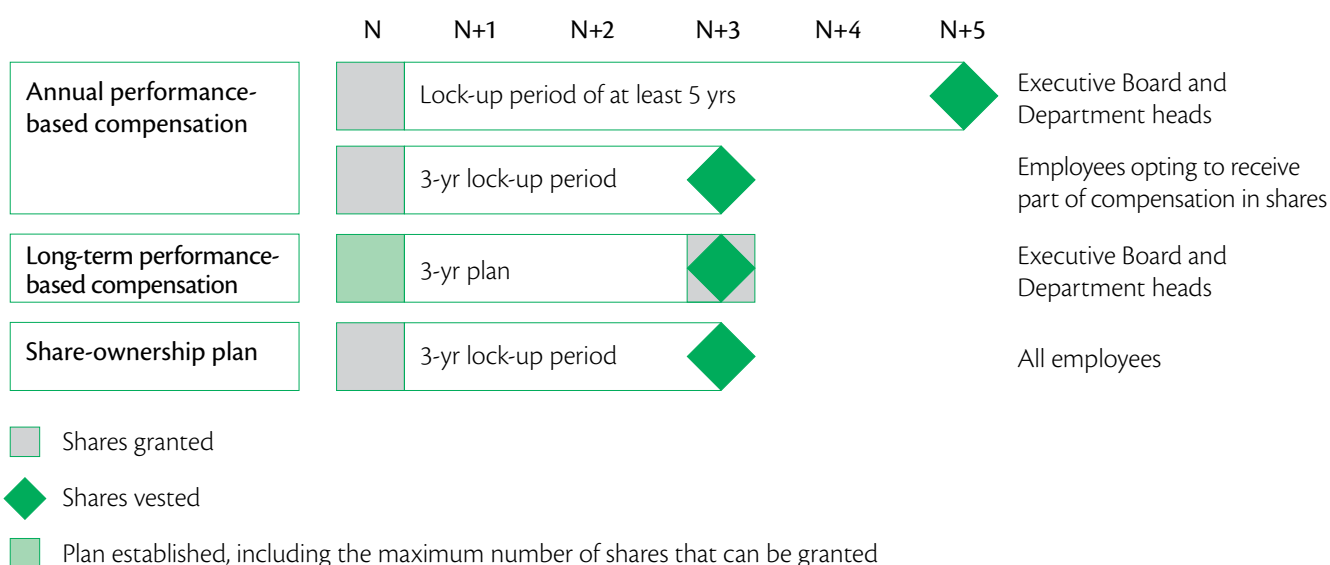
All proceeds and dividends from shares acquired for the plans are paid to the Bank.

The 2016–2018 plan, which ended on 31 December 2018, was based on the Bank's actual cumulative economic profit and the following strategic and qualitative objectives:

- Growing the Bank's customer base in line with population growth in Vaud
- Evolving the Bank's digital banking services apace with the competition and customer needs
- Measuring and improving customer service quality as part of the "Smile" project
- Ensuring that Retail Banking, Private Banking, and SME advisors are certified
- Defining and implementing the processes required under the Common Reporting Standard (CRS).

Economic profit reached 107% of the objective. In addition, the Board of Directors determined that the strategic and qualitative objectives were achieved.

BCV share grants, lock-up periods, and vesting



Overview of long-term performance-based compensation plans for the Executive Board

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
2012	2012 to 2014	2015	3,912	481.00	1,881,672	2,268	549.00	1,245,132
2013	2013 to 2015	2016	3,554	464.00	1,649,056	2,125	654.00	1,389,750
2014	2014 to 2016	2017	3,612	521.00	1,881,852	2,372	690.50	1,637,866
2015	2015 to 2017	2018	2,735	548.50	1,500,148	1,786	796.00	1,421,656
2016	2016 to 2018	2019	1,832	654.00	1,198,128	1,374	797.00	1,095,078

For the plan ending on 31 December 2018, 1,832 shares were set aside for the members of the Executive Board, corresponding to a value of CHF 1,198,128 on the date on which the Board of Directors made its decision. After assessing the degree to which the objectives were achieved, 1,374 shares were distributed, equal to 75% of the total number approved at the 2016 Annual Shareholders' Meeting. Not all of the shares set aside were distributed because two Executive Board members retired.

A new three-year plan, for which 1,504 shares have been set aside, began in 2018.

Employee share ownership

Executive Board members have the right to subscribe at most 100 shares at a reduced price. The subscription price is set every year by the Board of Directors. With the aim of promoting a medium-term vision, the shares are subject to a three-year lock-up period.

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 employees when they complete 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.

Other employees

Compensation for non-executive employees follows the same principles as that of Executive Board members and includes the following components:

- Base salary
- Annual performance-based compensation
- Long-term performance-based compensation (only for department heads)
- Employee share-ownership plan.

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. The overall level of annual performance-based compensation is broken down by division and then by department. Each employee then receives annual performance-based compensation based on the extent to which his or her performance objectives stemming from the Bank's strategy are met.

The amount of annual performance-based compensation that individual employees receive is determined according to an evaluation process. At the beginning of the year, employees sit down with their supervisors to set annual performance objectives, which stem from the Bank's strategy and action plans. A final evaluation at the end of the year assesses the degree to which these objectives have been met; this is then used to determine the exact amount of performance-based compensation to be paid.

For 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 21,000 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 amount paid in shares by 30%. For the 2018 financial year, these shares will be allocated at the closing price on 21 March 2019. All other employees receive full payment of their annual performance-based compensation in cash.

Long-term performance-based compensation

Department heads, provided they are still in office at the time the compensation is granted, receive long-term performance-based compensation on the same terms as Executive Board members.

Employee share ownership

Management 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 shares at a reduced price. The number of shares that may be purchased under this program is determined by the level of responsibility inherent in an employee's position and can range from 10 to 100 shares. The subscription price is set every year by the Board of Directors. With the aim of promoting a medium-term vision, the shares are subject to a three-year lock-up period.

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 2019 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 2019 and

2020 Meetings. There will also be votes on the 2018 annual performance-based compensation for the entire Executive Board and on the number of shares available as long-term performance-based compensation under the plan beginning in 2019. 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 181).

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 2018 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 26 April 2018, Christophe Wilhelm, a Lausanne-based attorney, was elected to be the Independent Proxy until the end of the Meeting to be held on 2 May 2019. 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

The Board of Directors chose KPMG SA in Geneva as its external auditor, within the meaning of the FINMA law and the Swiss Banking Act, for the 2018 financial year. At the Annual Shareholders' Meeting on 26 April 2018, BCV shareholders approved the Board's recommendation to appoint KPMG SA as the Bank's external auditor for 2018. The lead auditor is Oliver Gauderon, an audit expert licensed by the Federal Audit Oversight Authority and by FINMA.

8.2 Audit fees

Fees invoiced by KPMG SA for its audits of the parent company and consolidated financial statements, its statutory audit pursuant to 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), certificates required under local law, and its audit of BCV as a custodian bank for investment funds amounted to CHF 1,757,039 for the 2018 financial year.

Fees invoiced by KPMG SA in Switzerland and abroad for financial and statutory audits of other BCV Group companies were CHF 482,193 for the 2018 financial year.

Total fees invoiced by KPMG SA for audit services supplied to all the companies which make up BCV Group therefore amounted to CHF 2,239,232 in the reporting year.

8.3 Additional fees

Fees invoiced by companies within the KPMG SA group for other auditing and assurance services totaled CHF 187,506 for the parent company.

Consulting fees, including but not limited to fees for tax advice, amounted to CHF 2,012 for other BCV Group companies.

Total additional fees for the 2018 reporting period invoiced by KPMG SA in Switzerland and abroad for all BCV Group companies therefore amounted to CHF 189,518.

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 2018, 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 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.

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 FOOSC (Feuille officielle suisse du commerce). The invitation and the agenda of the Meeting are also published in the FOOSC 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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2019 corporate calendar

2 May	Annual Shareholders' Meeting
6 May	Ex-dividend date ¹
7 May	Dividend record date ¹
8 May	Dividend payment ¹
22 August	2019 first-half results

¹⁾ Ordinary dividend of CHF 35 per share, subject to approval at the Annual Shareholders' Meeting.





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Financial Statements

Report on the Consolidated Financial Statements

Balance sheet growth

1. Assets

Total assets expanded 5% (+CHF 2.4bn) year on year, amounting to CHF 47.9bn at 31 December 2018.

Cash and cash equivalents, which consist primarily of deposits held with the Swiss National Bank, increased 2% (+CHF 191m) to CHF 8.2bn.

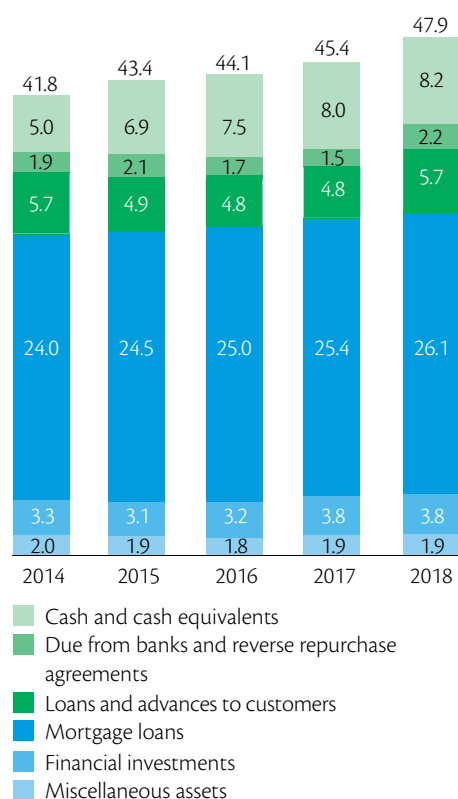
Amounts due from banks and reverse repurchase agreements rose 48% (+CHF 723m) to CHF 2.2bn.

Total loans outstanding were up 5% (+CHF 1.5bn) to CHF 31.8bn: mortgage lending grew 3% (+CHF 672m) to CHF 26.1bn, while other loans were up by a strong 18% to CHF 5.7bn.

Total impaired loans were stable at CHF 236m. Impaired loans accounted for 0.6% of total lending, testifying to the quality and resilience of the Bank's loan book.

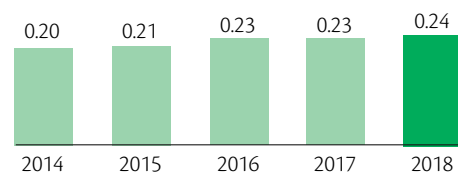
Assets

in CHF billions



Impaired loans

in CHF billions



2. Liabilities

Liabilities amounted to CHF 44.3bn at 31 December 2018, a year-on-year increase of 6% (+CHF 2.4bn).

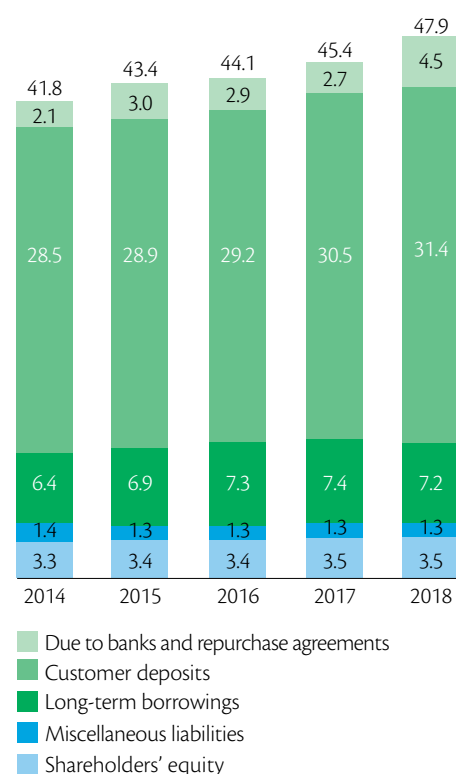
Amounts due to banks and repurchase agreements rose 62% (+CHF 1.7bn) to CHF 4.5bn.

Customer deposits were up 3% (+CHF 863m) to CHF 31.4bn.

Long-term borrowings declined 2% (–CHF 148m) to CHF 7.2bn.

Liabilities and shareholders' equity

in CHF billions



3. Shareholders' equity

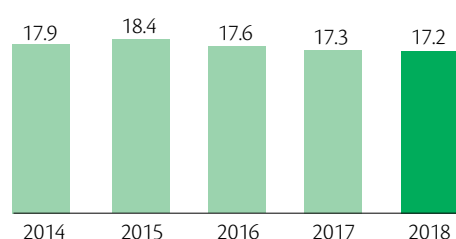
Total shareholders' equity increased CHF 65m to CHF 3.5bn. The allocation of CHF 350m in net profit for the year was offset by the distribution of CHF 284m approved at the Annual Shareholders' Meeting in April 2018.

At year-end, the CET1 ratio was at a comfortable level of 17.1% and the total capital ratio was 17.2%. These ratios, calculated according to the Internal Ratings-Based (IRB) approach, attest to the Bank's financial solidity.

The leverage ratio stood at 6.2% at 31 December 2018, markedly above the regulatory requirement of 3%.

Capital ratio¹⁾

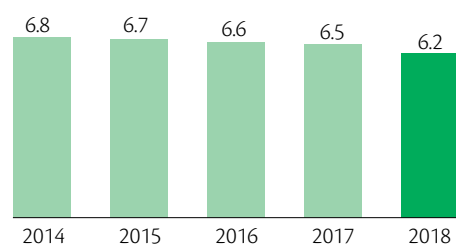
total capital as a %



¹⁾ To facilitate like-for-like comparison, the ratios for 2014 to 2016 have been recalculated without subtracting the countercyclical buffer from regulatory capital, in accordance with FINMA Circular 2016/1 "Disclosure – banks"

Leverage ratio

as a %

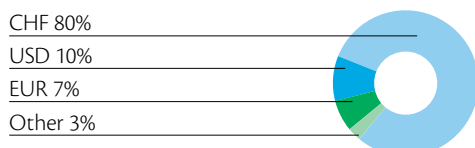


Continued new fund inflows

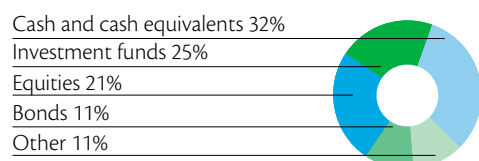
4. Assets under management

The Group's assets under management rose 1% to CHF 87.6bn. Net new money totaled CHF 4bn. This figure comprised CHF 1.2bn in fund inflows from personal banking customers and Vaud SMEs as well as CHF 2.8bn from large-corporate and institutional clients.

Assets under management by currency



Assets under management by investment type



Revenues higher despite negative-interest-rate environment

5. Revenues

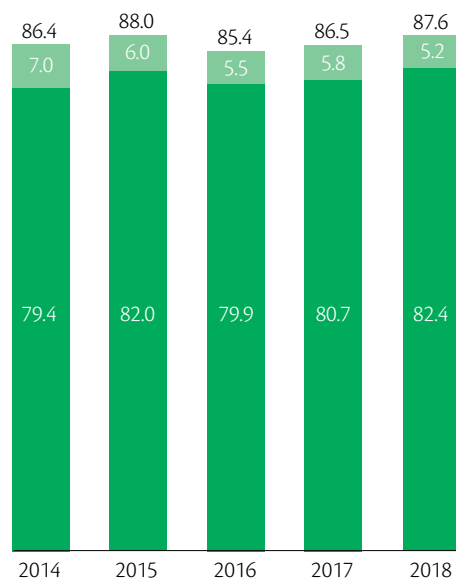
Total BCV Group revenues rose 1% year on year to CHF 977m.

The various revenue streams contributed as follows:

- In an environment marked by continued negative interest rates, net interest income before loan impairment charges was steady at CHF 496m. Net interest income grew 3% to CHF 490m owing to lower loan impairment charges.

Assets under management

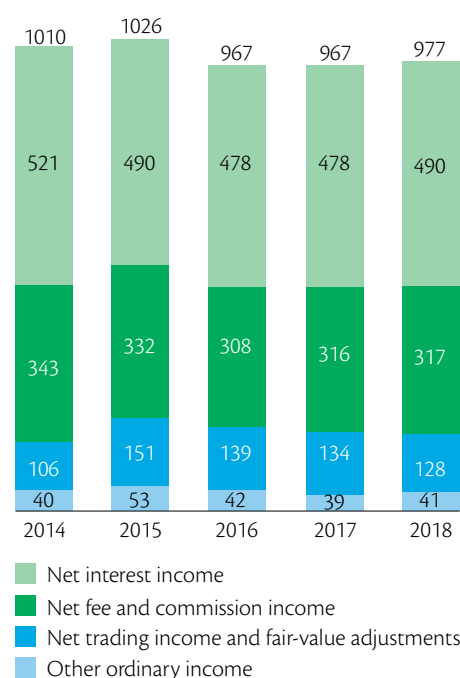
in CHF billions



■ Parent company, GÉRIFONDS, GEP
■ PIGUET GALLAND & CIE SA

Revenues

in CHF millions

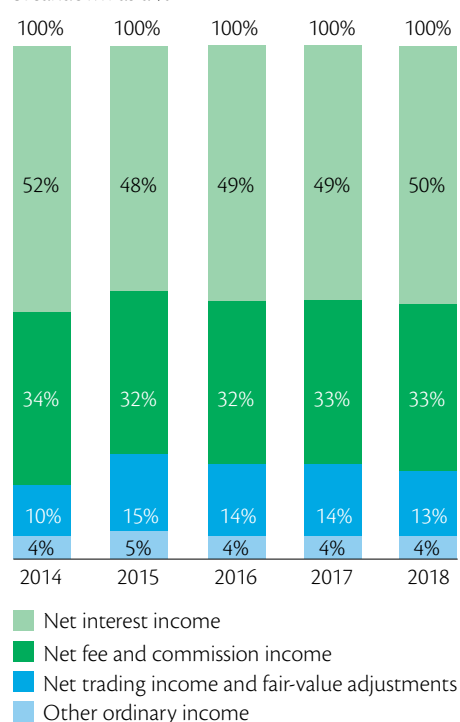


■ Net interest income
■ Net fee and commission income
■ Net trading income and fair-value adjustments
■ Other ordinary income

- Fee and commission income was flat at CHF 317m.
- Trading income, which comes primarily from customer-driven activities, totaled CHF 128m (–4%).
- Other ordinary income rose 6% (+CHF 2m) to CHF 41m.

Revenues

breakdown as a %



Continued firm cost control

6. Operating expenses, depreciation, and amortization

Total operating expenses decreased 2% (–CHF 8m) to CHF 500m.

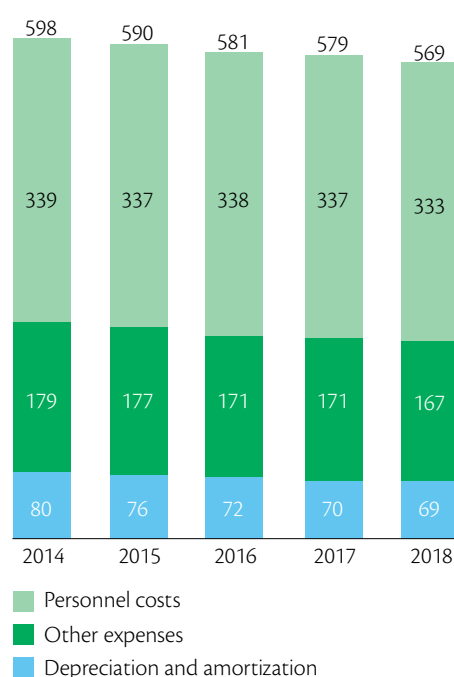
Personnel costs fell 1% (–CHF 4m) to CHF 333m and other operating expenses were down 2% (–CHF 4m) to CHF 167m.

Depreciation and amortization of fixed assets declined 2% (–CHF 2m) to CHF 69m.

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 to 57.6%.

Operating expenses, depreciation, and amortization

in CHF millions



7. Operating profit

As a result of the rise in revenues and continuing firm cost control, operating profit was up 4% to CHF 403m.

8. Net profit

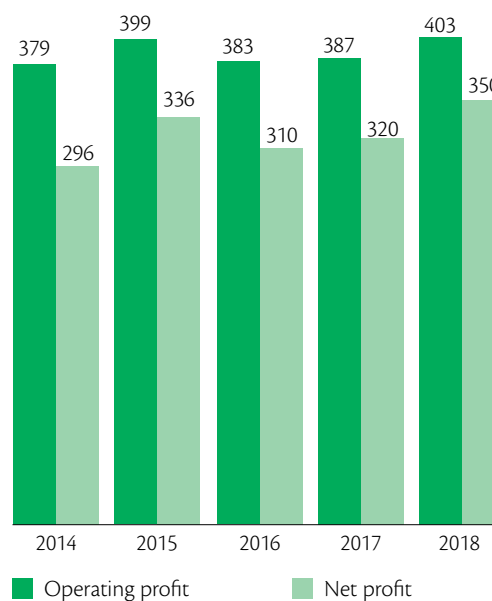
Net profit rose 9% to CHF 350m from CHF 320m in 2017.

Extraordinary income came in at CHF 35m, up CHF 18m on the 2017 figure. This increase is due mainly to the disposal of a non-core real estate holding.

The Group's tax burden increased 6% (+CHF 5m) to CHF 88m, compared with CHF 83m in 2017.

Operating and net profit

in CHF millions



Financial Statements

Consolidated Financial Statements

1. Balance sheet (in CHF millions)

	Notes ¹	31 / 12 / 18	31 / 12 / 17	Change absolute	Change as %
Cash and cash equivalents		8 235	8 044	191	2
Due from banks		1 921	1 013	908	90
Reverse repurchase agreements	10.1	314	499	- 185	- 37
Loans and advances to customers	10.2	5 677	4 826	851	18
Mortgage loans	10.2	26 079	25 407	672	3
Trading portfolio assets	10.3	334	186	148	80
Positive mark-to-market values of derivative financial instruments	10.4	268	282	- 14	- 5
Other financial assets at fair value	10.3	621	653	- 32	- 5
Financial investments	10.5/10.7	3 767	3 753	13	0
Accrued income and prepaid expenses		80	91	- 12	- 13
Non-consolidated holdings	10.6/10.7	70	70	- 0	- 0
Tangible fixed assets	10.8	445	519	- 74	- 14
Intangible assets	10.9	9	12	- 3	- 28
Other assets	10.10	42	57	- 15	- 26
Assets	10.20/10.21/10.22/10.24	47 863	45 415	2 448	5
Total subordinated assets		0	0	0	0
<i>of which subject to mandatory conversion and/or conditional write-off</i>		0	0	0	0
Due to banks		2 655	1 398	1 257	90
Repurchase agreements	10.1	1 809	1 350	460	34
Customer deposits		31 375	30 512	863	3
Trading portfolio liabilities	10.3	0	0	0	n/a
Negative mark-to-market values of derivative financial instruments	10.4	236	205	31	15
Other financial liabilities at fair value	10.3/10.14	766	812	- 46	- 6
Medium-term notes		7	15	- 8	- 53
Bonds and mortgage-backed bonds	10.14/10.15	7 244	7 392	- 148	- 2
Accrued expenses and deferred income		156	172	- 16	- 9
Other liabilities	10.10	77	87	- 10	- 11
Provisions	10.16	15	15	- 0	- 0
Liabilities	10.20	44 341	41 958	2 383	6
Reserves for general banking risks	10.16	701	701	0	0
Share capital		86	86	0	0
Capital reserve		35	121	- 86	- 71
Retained earnings		2 371	2 249	122	5
Currency translation reserve		- 1	- 1	- 0	- 5
Own shares		- 20	- 19	- 1	- 4
Minority interests in equity		0	0	- 0	- 10
Net profit		350	320	29	9
<i>of which minority interests</i>		0	0	0	11
Shareholders' equity		3 522	3 457	65	2
Total liabilities and shareholders' equity	10.21/10.24	47 863	45 415	2 448	5
Total subordinated liabilities		0	0	0	0
<i>of which subject to mandatory conversion and/or conditional write-off</i>		0	0	0	0

¹⁾ The notes are on pages 131-148

Consolidated off-balance-sheet transactions (in CHF millions)	Notes ¹	31 / 12 / 18	31 / 12 / 17	Change absolute	Change as %
Contingent liabilities	10.2/11.1	1 863	1 763	100	6
Irrevocable commitments	10.2	1 623	1 481	141	10
Commitments relating to calls on shares and other equity securities	10.2	177	177	0	0
Confirmed credits	10.2/11.2	49	18	31	175

¹⁾ The notes are on pages 131 and 149

2. Income statement (in CHF millions)

	Notes ¹	2018	2017	Change absolute	Change as %
Interest and discount income		573.1	576.4	– 3.3	– 1
Interest and dividend income from financial investments		31.0	34.7	– 3.7	– 11
Interest expense		– 108.0	– 113.3	– 5.3	– 5
Net interest income before loan impairment charges/reversals	12.1	496.1	497.8	– 1.7	– 0
Loan impairment charges/reversals		– 5.9	– 20.2	– 14.2	– 71
Net interest income after loan impairment charges/reversals (NII)		490.1	477.6	12.5	3
Fees and commissions on securities and investment transactions	12.2	250.2	250.3	– 0.1	– 0
Fees and commissions on lending operations		46.1	44.6	1.5	3
Fees and commissions on other services	12.3	72.6	71.8	0.8	1
Fee and commission expense		– 51.7	– 50.3	1.4	3
Net fee and commission income		317.2	316.4	0.8	0
Net trading income and fair-value adjustments	12.4	128.1	133.9	– 5.8	– 4
Gains/losses on disposals of financial investments		2.1	2.5	– 0.4	– 16
Income from equity investments		11.9	6.2	5.6	91
<i>of which other non-consolidated holdings</i>		11.9	6.2	5.6	91
Real-estate income		7.5	10.9	– 3.4	– 31
Miscellaneous ordinary income		20.0	20.0	– 0.1	– 0
Miscellaneous ordinary expenses		– 0.3	– 0.9	– 0.6	– 65
Other ordinary income		41.1	38.7	2.4	6
Total income from ordinary banking operations		976.5	966.6	9.9	1
Personnel costs	12.5	– 332.7	– 337.0	– 4.3	– 1
Other operating expenses	12.6	– 167.5	– 171.4	– 3.9	– 2
Operating expenses		– 500.2	– 508.4	– 8.3	– 2
Depreciation and amortization of fixed assets and impairment on equity investments	12.7	– 68.8	– 70.4	– 1.6	– 2
Other provisions and losses	12.8	– 4.7	– 1.2	3.4	279
Operating profit	12.11	402.9	386.5	16.4	4
Extraordinary income	12.9	34.9	16.8	18.1	108
Extraordinary expenses		– 0.0	– 0.0	– 0.0	– 35
Taxes	12.10	– 88.1	– 83.1	5.1	6
Net profit		349.7	320.3	29.4	9
Minority interests		– 0.0	– 0.0	0.0	11
Net profit attributable to BCV shareholders		349.7	320.2	29.4	9

¹⁾ The notes are on pages 151-154

3. Cash flow statement (in CHF millions)

		Source of funds	2018 Use of funds	Net cash inflow / outflow	Source of funds	2017 Use of funds	Net cash inflow / outflow
	Notes ¹⁾						
Net profit for the year		350			320		
Reserves for general banking risks							
Depreciation and amortization of fixed assets and impairment on equity investments	12.7	69			70		
Provisions and other impairment charges/reversals	10.16	3	1		2	2	
Loan impairment charges/reversals	10.16	22	16		40	19	
Accrued income and prepaid expenses		12			15		
Accrued expenses and deferred income			16			11	
Extraordinary income: reversals and sale of fixed assets and equity holdings			34			14	
Dividend for the previous year			198			198	
Cash flow from operations		455	265	190	447	244	203
Distribution drawn from paid-in reserves			86			86	
Own shares		26	27		32	32	
Change in scope of consolidation, minority interests, and currency translation differences							
Cash flow from equity transactions		26	113	-86	33	118	-85
Non-consolidated holdings	10.6	0	1			1	
Real estate	10.8	106	4			4	
Computer programs	10.8		52		1	44	
Other tangible fixed assets	10.8		7			8	
Intangible assets	10.9						
Cash flow from investments		106	64	42	1	56	-55
Cash flow from banking operations							
Due to banks							
Customer deposits						22	
Medium-term notes			8			7	
Long-term borrowings	10.15	857	1005		1578	1452	
Other liabilities			26		28		
Due from banks							
Loans and advances to customers			234			158	
Mortgage loans			673			368	
Financial investments		85				642	
Other receivables		15				3	
Medium- and long-term operations (over 1 year)		957	1946	-989	1606	2653	-1047
Due to banks		1257			328		
Repurchase agreements		460				442	
Customer deposits		863			1289		
Trading portfolio liabilities		0					
Negative mark-to-market values of derivative financial instruments		31				40	
Other financial liabilities at fair value			46		41		
Due from banks			908		360		
Reverse repurchase agreements		185				194	
Loans and advances to customers			608		123		
Trading portfolio assets			148			33	
Positive mark-to-market values of derivative financial instruments		14				1	
Other financial assets at fair value		32				23	
Financial investments			98		123		
Short-term operations		2843	1809	1033	2265	732	1533
Cash and cash equivalents			191	-191		549	-549
Total		4387	4387	0	4352	4352	0

¹⁾ The notes are on pages 134-153

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	Own shares	Equity - minority interests	Net profit for the year	Total equity
Status at 1 January 2016	86	292	1999	704	- 2	- 18	0	336	3 397
2015 dividend								- 198	- 198
Special dividend		- 86							- 86
Retained earnings			138					- 138	0
Purchases of own shares (at cost)						- 37			- 37
Disposals of own shares (at cost)						36			36
Gain on disposals of own shares and dividends		1							1
Effect of exchange-rate differences					0				0
Change in reserves for general banking risks				- 3					- 3
Changes in scope and/or minority interests			0				- 0		0
Net profit for the year							0	310	310
Status at 31 December 2016	86	207	2 137	701	- 2	- 19	0	310	3 420
2016 dividend								- 198	- 198
Special dividend		- 86							- 86
Retained earnings			112					- 112	0
Purchases of own shares (at cost)						- 29			- 29
Disposals of own shares (at cost)						29			29
Gain on disposals of own shares and dividends		0							0
Effect of exchange-rate differences					0				0
Change in reserves for general banking risks									0
Changes in scope and/or minority interests			- 0				- 0		- 0
Net profit for the year							0	320	320
Status at 31 December 2017	86	121	2 249	701	- 1	- 19	0	320	3 457
2017 dividend								- 198	- 198
Special dividend		- 86							- 86
Retained earnings			122					- 122	0
Purchases of own shares (at cost)						- 27			- 27
Disposals of own shares (at cost)						26			26
Gain on disposals of own shares and dividends		0							0
Effect of exchange-rate differences					- 0				- 0
Change in reserves for general banking risks									0
Changes in scope and/or minority interests			- 0						- 0
Net profit for the year							0	350	350
Status at 31 December 2018	86	35	2 371	701	- 1	- 20	0	350	3 522

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 / 18	31 / 12 / 17
Group	1 896	1 922
of which parent company	1 700	1 725

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 amortized over the remaining 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. Software developed by the Bank for in-house use is carried at direct production cost, and the corresponding income is recorded under “Miscellaneous ordinary income.”

Tangible fixed assets 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 Trading portfolio liabilities

Trading portfolio liabilities result from short positions in debt and equity securities that are established in order to take advantage of market price fluctuations. They are carried at fair value with reference to the prices quoted on the most representative market.

Securities borrowed to establish short positions are not recorded on the balance sheet insofar as BCV Group does not take ownership of the attached rights.

6.4.18 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.

6.4.19 Other financial liabilities at fair value

This item includes structured products without an interest rate component that are issued by the Bank, including participation products (fractions of equity baskets) and yield-enhancement products. 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."

6.4.20 Medium-term notes

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

6.4.21 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 and containing an interest-rate component.

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.

6.4.22 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 and is recognized in the income statement under "Taxes."

6.4.23 Other liabilities

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

6.4.24 Provisions

This line item includes 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.

Deferred taxes are calculated based on differences between tax values and book values. They are recognized in the income statement under "Taxes."

6.4.25 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).

6.4.26 Share capital

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

6.4.27 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 own shares.

6.4.28 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.

6.4.29 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.

6.4.30 Own shares

Own 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.

6.4.31 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.

6.4.32 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.

6.4.33 Commitments relating to calls on shares and other equity securities

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

6.4.34 Confirmed credits

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

6.4.35 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

No changes were made to the accounting principles in 2018.

6.6 Registration of business transactions

All transactions concluded up until the balance-sheet date are recorded on the date they are concluded and are valued according to the above accounting principles.

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	2018		2017	
	Close	Average	Close	Average
Euro	1.1269	1.1521	1.1702	1.1126
U.S. dollar	0.9858		0.9745	

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."

6.9 Rounding

The figures contained in the tables have each been properly rounded depending on the number of significant digits used for the table; this may result in discrepancies between listed column and row totals and the sum of individual column or row items.

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 Standardized 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 Standardized 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;
- 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 and the sensitivity of share capital to an interest-rate shock. 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. These dynamic simulations are carried out for a three-year horizon.

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 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.)
- External incidents.

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 Standardized 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 is denominated in Swiss francs. Micro hedges are used mainly to hedge the Bank’s long-term borrowings (i.e., its own bond issues or issues made through the Central Mortgage-Bond Bank). Macro hedges are used mainly to hedge 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

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 at 7 March 2019, 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 / 18	31 / 12 / 17
Book value of claims arising from cash collateral pledged in connection with securities borrowing or reverse repurchase agreements ¹⁾	314	499
Book value of liabilities arising from cash collateral received in connection with securities lending or repurchase agreements ¹⁾	1 809	1 350
Book value of securities held for own account, lent or transferred as collateral in connection with securities borrowing or repurchase agreements	1 792	1 298
<i>of which those that can be sold or repledged without restriction</i>	1 792	1 298
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	346	522
<i>of which securities repledged as collateral</i>	0	0
<i>of which sold securities</i>	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			Total
		Mortgage	Other	Unsecured	
Loans and advances to customers		560	1 856	3 347	5 763
Mortgages		26 087			26 087
<i>Residential real estate</i>		21 309			21 309
<i>Office and business premises</i>		1 392			1 392
<i>Commercial and industrial property</i>		885			885
<i>Other</i>		2 502			2 502
Loans (before impairment charges/reversals)	31 / 12 / 18	26 646	1 856	3 347	31 850
	31 / 12 / 17	25 869	1 553	2 913	30 334
Loans (after impairment charges/reversals)	31 / 12 / 18	26 639	1 856	3 261	31 756
	31 / 12 / 17	25 862	1 553	2 818	30 233
Contingent liabilities		3	328	1 532	1 863
Irrevocable commitments		473	1	1 149	1 623
Commitments relating to calls on shares and other equity securities				177	177
Confirmed credits				49	49
Off-balance-sheet transactions	31 / 12 / 18	476	329	2 906	3 712
	31 / 12 / 17	491	495	2 454	3 440

		Gross receivables	Realization value of risk mitigants	Net receivables	Individual impairment charge/reversal
Impaired loans	31 / 12 / 18	236	- 138	99	91
	31 / 12 / 17	231	- 114	117	101
Change (absolute)		5	24	- 18	- 11
Change (as %)		2	21	- 16	- 11

10.3 Trading portfolio assets and liabilities

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

Assets	31 / 12 / 18	31 / 12 / 17
Debt securities	144	88
<i>of which listed</i>	144	88
Equity securities	1	0
Commodities and precious metals	189	98
Trading portfolio assets	334	186
Debt securities	11	15
Structured products	0	0
Other	610	639
Other financial assets at fair value	621	653
Total	955	839
<i>of which determined using a valuation model</i>	0	0
<i>of which securities eligible for repurchase agreements in accordance with liquidity regulations</i>	85	74

Liabilities	31 / 12 / 18	31 / 12 / 17
Other trading portfolio liabilities	0	0
Trading portfolio liabilities	0	0
Debt securities	0	0
Structured products	766	812
Other financial liabilities at fair value	766	812
Total	766	812
<i>of which determined using a valuation model</i>	62	56

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	22	35	1 477	165	119	6 012	
Futures			167				
Interest-rate instruments	22	35	1 644	165	119	6 012	
Forward contracts and swaps	185	199	30 475				
Options (OTC)	21	24	2 557				
Foreign currencies and precious metals	206	223	33 031	0	0	0	
Futures			5				
Options (OTC)	93	78	265				
Equity securities and indices	93	78	270	0	0	0	
Total	31 / 12 / 18	321	336	34 946	165	119	6 012
of which determined using a valuation model		114	102	–	–	–	–
	31 / 12 / 17	415	407	42 027	195	126	6 120
of which determined using a valuation model		81	41	–	–	–	–
			Positive mark-to-market value		Negative mark-to-market value		Value of underlying asset
Breakdown							
Trading instruments			321		336		34 946
Hedging instruments			165		119		6 012
Total before netting agreements	31 / 12 / 18		486		454		40 958
	31 / 12 / 17		610		533		48 147
Total after netting agreements	31 / 12 / 18		268		236		40 958
	31 / 12 / 17		282		205		48 147
Change		absolute	– 14		31		– 7 189
		as %	– 5		15		– 15

Breakdown by counterparty

	Central clearing houses	Banks and securities dealers	Other clients
Positive mark-to-market value (after netting agreements)	66	68	133

10.5 Financial investments (in CHF millions)

	31 / 12 / 18		31 / 12 / 17	
	Book value	Fair value	Book value	Fair value
Debt securities	3 681	3 784	3 671	3 792
<i>of which securities intended to be held until maturity</i>	3 673	3 776	3 661	3 782
<i>of which securities available for sale</i>	8	8	10	10
Equity securities	30	78	30	79
<i>of which significant holdings (minimum of 10% of capital or voting rights)</i>	6	6	6	6
Available-for-sale real estate	56	60	52	55
Financial investments	3 767	3 922	3 753	3 926
<i>of which securities eligible for repurchase agreements in accordance with liquidity regulations</i>	3 663	–	3 641	–

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	3 478	6	9	1		188	3 681

The rating categories are based on Standard & Poor's ratings; they are used for the specific instruments to which the Bank has subscribed. If an instrument is not rated by Standard & Poor's, then a rating from another agency 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.

The Bank's unrated positions (that is, where neither the instrument nor the issuer has a rating) are in investment-grade debt securities issued by Swiss public-sector entities or by Switzerland's housing-construction bond issuer (EGW/CCL).

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
			2017					2018	2018
Holdings accounted for using the equity method	–		–					–	–
Other equity holdings, unlisted	77	–7	70		1	–0	–1	70	–
Non-consolidated holdings	77	–7	70	0	1	–0	–1	70	–

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 headquarters	Main business	Capital in millions	31 / 12 / 18			
			% 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-2017.

No companies are accounted for using the equity method.

Main non-consolidated holdings

Company name and headquarters	Main business	Capital in millions	31 / 12 / 18			
			% of share capital held as %	% of voting rights held as %	% of stake held directly / indirectly as %	
Aduno Holding Ltd, Zurich	Purchase, sale, and management of equity holdings	CHF 25.0	4.8	4.8	4.8 / 0	
Central Mortgage-Bond Institution of Swiss Cantonal Banks Ltd, Zurich <i>of which CHF 1.3 billion unpaid</i>	Central mortgage-bond institution	CHF 1 625.0	13.6	13.6	13.6 / 0	
newhome.ch AG, Zurich	Property listing website	CHF 0.1	8.6	8.6	8.6 / 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	
TWINT Ltd, Zurich	Swiss mobile payment system	CHF 12.8	3.2	3.2	3.2 / 0	

Caleas SA was liquidated in early 2018, so it has been removed from the list of main non-consolidated holdings.

As the Bank's holding in SVL is not material in terms of the consolidated financial statements, it is not included in the scope of consolidation. At end-2017, SVL had total assets of CHF 14m and equity of CHF 5m.

Main equity security positions held under “Financial investments”

Company name and headquarters	Main business		Capital in millions	31 / 12 / 18		
				% of share capital held as %	% of voting rights held as %	% of stake held directly /indirectly as %
Banque Cantonale du Jura SA, Porrentruy (Switzerland)	Bank	CHF	42.0	4.8	4.8	4.8 / 0
Romande Energie Holding SA, Morges (Switzerland)	Purchase, sale, and management of equity holdings in the energy sector	CHF	28.5	3.0	3.0	3.0 / 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
	2017							2018
Group premises	395	– 161	234	6	3	– 4	– 9	230
Other real estate	317	– 137	180	– 6	1	– 69	– 5	102
Furniture and fixtures	45	– 24	20	0	4		– 6	18
Computer programs	120	– 47	73	– 0	52		– 40	85
Other tangible fixed assets	198	– 187	12	0	3	0	– 4	10
Tangible fixed assets	1 075	– 556	519	0	63	– 72	– 64	445

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
	2017							2018
Goodwill	47	– 34	12				– 3	9

10.10 Other assets and liabilities (in CHF millions)

	31 / 12 / 18		31 / 12 / 17	
	Other assets	Other liabilities	Other assets	Other liabilities
Offset accounts	0	39	0	60
Indirect taxes	23	10	21	9
Coupons/coupons and securities due	3	1	5	5
Settlement accounts	6	11	5	4
Miscellaneous assets and liabilities	10	16	25	9
Other assets and liabilities	42	77	57	87

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

	31 / 12 / 18		31 / 12 / 17	
	Amount or book value of pledge	Real liability	Amount or book value of pledge	Real liability
Assets pledged or assigned to the Swiss National Bank	189	0	182	0
Mortgages pledged or assigned to Central Mortgage-Bond Institution of Swiss Cantonal Banks	7 498	5 509	7 278	5 561
Other	287	278	299	290
Total assets pledged or assigned	7 974	5 787	7 758	5 851
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 / 18	31 / 12 / 17
Customer deposits	187	184
Other liabilities	0	0
Total	187	184

BCV's own occupational pension funds held no BCV shares at 31 December 2018.

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

There were no employer contribution reserves at end-2018 or end-2017.

Economic benefit/liability and pension expenses	Surplus / deficit	Economic benefit/liability			Contributions adjusted for the period	Pension expenses included in "Personnel costs"	
	31 / 12 / 18	31 / 12 / 18	31 / 12 / 17	Change	2018	2018	2017
Employer-financed pension funds:							
"Fonds de prévoyance en faveur du personnel de la BCV" ¹	48.7	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	35.5	35.5	38.2
Pension funds with surpluses:							
"Fondation de prévoyance complémentaire en faveur de l'encadrement supérieur de la BCV"	0.8	0	0	0	1.4	1.4	1.4
Total	49.5	0	0	0	37.0	37.0	39.6

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

The surplus or deficit of a pension fund is based on its unaudited interim accounts at 30 September 2018.

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				Total
	Single treatment		Separate treatment		
	Recognized in trading portfolio liabilities	Recognized in other financial liabilities at fair value	Value of the host instrument	Value of the derivative	
Interest-rate instruments	–	0	0	0	0
Equity securities	–	719	732	–89	1 362
Foreign currencies	–	47	21	–0	67
Commodities and precious metals	–	0	0	0	0
Total	31 / 12 / 18	766	753	–89	1 430
	31 / 12 / 17	812	847	–14	1 645

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

Single accounting treatment

Structured products without an interest-rate component, i.e., participation structured products (representing a fraction of an equity basket) and yield-enhancement structured products, issued by the Bank 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 or a valuation model. 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 and containing an

interest-rate component are each treated as two separate positions.

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 / 18 Amount outstanding	31 / 12 / 17
2.500%	2010	200	25.03.2020	32	168	
1.625%	2011	125	30.11.2026	30	95	
1.500%	2014	135	28.03.2024	0	135	
0.500%	2016	150	13.12.2028	5	145	
0.400%	2016	150	07.04.2031	2	148	
0.500%	2017	150	12.07.2029	0	150	
0.250%	2017	150	28.11.2025	8	142	
Bond issues by BCV Lausanne¹		1 060		78	982	983
<i>of which subordinated bonds</i>		0		0	0	0
Structured products issued by BCV Lausanne or the Guernesey branch (value of the host instrument)					753	847
Central Mortgage-Bond Institution of Swiss Cantonal Banks					5 509	5 561
Long-term borrowings					7 244	7 392

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

Long-term borrowings by maturity

	2019	2020	2021	2022	2023	2024-2031	31 / 12 / 18 Total	Average rate
Bond issues		168				815	982	1.1%
Structured products	382	265	78	10	6	12	753	– 0.4%
Central Mortgage-Bond Institution of Swiss Cantonal Banks	539	184	474	189	425	3 698	5 509	1.3%
Total	921	617	552	199	431	4 525	7 244	

	Status at year-end 2017	New issues	Redemptions	Net change in own securities	Status at year-end 2018
Bond issues	983			– 1	982
Structured products	847	602	– 680	– 16	753
Central Mortgage-Bond Institution of Swiss Cantonal Banks	5 561	255	– 307		5 509
Total	7 392	857	– 987	– 17	7 244

10.16 Provisions

Reserves for general banking risks (in CHF millions)

	Status at year-end	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
	2017							2018
Provisions for deferred taxes	2						– 1	1
Provisions for credit risk	1					0		1
Other provisions	12	– 3		– 0	0	3	– 1	13
Total provisions	15	– 3	0	– 0	0	3	– 1	15
Reserves for general banking risks¹⁾	701							701
Provisions for credit risk and country risk	102	– 23	0	– 0	9	22	– 16	94
<i>of which provisions for impaired loans</i>	101	– 23		– 0	9	19	– 16	91
<i>of which provisions for latent risks</i>	0					3		3

¹⁾ Reserves for general banking risks are taxable

10.17 Stock options and shares granted to members of the Board of Directors, Executive Board members and other employees

Employee share-ownership plans

	Shares (in units)	2018 Value (in CHF)	Shares (in units)	2017 Value (in CHF)
Members of the Board of Directors	0	0	188	136 613
Executive Board members	3 476	2 232 436	3 539	2 153 002
Other employees	25 795	10 455 899	27 592	10 571 343
Total	29 271	12 688 335	31 319	12 860 958

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 Executive Board members and department heads, 30% of their 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 21,000 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%.

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 13 May 2019, rounded up to the nearest whole number.

Other employees will receive their shares at the end of April 2019. The number of shares allocated will be calculated based on the closing market price on 21 March 2019, rounded up to the nearest whole number. These employees have until 3 April 2019 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 21 March 2019 and 13 May 2019 (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 7 March 2019, 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 Piguët Galland & Cie SA, were given the opportunity to subscribe to the share-ownership plan in April 2018 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 15–27 March 2018.
- The subscription price was set at CHF 630 per share, and the market price used was CHF 788 (closing price on 15 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 158, which is the difference between the market price of CHF 788 and the subscription price of CHF 630.

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 2018 for the various plans in progress.

Free shares

The Bank awards two 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 / 18		31 / 12 / 17	
	Receivable	Commitment	Receivable	Commitment
Significant shareholder	7	2 984	1	2 391
Affiliated companies	132	350	82	334
Governing bodies	19	10	23	10

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 members of the Board of Directors were

conducted on market terms. Receivables and commitments with respect to Executive Board members were granted on the standard terms for BCV employees. Transactions with related parties were conducted on market terms.

10.19 Own shares

Number of shares (in units)	Average transaction price	Total	Own shares
Status at 1 January 2018		8 606 190	30 044
<i>of which shares reserved for long-term performance-based compensation</i>			15 248
Purchases	773		34 675
Sales	726		– 35 945
Status at 31 December 2018		8 606 190	28 774
<i>of which shares reserved for long-term performance-based compensation</i>			13 200

Own shares were traded at market prices. The proceeds of the sale of own shares were recognized under "Capital reserve."

10.20 Maturity structure of financial instruments (in CHF millions)

	Sight	Callable	Maturity				Fixed assets	Total
			up to 3 months	3 to 12 months	12 months to 5 years	over 5 years		
Cash and cash equivalents	8 235							8 235
Due from banks	1 329		394	199				1 921
Reverse repurchase agreements		314						314
Loans and advances to customers	36	1 830	1 643	364	902	903		5 677
Mortgage loans	741	356	2 621	2 073	12 565	7 723		26 079
Trading portfolio assets	334							334
Positive mark-to-market values of derivative financial instruments	268							268
Other financial assets at fair value	621							621
Financial investments	37		33	279	2 054	1 307	56	3 767
Current assets	31 / 12 / 18	11 601	2 501	4 691	2 915	15 522	9 932	47 216
	31 / 12 / 17	10 696	1 974	4 607	2 546	14 410	10 380	44 664
Due to banks	1 788		867					2 655
Repurchase agreements			1 759	50				1 809
Customer deposits	12 049	18 335	908	18	25	40		31 375
Trading portfolio liabilities	0							0
Negative mark-to-market values of derivative financial instruments	236							236
Other financial liabilities at fair value	766							766
Medium-term notes			1	3	3			7
Bonds and mortgage-backed bonds			269	652	1 798	4 525		7 244
Borrowed funds	31 / 12 / 18	14 839	18 335	3 804	723	1 827	4 565	44 092
	31 / 12 / 17	13 636	17 589	3 082	610	2 019	4 748	41 683

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

	31 / 12 / 18		31 / 12 / 17	
	Swiss	Foreign	Swiss	Foreign
Cash and cash equivalents	8 231	4	8 041	3
Due from banks	1 254	668	393	620
Reverse repurchase agreements		314	90	409
Loans and advances to customers	4 936	742	4 198	628
Mortgage loans	26 078	1	25 407	0
Trading portfolio assets	313	21	173	13
Positive mark-to-market values of derivative financial instruments	154	114	133	148
Other financial assets at fair value	253	369	282	371
Financial investments	2 643	1 124	2 636	1 118
Accrued income and prepaid expenses	78	2	89	2
Non-consolidated holdings	70	1	70	1
Tangible fixed assets	445	0	519	0
Intangible assets	9		12	
Other assets	42	0	53	4
Assets	44 505	3 357	42 097	3 318
Total as %	93	7	93	7
Due to banks	1 473	1 183	663	735
Repurchase agreements	1 659	150	1 350	
Customer deposits	29 238	2 137	28 468	2 044
Trading portfolio liabilities	0			
Negative mark-to-market values of derivative financial instruments	79	157	131	73
Other financial liabilities at fair value	633	133	669	143
Medium-term notes	7		15	
Bonds and mortgage-backed bonds	7 101	143	7 245	147
Accrued expenses and deferred income	155	1	171	2
Other liabilities	74	3	87	
Provisions	15		15	
Reserves for general banking risks	701		701	
Share capital	86		86	
Capital reserve	35		121	
Retained earnings	2 371		2 249	
Currency translation reserve	- 1		- 1	
Own shares	- 20		- 19	
Minority interests in equity	0		0	
Net profit	350		320	
Total liabilities and shareholders' equity	43 955	3 908	42 270	3 145
Total as %	92	8	93	7

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

	31 / 12 / 18		31 / 12 / 17	
	Absolute value	as % of total	Absolute value	as % of total
Europe	2 541	5	2 597	6
France	614	1	593	1
United Kingdom	491	1	610	1
Germany	346	1	274	1
Luxembourg	333	1	329	1
Austria	174	0	179	0
Netherlands	166	0	206	0
Other	416	1	405	1
Asia	451	1	439	1
Latin America, the Caribbean	106	0	57	0
United States, Canada	97	0	87	0
Other	162	0	137	0
Foreign assets	3 357	7	3 318	7
Switzerland	44 505	93	42 097	93
Assets	47 863	100	45 415	100

10.23 Breakdown of assets by solvency of the country group in which the risk is domiciled (in CHF millions)

Internal country rating	Standard & Poor's rating	31 / 12 / 18		31 / 12 / 17	
		Absolute value	as % of total	Absolute value	as % of total
1	AAA to AA-	2 945	83	2 973	84
2	A+ to A-	224	6	178	5
3	BBB+ to BBB-	116	3	101	3
4	BB+ to BB-	57	2	98	3
5 to 7	B+ to B-	155	4	128	4
8	CCC+ to C	32	1	42	1
Not rated	Not rated	12	0	34	1
Net foreign exposure		3 541	100	3 554	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	8 196	35	2	2	8 235
Due from banks	335	610	482	495	1 921
Reverse repurchase agreements		225	89		314
Loans and advances to customers	3 515	761	1 382	19	5 677
Mortgage loans	26 075	3			26 079
Trading portfolio assets	334				334
Positive mark-to-market values of derivative financial instruments	251	6	5	6	268
Other financial assets at fair value	259	128	181	54	621
Financial investments	3 099	668	0	0	3 767
Accrued income and prepaid expenses	70	7	2	0	80
Non-consolidated holdings	70		1		70
Tangible fixed assets	445	0			445
Intangible assets	9				9
Other assets	35	3	3	0	42
Positions carried as assets	42 695	2 446	2 147	575	47 863
Delivery claims arising from spot and forward transactions and options	12 336	6 198	11 779	2 499	32 813
Assets	31 / 12 / 18	55 031	8 644	13 926	80 676
	31 / 12 / 17	56 453	10 619	15 297	84 867
Due to banks	1 419	227	860	150	2 655
Repurchase agreements	50	1 127	451	182	1 809
Customer deposits	27 585	1 673	1 754	363	31 375
Trading portfolio liabilities	0				0
Negative mark-to-market values of derivative financial instruments	192	32	6	5	236
Other financial liabilities at fair value	465	149	146	6	766
Medium-term notes	7				7
Bonds and mortgage-backed bonds	7 122	72	48	2	7 244
Accrued expenses and deferred income	148	4	3	0	156
Other liabilities	39	13	23	2	77
Provisions	15	0	0	0	15
Reserves for general banking risks	701				701
Share capital	86				86
Capital reserve	35				35
Retained earnings	2 371				2 371
Currency translation reserve	- 1				- 1
Own shares	- 20				- 20
Minority interests in equity	0				0
Net profit	350				350
Positions carried as liabilities	40 564	3 297	3 291	711	47 863
Delivery commitments arising from spot and forward transactions and options	14 414	5 410	10 689	2 314	32 826
Total liabilities and shareholders' equity	31 / 12 / 18	54 978	8 707	13 979	80 688
	31 / 12 / 17	56 524	10 630	15 237	84 847
Net position by currency	31 / 12 / 18	53	- 63	- 53	- 13
	31 / 12 / 17	- 71	- 11	60	20

11. Notes to off-balance-sheet transactions

11.1 Contingent liabilities

Contingent receivables (in CHF millions)

	31 / 12 / 18	31 / 12 / 17	Change absolute	Change as %
Irrevocable and similar guarantees	1 176	1 247	– 72	– 6
Other guarantees	688	516	171	33
Contingent liabilities	1 863	1 763	100	6
Contingent receivables	0	0	0	0

11.2 Confirmed credits (in CHF millions)

	31 / 12 / 18	31 / 12 / 17	Change absolute	Change as %
Commitments arising from deferred payments	49	18	31	175

11.3 Fiduciary transactions (in CHF millions)

	31 / 12 / 18	31 / 12 / 17	Change absolute	Change as %
Fiduciary investments with third parties	300	320	– 20	– 6
Fiduciary loans	1	1	– 0	– 20
Fiduciary transactions	301	321	– 20	– 6

11.4 Assets under management (in CHF millions)

Breakdown	31 / 12 / 18	31 / 12 / 17	Change absolute	Change as %
Assets held by collective investment vehicles under own management	22 532	21 235	1 297	6
Assets under discretionary management agreements	14 883	15 057	– 173	– 1
Other assets under management	50 205	50 199	6	0
Total assets under management (incl. double-counted)	87 620	86 490	1 130	1
<i>of which double-counted</i>	<i>7 418</i>	<i>7 838</i>	<i>– 420</i>	<i>– 5</i>

Change	31 / 12 / 18	31 / 12 / 17	Change absolute	Change as %
Initial total assets under management (incl. double-counted)	86 490	85 382	1 109	1
Net fund inflows/outflows	4 001	2 256	1 745	77
Changes in prices, interest, dividends and exchange rates	– 2 871	4 159	– 7 030	– 169
Other changes ¹⁾		– 5 306	5 306	– 100
Final total assets under management (incl. double-counted)	87 620	86 490	1 130	1

¹⁾ Transfer of Swisscanto assets following the 2015 sale of BGV's stake in Swisscanto to ZKB

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)

	2018	2017	Change absolute	Change as %
Banks and reverse repurchase agreements	- 1.8	- 1.2	0.7	58
Customers	565.4	571.1	- 5.6	- 1
Interest and dividends on financial investments	31.0	34.7	- 3.7	- 11
Other interest income	9.5	6.5	3.0	46
Total interest income	604.1	611.1	- 7.0	- 1
Banks and repurchase agreements	16.8	5.4	11.4	210
Customers	- 1.5	- 2.3	- 3.7	- 166
Medium-term notes and bonds	80.3	87.6	- 7.3	- 8
Other interest expense	12.4	22.5	- 10.1	- 45
Total interest expense	108.0	113.3	- 5.3	- 5
Net interest income before loan impairment charges/reversals	496.1	497.8	- 1.7	- 0

Negative interest paid by the Bank on its assets is deducted from interest and discount income. This negative interest totaled CHF 7.0m in 2018, against CHF 5.1m in 2017, and relates mainly to deposits held with the Swiss National Bank, interbank positions, and to a lesser extent funding transactions for trading positions.

Negative interest received by the Bank on its liabilities is deducted from interest expense. This negative interest totaled CHF 38.3m in 2018, against CHF 32.0m in 2017, and was earned on interbank positions, customer deposits, and transactions related to structured product issuance.

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

	2018	2017	Change absolute	Change as %
Securities administration	41.0	40.8	0.3	1
Brokerage	32.7	36.5	- 3.8	- 11
Income from new issues	10.9	16.2	- 5.3	- 33
Management fees	51.5	48.8	2.7	6
Investment-fund operations	111.7	105.5	6.1	6
Other	2.4	2.4	- 0.0	- 2
Total	250.2	250.3	- 0.1	- 0

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

	2018	2017	Change absolute	Change as %
Payment cards, ATMs, transfers and checks	21.8	20.6	1.2	6
Administrative services for institutional clients, and statements	17.6	18.0	- 0.4	- 2
Account management fees	19.9	19.9	0.0	0
Document collection fees and bancassurance	8.2	7.7	0.5	7
Safe rentals, numbered accounts and mail holding services	5.1	5.6	- 0.5	- 9
Total	72.6	71.8	0.8	1

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

	2018	2017	Change absolute	Change as %
Breakdown by business sector				
Retail Banking	17.3	17.7	- 0.5	- 3
Corporate Banking	9.7	9.8	- 0.1	- 1
Wealth Management	20.8	20.8	0.0	0
Trading	41.5	52.2	- 10.7	- 21
Corporate Center	38.8	33.4	5.5	16
Total	128.1	133.9	- 5.8	- 4

Trading income and fair-value adjustments

Fixed-income instruments (including funds)	0.9	2.3	- 1.3	- 59
Equity securities (including funds)	17.2	20.7	- 3.6	- 17
Currencies and precious metals	116.0	117.6	- 1.6	- 1
Total trading income and fair-value adjustments	134.1	140.6	- 6.5	- 5
<i>of which fair-value adjustments</i>	17.1	20.5	- 3.4	- 16
<i>of which fair-value adjustments on assets</i>	- 126.6	144.2	- 270.8	- 188
<i>of which fair-value adjustments on liabilities</i>	143.7	- 123.7	267.5	216
Trading fee expense	- 6.0	- 6.7	0.7	11
Net trading income and fair-value adjustments	128.1	133.9	- 5.8	- 4

12.5 Personnel costs (in CHF millions)

	2018	2017	Change absolute	Change as %
Fixed and variable compensation	254.7	255.7	- 1.0	- 0
<i>of which charges related to share-based compensation and other variable compensation (including the portion paid in cash)</i>	37.1	36.3	0.8	2
Employee benefits	25.7	25.8	- 0.1	- 0
Contributions to staff pension funds	37.0	39.6	- 2.7	- 7
Other personnel expenses	15.3	15.9	- 0.6	- 4
Total	332.7	337.0	- 4.3	- 1

12.6 Other operating expenses (in CHF millions)

	2018	2017	Change absolute	Change as %
Premises	22.6	23.0	- 0.4	- 2
IT	74.0	75.2	- 1.2	- 2
Machinery, furniture, vehicles, etc.	3.6	3.6	- 0.0	- 0
Office supplies	1.2	1.2	- 0.0	- 1
Telecommunications and shipping	7.5	7.7	- 0.3	- 4
Marketing and communications, gifts and subscriptions	17.3	18.0	- 0.6	- 4
Financial information	13.6	13.7	- 0.1	- 1
Auditor fees	2.4	2.7	- 0.3	- 11
<i>of which for financial and prudential audits</i>	2.2	2.5	- 0.3	- 12
<i>of which for other services</i>	0.2	0.2	0.0	5
Other professional fees	4.8	4.1	0.7	17
Payment transactions	10.5	10.7	- 0.2	- 2
Issuing fees	1.0	1.8	- 0.8	- 46
Miscellaneous operating expenses	8.9	9.7	- 0.7	- 8
<i>of which charges for the guarantee by the Canton of Vaud¹⁾</i>	0.3	0.3	- 0.0	- 9
Total	167.5	171.4	- 3.9	- 2

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)

	2018	2017	Change absolute	Change as %
Real estate	19.8	23.3	– 3.5	– 15
Computer programs	40.0	37.8	2.2	6
Other investments	4.3	5.3	– 1.0	– 19
Holdings	1.2	0.5	0.7	131
Goodwill	3.4	3.4	0.0	0
Total	68.8	70.4	– 1.6	– 2

12.8 Other provisions and losses (in CHF millions)

	2018	2017	Change absolute	Change as %
Miscellaneous provisions	2.8	0.1	2.7	n/a
Miscellaneous losses	1.8	1.1	0.7	64
Total	4.7	1.2	3.4	279

12.9 Extraordinary income (in CHF millions)

	2018	2017	Change absolute	Change as %
Disposals of equity holdings	0.3	0.8	– 0.6	– 65
Disposals of tangible fixed assets ¹⁾	33.9	1.1	32.8	n/a
Reversals of impairment on fixed assets ²⁾	0.0	12.9	– 12.9	n/a
Other extraordinary income	0.8	2.0	– 1.2	– 61
Total	34.9	16.8	18.1	108

¹⁾ Proceeds from the sale of a piece of non-core real estate, which was finalized in 2018

²⁾ The impairment charge recognized on this real estate in 2002 and 2003 was fully reversed in 2017

12.10 Taxes (in CHF millions)

	2018	2017	Change absolute	Change as %
Direct federal tax	27.9	26.1	1.8	7
Cantonal and municipal taxes	60.6	56.7	3.9	7
Foreign taxes	0.3	0.3	– 0.0	– 3
Deferred taxes	– 0.7	– 0.1	0.8	n/a
Total	88.1	83.1	5.1	6
Weighted average tax rate, based on operating profit	22%	22%		

	2018		2017	
Tax breakdown by country	Absolute value	As % of total	Absolute value	As % of total
Switzerland	87.8	99.6	82.7	99.6
Luxembourg	0.3	0.4	0.3	0.4
Total	88.1	100.0	83.1	100.0

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

	2018		2017	
	Swiss	Foreign	Swiss	Foreign
Net interest income	489.6	0.5	477.4	0.2
Net fee and commission income	301.1	16.1	300.0	16.4
Net trading income	125.9	2.2	131.2	2.6
Other ordinary income	41.1	–0.0	38.7	–0.0
Total income from ordinary banking operations	957.7	18.8	947.4	19.2
Personnel costs	331.8	0.9	336.2	0.8
Other operating expenses	166.1	1.4	169.9	1.5
Operating expenses	497.9	2.3	506.1	2.3
Depreciation and amortization of fixed assets and impairment on equity investments	68.8	0.0	70.4	0.0
Other provisions and losses	4.7		1.2	
Operating profit	386.4	16.5	369.6	16.9

12.12 Earnings per share

	2018	2017
Net profit attributable to BCV Group shareholders (CHF millions)	349.7	320.2
Weighted average number of registered shares during the period (thousands)	8 606	8 606
Basic earnings per share (CHF)	40.63	37.21

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 / 18	31 / 12 / 17
Common Equity Tier 1 (CET1) capital	3 156	3 118
Instruments and reserves	3 240	3 192
Regulatory adjustments	-85	-74
Additional Tier 1 (AT1) capital	0	0
Instruments	0	0
Regulatory adjustments	0	0
Tier 2 (T2) capital	22	22
Compulsory reserves in equities and general provisions	22	22
Regulatory adjustments	0	0
Total eligible capital	3 177	3 140
Risk-weighted assets		
Credit risk	15 911	15 407
Non-counterparty-related assets	580	680
Market risk	178	324
Operational risk	1 755	1 789
BIS required capital	18 423	18 199
BIS ratios		
CET1 ratio	17.1%	17.1%
T1 ratio	17.1%	17.1%
Total capital ratio	17.2%	17.3%
Leverage Ratio	6.2%	6.5%
Liquidity ratios		
Liquidity Coverage Ratio (LCR)	113%	121%
Net Stable Funding Ratio (NSFR) ¹⁾	122%	126%

¹⁾ Ratio provided on a voluntary basis and calculated according to FINMA's most recent directive

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.

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. The report also gives information on the Group and parent-company leverage and liquidity ratios.

The 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, G rifonds 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 the Board of Directors, executive management, the Human Resources Department, the Strategy & Organization Department, the Corporate Communications Department, the Service Quality Unit, the Finance & Risks Division (Risk Management, Financial Accounting, Controlling, ALM & Financial Management, Compliance, Legal, and Tax and Wealth Planning), the Credit Management Division (Credit Analysis, Credit Analysis Support, and Credit Recovery Management), and the Business Support Division (IT Solutions, IT Infrastructure, 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).

In an environment marked by continued negative interest rates, commercial margins on accounts in Swiss francs are calculated with a minimum of zero for our retail, private banking, and corporate clients (except Large Corporates and Trade Finance).

For the Corporate Center, net interest income before loan impairment charges/reversals comprises the net gain/loss on asset and liability management, on 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 for sectors dealing with clients. The difference between new provisioning needs and expected loan losses, together with loan impairment charges/reversals, changes in existing provisions, and recoveries on repaid loans, is booked to the Corporate Center.

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. Income from securities trading is broken down by portfolio and allocated to the sector to which the portfolio manager is attached.

"Other income" is allocated based 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 13.8%. Surplus equity is booked to the Corporate Center.

	Retail Banking		Corporate Banking	
	2018	2017	2018	2017
13.2.2 Customer business volumes by sector (in CHF millions)				
Loans and advances to customers	85	84	4 643	4 026
Mortgage loans	8 003	7 861	9 594	9 230
Total customer loans	8 088	7 945	14 237	13 256
Customer deposits	8 528	8 321	9 604	9 042
Off-balance-sheet commitments	67	62	3 090	3 005
Assets under management (including double-counted)	9 937	9 781	12 900	12 278

13.2.3 Results by business sector (in CHF millions)

Net interest income before loan impairment charges/reversals	110.3	108.1	228.5	221.2
Loan impairment charges/reversals ¹	- 3.6	- 3.5	- 29.6	- 29.5
Net interest income after loan impairment charges/reversals	106.8	104.6	198.9	191.7
Net fee and commission income	46.4	46.5	53.8	52.8
Net trading income	17.3	17.7	9.7	9.8
Other income	1.3	1.3	4.5	4.5
Revenues	171.8	170.1	267.0	258.8
Personnel costs	- 44.3	- 44.8	- 31.3	- 31.2
Operating expenses	- 44.2	- 45.0	- 11.6	- 12.0
Depreciation, amortization and write-offs	- 15.1	- 13.8	- 1.7	- 1.9
Interdivisional billing	- 38.2	- 38.2	- 59.0	- 59.0
Other provisions and losses	- 1.0	- 0.9	- 6.9	- 6.7
Operating profit	29.0	27.5	156.4	148.1
Extraordinary income and expenses	0.0	0.0	0.0	0.0
Taxes ² and minority interests	- 6.1	- 5.8	- 32.9	- 31.2
Net profit	22.9	21.7	123.6	116.9

13.2.4 Indicators

Average shareholders' equity (in CHF millions) ³	279	250	1 427	1 331
ROE (%)	8.2	8.7	8.7	8.8
Cost/income ratio (%) ⁴	80.8	81.6	34.9	36.1
Average headcount	359	358	188	184

2017 figures were adjusted to facilitate like-for-like comparison.

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 13.8%; surplus equity is booked to the Corporate Center

⁴⁾ Costs used for calculating the cost/income ratio per sector comprise: personnel costs; operating expenses; depreciation, amortization and write-offs; and interdivisional billing. Income comprises income before loan impairment charges

Wealth Management		Trading		Corporate Center		BCV Group	
2018	2017	2018	2017	2018	2017	2018	2017
673	624	0	0	277	92	5 677	4 826
7 661	7 526	0	0	821	790	26 079	25 407
8 333	8 150	0	0	1 098	882	31 756	30 233
12 845	12 802	27	2	371	345	31 375	30 512
69	60	11	11	475	301	3 712	3 440
64 411	64 082	0	0	372	348	87 620	86 490
120.4	116.3	2.0	2.1	34.9	50.1	496.1	497.8
-3.4	-4.3	-0.0	0.0	30.5	17.2	-5.9	-20.2
117.0	112.0	2.0	2.1	65.4	67.3	490.1	477.6
214.4	217.8	0.4	-1.1	2.1	0.3	317.2	316.4
20.8	20.8	41.5	52.2	38.8	33.4	128.1	133.9
2.9	2.4	0.0	0.0	32.4	30.6	41.1	38.7
355.1	353.0	43.9	53.1	138.8	131.5	976.5	966.6
-100.9	-102.4	-13.6	-14.2	-142.6	-144.5	-332.7	-337.0
-38.2	-38.0	-9.6	-10.1	-63.9	-66.3	-167.5	-171.4
-13.8	-13.6	-1.3	-1.5	-36.9	-39.7	-68.8	-70.4
-68.6	-68.6	-3.7	-3.7	169.3	169.3	0.0	0.0
-2.9	-0.8	-1.1	-1.2	7.3	8.4	-4.7	-1.2
130.8	129.6	14.6	22.5	72.0	58.8	402.9	386.5
0.0	0.1	0.0	0.0	34.9	16.7	34.9	16.8
-27.6	-28.2	-3.1	-4.7	-18.6	-13.2	-88.1	-83.1
103.3	101.5	11.6	17.8	88.3	62.2	349.7	320.2
373	347	90	97	1 284	1 366	3 451	3 391
27.7	29.3	12.8	18.3	0	0	10.1	9.4
60.8	61.3	64.2	55.3	0	0	57.6	58.3
498	505	56	58	801	813	1 902	1 918

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

	2014	2015	2016	2017	2018
Interest and discount income	652.5	628.7	599.0	576.4	573.1
Interest and dividend income from financial investments	54.2	47.4	40.3	34.7	31.0
Interest expense	– 202.4	– 186.9	– 156.7	– 113.3	– 108.0
Net interest income before loan impairment charges/reversals	504.3	489.2	482.5	497.8	496.1
Loan impairment charges/reversals	16.3	0.9	– 4.7	– 20.2	– 5.9
Net interest income after loan impairment charges/reversals (NII)	520.6	490.1	477.8	477.6	490.1
Fees and commissions on securities and investment transactions	280.0	263.3	241.5	250.3	250.2
Fees and commissions on lending operations	44.9	42.7	42.2	44.6	46.1
Fees and commissions on other services	82.5	80.9	75.2	71.8	72.6
Fee and commission expense	– 64.0	– 54.6	– 51.0	– 50.3	– 51.7
Net fee and commission income	343.4	332.3	307.9	316.4	317.2
Net trading income and fair-value adjustments	106.4	150.5	139.2	133.9	128.1
Gains/losses on disposals of financial investments	3.2	11.4	6.4	2.5	2.1
Income from equity investments	4.3	15.3	5.5	6.2	11.9
<i>of which other non-consolidated holdings</i>	4.3	15.3	5.5	6.2	11.9
Real-estate income	11.0	10.7	11.0	10.9	7.5
Miscellaneous ordinary income	21.9	22.1	21.6	20.0	20.0
Miscellaneous ordinary expenses	– 0.8	– 6.8	– 2.3	– 0.9	– 0.3
Other ordinary income	39.6	52.7	42.1	38.7	41.1
Total income from ordinary banking operations	1010.0	1025.6	967.1	966.6	976.5
Personnel costs	– 339.0	– 337.2	– 338.0	– 337.0	– 332.7
Other operating expenses	– 178.9	– 177.0	– 170.7	– 171.4	– 167.5
Operating expenses	– 517.9	– 514.2	– 508.7	– 508.4	– 500.2
Depreciation and amortization of fixed assets and impairment on equity investments	– 79.7	– 75.6	– 72.4	– 70.4	– 68.8
Other provisions and losses	– 33.8	– 37.1	– 2.7	– 1.2	– 4.7
Operating profit	378.6	398.7	383.4	386.5	402.9
Extraordinary income	2.6	28.6	6.7	16.8	34.9
Extraordinary expenses	0.0	0.0	– 0.0	– 0.0	– 0.0
Change in reserves for general banking risks	0.0	0.0	3.0	0.0	0.0
Taxes	– 85.1	– 91.0	– 83.5	– 83.1	– 88.1
Net profit	296.1	336.3	309.6	320.3	349.7
Minority interests	0.0	0.0	– 0.0	– 0.0	– 0.0
Net profit attributable to BCV Group shareholders	296.1	336.3	309.6	320.2	349.7

As of the 2015 financial year, the financial statements are presented in accordance with the new Swiss accounting rules for banks; 2014 figures were adjusted to facilitate like-for-like comparison.

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

	31 / 12 / 14	31 / 12 / 15	31 / 12 / 16	31 / 12 / 17	31 / 12 / 18
Cash and cash equivalents	4 960	6 861	7 496	8 044	8 235
Due from banks	1 482	1 810	1 373	1 013	1 921
Reverse repurchase agreements	415	280	306	499	314
Loans and advances to customers	5 675	4 935	4 812	4 826	5 677
Mortgage loans	24 045	24 522	25 037	25 407	26 079
Trading portfolio assets	194	155	153	186	334
Positive mark-to-market values of derivative financial instruments	433	343	281	282	268
Other financial assets at fair value	485	581	630	653	621
Financial investments	3 259	3 140	3 234	3 753	3 767
Accrued income and prepaid expenses	117	106	107	91	80
Non-consolidated holdings	54	48	70	70	70
Tangible fixed assets	577	558	517	519	445
Intangible assets	27	23	16	12	9
Other assets	96	56	54	57	42
Assets	41 819	43 418	44 085	45 415	47 863
Due to banks	1 156	1 224	1 070	1 398	2 655
Repurchase agreements	960	1 738	1 791	1 350	1 809
Customer deposits	28 532	28 877	29 245	30 512	31 375
Trading portfolio liabilities	0	0	0	0	0
Negative mark-to-market values of derivative financial instruments	446	331	244	205	236
Other financial liabilities at fair value	564	666	771	812	766
Medium-term notes	57	40	21	15	7
Bonds and mortgage-backed bonds	6 439	6 873	7 267	7 392	7 244
Accrued expenses and deferred income	217	219	184	172	156
Other liabilities	44	35	56	87	77
Provisions	63	18	16	15	15
Liabilities	38 478	40 021	40 666	41 958	44 341
Reserves for general banking risks	704	704	701	701	701
Share capital	86	86	86	86	86
Capital reserve	106	292	207	121	35
Retained earnings	2 163	1 999	2 137	2 249	2 371
Currency translation reserve	- 1	- 2	- 2	- 1	- 1
Own shares	- 13	- 18	- 19	- 19	- 20
Minority interests in equity	0	0	0	0	0
Net profit	296	336	310	320	350
Shareholders' equity	3 341	3 397	3 420	3 457	3 522
Total liabilities and shareholders' equity	41 819	43 418	44 085	45 415	47 863

As of the 2015 financial year, the financial statements are presented in accordance with the new Swiss accounting rules for banks; 2014 figures were adjusted to facilitate like-for-like comparison.



Statutory Auditor's Report

To the General Meeting of Banque Cantonale Vaudoise, Lausanne

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Banque Cantonale Vaudoise and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2018, and the consolidated income statement, the consolidated cash flow statement and the consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 113 to 154) give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with accounting rules for banks, securities dealers, financial groups and conglomerates (ARB) and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority



Credit risk identification methods and valuation of the related loan impairment charges

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Credit risk identification methods and valuation of the related loan impairment charges

Key Audit Matter

Lending operations are one of the Group's main activities and represent approximately two thirds of its consolidated balance sheet as at 31 December 2018. The valuation of a counterparty's default risk relies largely on the use of rating methods developed by the bank. The valuation of the related loan impairment charges relies on an analysis method that takes into account various elements such as market factors, the client's estimated willingness to repay and financial capacity or the estimation of the collateral's value.

The identification of risks and the valuation of the related loan impairment charges thus rely on models and analyses that imply an element of judgement by the Board of Directors and Management. Exposures that create greater uncertainty are typically those that result from unsecured loans or those that are subject to a collateral's loss of value.

Our response

Our procedures consisted in particular in assessing and testing the key controls related to the granting, recording and monitoring of loans as well as the methodology used for the identification of default risk and the valuation of the loan impairment charges.

For a sample of non-impaired exposures, we assessed the debtors' capacity to fulfil their obligations. We compared our findings with the assessment of the default risk performed by the bank using its counterparty rating process.

Regarding receivables that are considered as impaired or as presenting latent risks, our procedures consisted, among others, of assessing the evolution of the relation between the loan impairment and the concerned receivables as a whole. For a sample of individual receivables that are considered as impaired or as presenting latent risks, we assessed the debtors' financial standing as well as the valuation of collaterals and we compared our findings with the assumptions and factors taken into account by the bank when calculating the required loan impairment charges.

For further information on the credit risk identification methods and the valuation of the related loan impairment charges, refer to the following notes to the consolidated financial statements of Banque Cantonale Vaudoise as at 31 December 2018:

- Note 7.2 "Credit risk" (p. 125 to 127 of the Annual Report)
- Note 10.2 "Risk mitigants for loans and off-balance-sheet transactions, impaired loans" (p. 131 of the Annual Report)

Responsibility of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with accounting rules for banks, securities dealers, financial groups and conglomerates (ARB) and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the 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.

KPMG SA

A handwritten signature in blue ink, appearing to read 'O. Gauderon', written over a light blue horizontal line.

Olivier Gauderon
Licensed Audit Expert
Auditor in Charge

A handwritten signature in blue ink, appearing to read 'P. Rüedin', written over a light blue horizontal line.

Philippe Rüedin
Licensed Audit Expert

Geneva, 8 March 2019

KPMG SA, Rue de Lyon 111, CH-1203 Geneva

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Financial Statements

Parent Company Financial Statements

1. Balance sheet (in CHF millions)

	Notes ¹	31 / 12 / 18	31 / 12 / 17	Change absolute	Change as %
Cash and cash equivalents		8 049	7 835	214	3
Due from banks		1 954	1 032	922	89
Reverse repurchase agreements	5.1	314	499	- 185	- 37
Loans and advances to customers	5.2	5 485	4 654	831	18
Mortgage loans	5.2	25 555	24 889	666	3
Trading portfolio assets	5.3	334	186	148	80
Positive mark-to-market values of derivative financial instruments	5.4	274	286	- 12	- 4
Other financial assets at fair value	5.3	621	653	- 32	- 5
Financial investments	5.5	3 746	3 731	15	0
Accrued income and prepaid expenses		75	87	- 13	- 15
Holdings		177	177	- 0	- 0
Tangible fixed assets		412	484	- 72	- 15
Other assets	5.6	35	52	- 16	- 32
Assets	5.18	47 031	44 565	2 466	6
Total subordinated assets		0	0	0	0
<i>off which subject to mandatory conversion and/or conditional write-off</i>		0	0	0	0
Due to banks		2 711	1 430	1 281	90
Repurchase agreements	5.1	1 809	1 350	460	34
Customer deposits	5.19	30 528	29 684	844	3
Trading portfolio liabilities	5.3	0	0	0	n/a
Negative mark-to-market values of derivative financial instruments	5.4	234	202	32	16
Other financial liabilities at fair value	5.3/5.10	766	812	- 46	- 6
Medium-term notes		7	15	- 8	- 53
Bonds and mortgage-backed bonds		7 244	7 392	- 148	- 2
Accrued expenses and deferred income		144	160	- 16	- 10
Other liabilities	5.6	80	91	- 11	- 12
Provisions	5.11	8	9	- 0	- 5
Liabilities		43 532	41 144	2 388	6
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		7	93	- 86	- 93
<i>of which tax-exempt paid-in capital</i>		7	93	- 86	- 93
Regulatory retained earnings		86	86	0	0
Optional retained earnings		2 276	2 145	131	6
Own shares		- 20	- 19	- 1	4
Profit for the year		362	329	33	10
Shareholders' equity		3 499	3 421	78	2
Total liabilities and shareholders' equity		47 031	44 565	2 466	6
Total subordinated liabilities		0	0	0	0
<i>of which subject to mandatory conversion and/to conditional write-off</i>		0	0	0	0

¹⁾ The notes are on pages 171-186

Off-balance-sheet transactions (in CHF millions)	Notes ¹	31 / 12 / 18	31 / 12 / 17	Change absolute	Change as %
Contingent liabilities	5.2	1 868	1 766	102	6
Irrevocable commitments	5.2	1 617	1 475	142	10
Commitments relating to calls on shares and other equity securities	5.2	177	177	0	0
Confirmed credits	5.2	49	18	31	175

¹⁾ The notes are on page 171

2. Income statement (in CHF millions)

	Notes ¹	2018	2017	Change absolute	Change as %
Interest and discount income		563.9	567.7	- 3.8	- 1
Interest and dividend income from financial investments		30.9	34.6	- 3.7	- 11
Interest expense		- 105.7	- 111.1	- 5.4	- 5
Net interest income before loan impairment charges/reversals	7.1	489.1	491.2	- 2.1	- 0
Loan impairment charges/reversals		- 6.0	- 19.2	- 13.2	- 69
Net interest income after loan impairment charges/reversal (NII)		483.1	471.9	11.2	2
Fees and commissions on securities and investment transactions		164.0	165.1	- 1.1	- 1
Fees and commissions on lending operations		46.1	44.5	1.6	4
Fees and commissions on other services		69.3	68.2	1.1	2
Fee and commission expense		- 18.8	- 21.7	- 2.9	- 13
Net fee and commission income		260.6	256.1	4.6	2
Net trading income and fair-value adjustments	7.2	115.8	122.5	- 6.7	- 5
Gains/losses on disposals of financial investments		1.6	2.3	- 0.7	- 31
Income from equity investments		31.0	23.1	7.9	34
Real-estate income		7.0	10.5	- 3.5	- 34
Miscellaneous ordinary income		20.4	20.5	- 0.1	- 0
Miscellaneous ordinary expenses		- 0.2	- 0.9	- 0.8	- 82
Other ordinary income		59.8	55.5	4.4	8
Total income from ordinary banking operations		919.3	905.9	13.4	1
Personnel costs	7.3	- 292.3	- 295.6	- 3.3	- 1
Other operating expenses	7.4	- 150.6	- 154.9	- 4.3	- 3
Operating expenses		- 442.9	- 450.5	- 7.6	- 2
Depreciation and amortization of fixed assets and impairment on equity investments		- 60.9	- 62.2	- 1.3	- 2
Other provisions and losses	7.5	- 2.0	- 0.8	1.2	152
Operating profit		413.4	392.3	21.1	5
Extraordinary income	7.6	34.9	16.7	18.3	110
Extraordinary expenses		- 0.0	- 0.0	0.0	0
Taxes	7.7	- 86.0	- 79.7	6.3	8
Profit for the year		362.3	329.3	33.0	10
Appropriations	8				
Profit for the year		362.3	329.3		
Profit shown on the balance sheet		362.3	329.3		
Appropriation of profit					
- Allocation to optional retained earnings		61.1	131.3		
- Allocation to regulatory retained earnings		0.0	0.0		
- Distribution from distributable profit		301.2	197.9		
Other distribution					
Distribution drawn from paid-in-reserves		0.0	86.1		

¹⁾ The notes are on pages 188-191

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

	Share capital	Capital reserve	Regulatory retained earnings	Reserves for general banking risks	Optional retained earnings	Own shares	Profit/loss for the year	Total equity
Status at 1 January 2016	86	265	85	701	1 865	- 18	361	3 345
Allocation to other reserves					163		- 163	0
2015 dividend							- 198	- 198
Distribution out of paid-in reserves		- 86						- 86
Purchases of own shares						- 37		- 37
Disposals of own shares						36		36
Gain on disposals of own shares and dividends		0	1					1
Profit/loss for the year							315	315
Status at 31 December 2016	86	179	86	701	2 027	- 19	315	3 375
Allocation to other reserves					117		- 117	0
2016 dividend							- 198	- 198
Distribution out of paid-in reserves		- 86						- 86
Purchases of own shares						- 28		- 28
Disposals of own shares						29		29
Gain on disposals of own shares and dividends		0	0					0
Profit/loss for the year							329	329
Status at 31 December 2017	86	93	86	701	2 145	- 19	329	3 421
Allocation to other reserves					131		- 131	0
2017 dividend							- 198	- 198
Distribution out of paid-in reserves		- 86						- 86
Purchases of own shares						- 26		- 26
Disposals of own shares						26		26
Gain on disposals of own shares and dividends		0	0					0
Profit/loss for the year							362	362
Status at 31 December 2018	86	7	86	701	2 276	- 20	362	3 499

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 Own shares

Dividend payments on own shares and gains and losses on own-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

No changes were made to the accounting principles in 2018.

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 at 7 March 2019, 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 / 18	31 / 12 / 17
Book value of claims arising from cash collateral pledged in connection with securities borrowing or reverse repurchase agreements ¹⁾	314	499
Book value of liabilities arising from cash collateral received in connection with securities lending or repurchase agreements ¹⁾	1 809	1 350
Book value of securities held for own account, lent or transferred as collateral in connection with securities borrowing or repurchase agreements	1 792	1 298
<i>of which those that can be sold or repledged without restriction</i>	1 792	1 298
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	346	522
<i>of which securities repledged as collateral</i>	0	0
<i>of which sold securities</i>	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			Total
		Mortgage	Other	Unsecured	
Loans and advances to customers		552	1 680	3 335	5 567
Mortgages		25 563			25 563
<i>Residential real estate</i>		20 798			20 798
<i>Office and business premises</i>		1 381			1 381
<i>Commercial and industrial property</i>		885			885
<i>Other</i>		2 500			2 500
Loans (before impairment charges/reversals)	31 / 12 / 18	26 116	1 680	3 335	31 130
	31 / 12 / 17	25 345	1 390	2 906	29 641
Loans (after impairment charges/reversals)	31 / 12 / 18	26 108	1 680	3 253	31 040
	31 / 12 / 17	25 338	1 390	2 815	29 543
Contingent liabilities		10	324	1 534	1 868
Irrevocable commitments		470	1	1 146	1 617
Commitments relating to calls on shares and other equity securities				177	177
Confirmed credits				49	49
Off-balance-sheet transactions	31 / 12 / 18	480	325	2 906	3 710
	31 / 12 / 17	498	489	2 449	3 436

		Gross receivables	Realization value of risk mitigants	Net receivables	Individual impairment charge/reversal
Impaired loans	31 / 12 / 18	218	– 123	95	87
	31 / 12 / 17	213	– 99	113	98
Change (absolute)		5	24	– 18	– 11
Change (as %)		2	24	– 16	– 11

5.3 Trading portfolio assets and liabilities

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

Assets	31 / 12 / 18	31 / 12 / 17
Debt securities	144	88
<i>of which listed on a recognized stock exchange</i>	144	88
Equity securities	1	0
Commodities and precious metals	189	98
Trading portfolio assets	334	186
Debt securities	11	15
Structured products	0	0
Other	610	639
Other financial assets at fair value	621	653
Total	955	839
<i>of which determined using a valuation model</i>	0	0
<i>of which securities eligible for repurchase agreements in accordance with liquidity regulations</i>	85	74

Liabilities	31 / 12 / 18	31 / 12 / 17
Other trading portfolio liabilities	0	0
Trading portfolio liabilities	0	0
Debt securities	0	0
Structured products	766	812
Other financial liabilities at fair value	766	812
Total	766	812
<i>of which determined using a valuation model</i>	62	56

5.4 Derivative financial instruments (in CHF millions)

	Trading instruments			Hedging instruments			
	Positive market-to-market value	Negative market-to-market value	Value of underlying asset	Positive market-to-market value	Negative market-to-market value	Value of underlying asset	
Swaps	29	35	1 591	165	119	6 012	
Futures			167				
Interest-rate instruments	29	35	1 758	165	119	6 012	
Forward contracts and swaps	186	199	30 796				
Options (OTC)	21	24	2 556				
Foreign currencies and precious metals	208	223	33 352	0	0	0	
Futures			5				
Options (OTC)	93	78	265				
Equity securities / indices	93	78	270	0	0	0	
Total	31 / 12 / 18	330	336	35 381	165	119	6 012
of which determined using a valuation model		114	102	–	–	–	–
	31 / 12 / 17	424	409	42 373	195	126	6 120
of which determined using a valuation model		81	41	–	–	–	–
			Positive market-to-market value		Negative market-to-market value		Value of underlying asset
Breakdown							
Trading instruments			330		336		35 381
Hedging instruments			165		119		6 012
Total before netting agreements	31 / 12 / 18		495		455		41 393
	31 / 12 / 17		618		535		48 493
Total after netting agreements	31 / 12 / 18		274		234		41 393
	31 / 12 / 17		286		202		48 493
Change		absolute	– 12		32		– 7 101
		as %	– 4		16		– 15

Breakdown by counterparty

	Central clearing houses	Banks and securities dealers	Other clients
Positive market-to-market value (after netting agreements)	66	78	129

5.5 Financial investments (in CHF millions)

	31 / 12 / 18		31 / 12 / 17	
	Book value	Fair value	Book value	Fair value
Debt securities	3 663	3 765	3 652	3 772
<i>of which securities intended to be held until maturity</i>	3 663	3 765	3 652	3 772
<i>of which securities available for sale</i>	0	0	0	0
Equity securities	27	75	28	76
<i>of which significant holdings (minimum of 10% of capital or voting rights)</i>	6	6	6	6
Available-for-sale real estate	56	60	52	54
Financial investments	3 746	3 901	3 731	3 902
<i>including securities eligible for repurchase agreements in accordance with liquidity regulations</i>	3 663	–	3 641	–

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	3 476					187	3 663

The rating categories are based on Standard & Poor's ratings; they are used for the specific instruments to which the Bank has subscribed. If an instrument is not rated by Standard & Poor's, then a rating from another agency 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.

The Bank's unrated positions (that is, where neither the instrument nor the issuer has a rating) are in investment-grade debt securities issued by Swiss public-sector entities or by Switzerland's housing-construction bond issuer (EGW/CCL).

5.6 Other assets and liabilities (in CHF millions)

	31 / 12 / 18		31 / 12 / 17	
	Other assets	Other liabilities	Other assets	Other liabilities
Offset accounts	0	46	0	68
Indirect taxes	23	9	21	8
Coupons/coupons and securities due	3	1	5	5
Settlement accounts	6	10	5	3
Miscellaneous assets and liabilities	3	15	21	8
Other assets and liabilities	35	80	52	91

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

	31 / 12 / 18		31 / 12 / 17	
	Amount or book value of pledge	Real liability	Amount or book value of pledge	Real liability
Assets pledged or assigned to Swiss National Bank	189	0	182	0
Mortgages pledged or assigned to Central Mortgage-Bond Institution of Swiss Cantonal Banks	7 498	5 509	7 278	5 561
Other	278	278	290	290
Total assets pledged or assigned	7 965	5 787	7 749	5 851
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 / 18	31 / 12 / 17
Customer deposits	187	184

BCV's own occupational pension funds held no BCV shares at 31 December 2018.

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

There were no employer contribution reserves at end-2018 or end-2017.

Economic benefit/liability and pension expenses	Surplus / deficit	Economic benefit/liability			Contributions adjusted for the period	Pension expenses included in "Personnel costs"	
	31 / 12 / 18	31 / 12 / 18	31 / 12 / 17	Change	2018	2018	2017
Employer-financed pension funds: "Fonds de prévoyance en faveur du personnel de la BCV" ¹⁾	48.7	0	0	0	0.0	0.0	0.0
Pension funds with no surplus or defi- cit: "Caisse de pensions de la BCV"		0	0	0	31.2	31.2	33.5
Pension funds with surpluses: "Fondation de prévoyance complé- mentaire en faveur de l'encadrement supérieur de la BCV"	0.8	0	0	0	1.1	1.1	1.1
Total	49.5	0	0	0	32.4	32.4	34.7

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 2018.

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				Total
	Single treatment		Separate treatment		
	Recognized in trading portfolio liabilities	Recognized in other financial liabilities at fair value	Value of the host instrument	Value of the derivative	
Interest-rate instruments	–	0	0	0	0
Equity securities	–	719	732	–89	1362
Foreign currencies	–	47	21	–0	67
Commodities and precious metals	–	0	0	0	0
Total	31 / 12 / 18	766	753	–89	1430
	31 / 12 / 17	812	847	–14	1645

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

Single accounting treatment

Structured products without an interest-rate component, i.e., participation structured products (representing a fraction of an equity basket) and yield-enhancement structured products, issued by the Bank 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 or a valuation model. Subsequent revaluations are recognized under “Net trading income and fair-value adjustments.”

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.

Separate accounting treatment

Yield-enhancement, participation, and capital-protection structured products issued by the Bank and containing an interest-rate component are each treated as two separate positions.

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
	2017							2018
Provisions for credit risk	1					0		1
Other provisions	8	– 1			0	0	– 0	7
Total provisions	9	– 1	0	0	0	1	– 0	8
Reserves for general banking risks¹⁾	701							701
Provisions for credit risk and country risk	98	– 23	0	0	9	22	– 16	90
<i>of which provisions for impaired loans</i>	98	– 23			9	19	– 16	87
<i>of which provisions for latent risks</i>	0					3		3

¹⁾ Reserves for general banking risks are taxable

5.12 Share capital (in CHF millions)

		2018		2017	
		Number of shares (in units)	Total par value	Number of shares (in units)	Total par value
Share capital					
Registered share, fully paid-in	Par value	CHF 10.00		CHF 10.00	
Status at 1 January		8 606 190	86	8 606 190	86
No movement		0	0	0	0
Status at 31 December		8 606 190	86	8 606 190	86
<i>of which share capital qualifying for dividends</i>			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 and shares granted to members of the Board of Directors, Executive Board members, and other employees

Employee share-ownership plans

	2018		2017	
	Shares (in units)	Value (in CHF)	Shares (in units)	Value (in CHF)
Members of the Board of Directors	0	0	188	136 613
Executive Board members	3 476	2 232 436	3 539	2 153 002
Other employees	25 218	10 367 968	26 960	10 475 106
Total	28 694	12 600 404	30 687	12 764 721

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 Executive Board members and department heads, 30% of their 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 21,000 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%.

Executive Board members are allocated shares subject to approval at the Shareholders' Meeting. The number of shares allocated will be calculated based on the closing market price on 13 May 2019, rounded up to the nearest whole number.

Other employees will receive their shares at the end of April 2019. The number of shares allocated will be calculated based on the closing market price on 21 March 2019, rounded up to the nearest whole number. These employees have until 3 April 2019 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 21 March 2019 and 13 May 2019 (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 7 March 2019, 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 2018 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 15–27 March 2018.
- The subscription price was set at CHF 630 per share, and the market price used was CHF 788 (closing price on 15 March, the first day of the subscription period).

The amount shown in the table above corresponds to the number of shares subscribed multiplied by CHF 158, which is the difference between the market price of CHF 788 and the subscription price of CHF 630.

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 2018 for the various plans in progress.

Free shares

The Bank awards two BCV shares to trainees and high-school graduates 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.

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

	31 / 12 / 18		31 / 12 / 17	
	Receivable	Commitment	Receivable	Commitment
Significant shareholder	5	2 984	0	2 391
Group companies	54	72	43	60
Affiliated companies	132	350	82	334
Governing bodies	18	5	22	5

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 members of the Board of Directors were

conducted on market terms. Receivables and commitments with respect to Executive Board members were granted on the standard terms for BCV employees. Transactions with related parties were conducted on market terms.

5.15 Significant shareholder

	31 / 12 / 18		Stake	31 / 12 / 17		Stake
	Number of shares (in units)	Total par value		Number of shares (in units)	Total par value	
Voting rights						
Vaud Canton, direct interest	5 762 252	57.6	66.95%	5 762 252	57.6	66.95%

5.16 Own shares and breakdown of share capital

Number of shares (in units)	Average transaction price	Total	Own shares
Status at 31 December 2017		8 606 190	30 044
<i>of which shares reserved for long-term performance-based compensation</i>			15 248
Purchases	773		34 675
Sales	726		– 35 945
Status at 31 December 2018		8 606 190	28 774
<i>of which shares reserved for long-term performance-based compensation</i>			13 200

The breakdown of share capital is provided in note 5.12, page 177.

Own shares were traded at market prices. The proceeds of the sale of own shares were recognized under “Capital reserve.”

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 (see page 183)

Members of the Board of Directors

For 2018, the seven members of the Board of Directors in office at 31 December 2018 were accorded total compensation of CHF 1,359,931. Benefit expense resulting from compensation to the Board of Directors totaled CHF 126,277 (social security, unemployment insurance, accident insurance, and family allowances). The Bank does not contribute to the occupational pension funds of members of the Board of Directors.

Compensation comprises fees, remuneration, and expenses.

The Vice Chairman receives additional fixed compensation of CHF 20,000. 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 121,655.

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

Members of the Executive Board

For 2018, the eight members of the Executive Board in office in 2018 were accorded total compensation of CHF 7,968,416. This includes annual performance-based compensation for an aggregate amount of CHF 3,600,000, subject to approval at the Shareholders' Meeting on 2 May 2019. If approved, this amount will be paid in May 2019 in two parts: CHF 2,520,000 in cash and the remaining CHF 1,080,000 in the form of shares locked up for between five and ten years. Benefit expense resulting from compensation to the Executive Board totaled CHF 1,356,313 for occupational pensions and CHF 753,630 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 2018

Members of the Board of Directors

As of the 2018 financial year, the members of the Board of Directors receive their compensation entirely in cash.

Members of the Executive Board

For 2018, Executive Board members in office at 31 December 2018 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 13 May 2019. They also subscribed to 600 locked-up shares under the employee share-ownership program. They paid a subscription price of CHF 630, while the share price at the time of purchase was CHF 788. 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 2016–2018 long-term performance-based salary plan, 1,374 shares were allocated to Executive Board members (see page 94 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 2018, such payments to the Bank amounted to CHF 371,349.

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 2018. The interest charged on Libor mortgage loans and on medium- and long-term fixed-rate loans was between 0.25% and 0.53% 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 that must be acquired before

the end of their first term.

At 31 December 2018, directors and their close relations held a total of 999 BCV shares.

Members of the Executive Board

At 31 December 2018, Executive Board members and their close relations held 16,312 BCV shares.

Compensation of members of the Board of Directors for the 2018 financial year (in CHF)

	Jacques de Watteville	Paul-André Sanglard	Jack Clemons	Ingrid Deltenre	Reto Donatsch	Fabienne Freymond Cantone Member starting 26 April	Peter Ochsner	Total	Average compensation Excluding Chairman
	Chairman	Vice Chairman	Member	Member	Member		Member		
Fees	600 000	115 000	95 000	95 000	95 000	64 652	95 000	1 159 652	93 275
Committee-related compensation		20 000	16 667	10 000	20 000	6 806	40 000	113 473	18 912
Other	30 000	10 000	10 000	10 000	10 000	6 806	10 000	86 806	9 468
Total	630 000	145 000	121 667	115 000	125 000	78 264	145 000	1 359 931	121 655
<i>Previous year</i>								1 668 283	128 333
Other benefits ¹	44 610	15 468	15 196	14 107	12 851	3 004	21 041	126 277	13 611
<i>Previous year</i>									
<i>Other benefits¹</i>								172 755	16 370

¹⁾ Social security, unemployment insurance, accident insurance, and family allowances. The Bank does not contribute to the occupational pension funds of members of the Board of Directors.

Compensation of members of the Executive Board for the 2018 financial year (in CHF)

	Total		Pascal Kiener CEO	
	Shares (in units)		Shares (in units)	
Fixed salary		4 660 080		960 000
Annual performance-based compensation paid in cash ¹		2 520 000		427 000
Annual performance-based compensation paid in shares ^{1,2}		746 564		102 185
Shares acquired under employee share-ownership program ³	600	18 972	0	0
Stock options (BCV has no employee stock-option plan)	0	0	0	0
Other		22 800		6 000
Total		7 968 416		1 495 185
<i>Previous year</i>		7 885 583		
2016-2018 long-term performance-based compensation plan				
Shares allocated at CHF 797 per share ⁴	1 374	1 095 078	229	182 513
<i>Previous year</i>	1 786	1 421 656		
Total		9 063 494		1 677 698
<i>Previous year</i>		9 307 239		
Occupational pension		1 356 313		212 616
Other benefits ⁵		753 630		136 904
<i>Previous year</i>				
<i>Occupational pension</i>		1 331 229		
<i>Other benefits⁵</i>		761 086		

¹⁾ Subject to approval at the 2019 Annual Shareholders' Meeting

²⁾ The number of shares will be calculated based on the market price on 13 May 2019, 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-un period

³⁾ Difference between the subscription price (CHF 630) and the market price on 15 March 2018 (CHF 788) at its discounted value

⁴⁾ Market price on 7 March 2019

⁵⁾ Social security, unemployment insurance, accident insurance, income replacement, and family allowances

Loans to members of governing bodies (in CHF)

31 / 12 / 18

	Position	Nominal	Secured	Unsecured	Drawn down
Board of Directors					
Jacques de Watteville	Chairman	0			
Paul-André Sanglard	Vice Chairman	0			
Jack Clemons	Member	387 000	387 000	0	387 000
Ingrid Deltenre	Member	0			
Reto Donatsch	Member	0			
Fabienne Freymond Cantone	Member	0			
Peter Ochsner	Member	0			
Total		387 000	387 000	0	387 000
Previous year		3 617 000	3 617 000	0	3 617 000
Executive Board					
Total		20 276 000	20 276 000	0	19 476 000
Previous year		28 682 000	28 682 000	0	27 738 000
Gérard Haeberli ¹⁾	Member	8 180 000	8 180 000	0	8 067 000

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)

No loans were granted to companies with links to members of governing bodies.

Share and option ownership

		31 / 12 / 18	31 / 12 / 17
		Shares (in units)	Shares (in units)
Board of Directors			
Jacques de Watteville ¹	Chairman	200	
Paul-André Sanglard	Vice Chairman	100	100
Jack Clemons	Member	100	100
Ingrid Deltenre	Member	174	174
Reto Donatsch	Member	100	100
Fabienne Freymond Cantone ¹	Member	25	
Peter Ochsner	Member	300	300
Total		999	774

¹⁾ Not a member of the Board of Directors in 2017

Executive Board			
Pascal Kiener	CEO	2 740	3 801
Stefan Bichsel	Asset Management & Trading	4 590	4 250
Andreas Diemant	Corporate Banking	176	0
Gérard Haeberli	Private Banking	2 012	2 009
Christian Meixenberger	Business Support	210	69
Thomas W. Paulsen	CFO	937	1 023
Bertrand Sager	Credit Management	3 795	3 512
José François Sierdo	Retail Banking	1 852	1 340
Total		16 312	16 004

Members of the Board of Directors and Executive Board held no options at 31 December 2018.

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

Retired Executive Board members continue to receive preferential terms that are in line with current market practice for the banking industry.

Compensation of former members of the Board of Directors and Executive Board for the 2018 financial year

Luc Recordon, a former member of the Board of Directors whose term expired at the close of the Shareholders' Meeting on 26 April 2018, received a total of CHF 40,278 in compensation in 2018.

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 in line with current market practice for the banking industry.

5.18 Breakdown of assets by solvency of the country group in which the risk is domiciled (in CHF millions)

Internal country rating	Standard & Poor's rating	31 / 12 / 18		31 / 12 / 17	
		Absolute value	as % of total	Absolute value	as % of total
1	AAA to AA-	2 868	83	2 923	84
2	A+ to A-	221	6	178	5
3	BBB+ to BBB-	113	3	90	3
4	BB+ to BB-	56	2	94	3
5 to 7	B+ to B-	154	4	127	4
8	CCC+ to C	32	1	42	1
Not rated	Not rated	11	0	21	1
Net foreign exposure		3 455	100	3 475	100

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

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

Guaranteed by the Canton of Vaud and managed by Banque Cantonale Vaudoise, by decree of 20 June 1995

	2018	2017
Capital on deposit at 1 January	196.7	210.4
Movements:		
Net payment surplus during the financial year	- 8.0	- 13.7
Capitalization of net interest at 31 December	0.0	0.0
Net change	- 8.0	- 13.7
Total capital on deposit at 31 December	188.7	196.7
<i>of which guaranteed by the Canton of Vaud</i>	<i>117.3</i>	<i>126.2</i>

	31 / 12 / 18	31 / 12 / 17	Change
Breakdown by type of service			
Registered savings books and accounts	133.4	137.0	- 3.7
Senior citizens' savings books and accounts	31.7	34.5	- 2.8
Bearer savings books	22.7	24.2	- 1.4
Youth savings books and accounts	0.9	1.0	- 0.2
Total	188.7	196.7	- 8.0

6. Notes to off-balance-sheet transactions

6.1 Fiduciary transactions (in CHF millions)

	31 / 12 / 18	31 / 12 / 17	Change absolute	Change as %
Fiduciary investments with third parties	198	78	119	152

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

	2018	2017	Change absolute	Change as %
Banks and reverse repurchase agreements	– 2.0	– 1.1	1.0	94
Customers	556.5	562.2	– 5.7	– 1
Interest and dividends on financial investments	30.9	34.6	– 3.7	– 11
Other interest income	9.5	6.5	3.0	46
Total interest income	594.8	602.3	– 7.4	– 1
Banks and repurchase agreements	16.9	5.6	11.4	204
Customers	– 1.6	– 2.3	– 0.7	– 30
Medium-term notes and bonds	80.3	87.6	– 7.3	– 8
Other interest expense	10.1	20.2	– 10.1	– 50
Total interest expense	105.7	111.1	– 5.4	– 5
Net interest income before loan impairment charges/reversals	489.1	491.2	– 2.1	– 0

Negative interest paid by the Bank on its assets is deducted from interest and discount income. This negative interest totaled CHF 6.9m in 2018, against CHF 5.1m in 2017, and relates mainly to deposits held with the Swiss National Bank, interbank positions, and to a lesser extent funding transactions for trading positions.

Negative interest received by the Bank on its liabilities is deducted from interest expense. This negative interest totaled CHF 38.3m in 2018, against CHF 32.0m in 2017, and was earned on interbank positions, customer deposits, and transactions related to structured product issuance.

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

	2018	2017	Change absolute	Change as %
Breakdown by business sector				
Retail Banking	17.3	17.7	– 0.5	– 3
Corporate Banking	9.7	9.8	– 0.1	– 1
Wealth Management	9.1	9.7	– 0.6	– 6
Trading	41.5	52.2	– 10.7	– 21
Corporate Center	38.2	33.0	5.2	16
Total	115.8	122.5	– 6.7	– 5

Trading income and fair-value adjustments

Fixed-income instruments (including funds)	0.9	2.3	– 1.3	– 59
Equity securities (including funds)	17.2	20.7	– 3.6	– 17
Currencies and precious metals	104.4	106.6	– 2.2	– 2
Total trading income and fair-value adjustments	122.4	129.6	– 7.2	– 6
<i>of which fair-value adjustments</i>	<i>17.1</i>	<i>20.5</i>	<i>– 3.4</i>	<i>– 16</i>
<i>of which fair-value adjustments on assets</i>	<i>– 126.6</i>	<i>144.2</i>	<i>– 270.8</i>	<i>– 188</i>
<i>of which fair-value adjustments on liabilities</i>	<i>143.7</i>	<i>– 123.7</i>	<i>267.5</i>	<i>216</i>
Trading fee expense	– 6.7	– 7.1	– 0.5	– 6
Net trading income and fair-value adjustments	115.8	122.5	– 6.7	– 5

7.3 Personnel costs (in CHF millions)

	2018	2017	Change absolute	Change as %
Fixed and variable compensation	223.9	224.6	- 0.6	- 0
<i>of which charges related to share-based compensation and other variable compensation (including the portion paid in cash)</i>	32.4	31.9	0.5	2
Employee benefits	22.4	22.3	0.0	0
Contributions to staff pension funds	32.4	34.7	- 2.3	- 7
Other personnel expenses	13.6	14.0	- 0.4	- 3
Total	292.3	295.6	- 3.3	- 1

7.4 Other operating expenses (in CHF millions)

	2018	2017	Change absolute	Change as %
Premises	19.1	19.5	- 0.4	- 2
IT	69.6	71.1	- 1.5	- 2
Machinery, furniture, vehicles, etc.	3.5	3.5	- 0.0	- 1
Office supplies	1.0	1.0	0.1	5
Telecommunications and shipping	7.1	7.4	- 0.3	- 4
Marketing and communications, gifts and subscriptions	16.2	16.8	- 0.6	- 4
Financial information	11.8	11.8	- 0.1	- 1
Auditor fees	1.9	2.2	- 0.2	- 11
<i>of which for financial and prudential audits</i>	1.8	2.0	- 0.3	- 13
<i>of which for other services</i>	0.2	0.2	- 0.0	11
Other professional fees	3.8	3.5	0.3	9
Payment transactions	10.5	10.7	- 0.2	- 2
Issuing fees	1.0	1.6	- 0.6	- 40
Miscellaneous operating expenses	5.1	5.8	- 0.7	- 12
<i>of which charges for the guarantee by the Canton of Vaud¹⁾</i>	0.3	0.3	- 0.0	- 9
Total	150.6	154.9	- 4.3	- 3

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)

	2018	2017	Change absolute	Change as %
Miscellaneous provisions	0.3	- 0.1	0.2	109
Miscellaneous losses	1.7	1.0	0.8	81
Total	2.0	0.8	1.2	152

7.6 Extraordinary income (in CHF millions)

	2018	2017	Change absolute	Change as %
Disposals of equity holdings	0.3	0.8	– 0.6	– 65
Disposals of tangible fixed assets ¹	33.9	1.1	32.8	n/a
Reversals of impairment on fixed assets ²	0.0	12.9	– 12.9	n/a
Other extraordinary income	0.7	1.8	– 1.1	– 59
Total	34.9	16.7	18.3	110

¹⁾ Proceed from the sale of a piece of non-core real estate, which was finalized in 2018

²⁾ The impairment charge recognized on this real estate in 2002 and 2003 was fully reversed in 2017

7.7 Taxes (in CHF millions)

	2018	2017	Change absolute	Change as %
Direct federal tax	27.2	25.2	2.0	8
Cantonal and municipal taxes	58.8	54.5	4.3	8
Total	86.0	79.7	6.3	8
Weighted average tax rate, based on operating profit	21%	20%		

8. Proposal by the Board of Directors

At the Annual Shareholders' Meeting to be held on 2 May 2019, the Board of Directors will recommend the following appropriation of profit and distributions:

The proposed allocation of available earnings of CHF 362.3m is as follows:

	Dividend in CHF per registered share	Number of shares (in units)	Appropriation (in CHF millions)
Payment of an ordinary dividend	35.00	8 606 190	301.2
Allocation to regulatory retained earnings			0.0
Allocation to optional retained earnings			61.1
			362.3

If this resolution is adopted, the dividend will be payable, after deduction of Swiss withholding tax, at the Bank's head office and branches beginning on 8 May 2019.



Statutory Auditor's Report

To the General Meeting of Banque Cantonale Vaudoise, Lausanne

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the financial statements of Banque Cantonale Vaudoise, which comprise the balance sheet as at 31 December 2018, the income statement and the statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements (pages 166 to 191) for the year ended 31 December 2018 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority



Credit risk identification methods and valuation of the related loan impairment charges

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Credit risk identification methods and valuation of the related loan impairment charges

Key Audit Matter

Lending operations are one of the bank's main activities and represent approximately two thirds of its balance sheet as at 31 December 2018. The valuation of a counterparty's default risk relies largely on the use of rating methods developed by the bank. The valuation of the related loan impairment charges relies on an analysis method that takes into account various elements such as market factors, the client's estimated willingness to repay and financial capacity or the estimation of the collateral's value.

The identification of risks and the valuation of the related loan impairment charges thus rely on models and analyses that imply an element of judgement by the Board of Directors and Management. Exposures that create greater uncertainty are typically those that result from unsecured loans or those that are subject to a collateral's loss of value.

Our response

Our procedures consisted in particular in assessing and testing the key controls related to the granting, recording and monitoring of loans as well as the methodology used for the identification of default risk and the valuation of the loan impairment charges.

For a sample of non-impaired exposures, we assessed the debtors' capacity to fulfil their obligations. We compared our findings with the assessment of the default risk performed by the bank using its counterparty rating process.

Regarding receivables that are considered as impaired or as presenting latent risks, our procedures consisted, among others, of assessing the evolution of the relation between the loan impairment and the concerned receivables as a whole. For a sample of individual receivables that are considered as impaired or as presenting latent risks, we assessed the debtors' financial standing as well as the valuation of collaterals and we compared our findings with the assumptions and factors taken into account by the bank when calculating the required loan impairment charges.

For further information on the credit risk identification methods and the valuation of the related loan impairment charges, refer to the following notes to the consolidated financial statements of the Group Banque Cantonale Vaudoise as at 31 December 2018:

- Note 7.2 "Credit risk" (p. 125 to 127 of the Annual Report)
- Note 10.2 "Risk mitigants for loans and off-balance-sheet transactions, impaired loans" (p. 131 of the Annual Report)

Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the 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 (page 191) complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG SA

A handwritten signature in blue ink, appearing to read 'O. Gauderon', written over a light blue horizontal line.

Olivier Gauderon
Licensed Audit Expert
Auditor in Charge

A handwritten signature in blue ink, appearing to read 'P. Ruedin', written over a light blue horizontal line.

Philippe Ruedin
Licensed Audit Expert

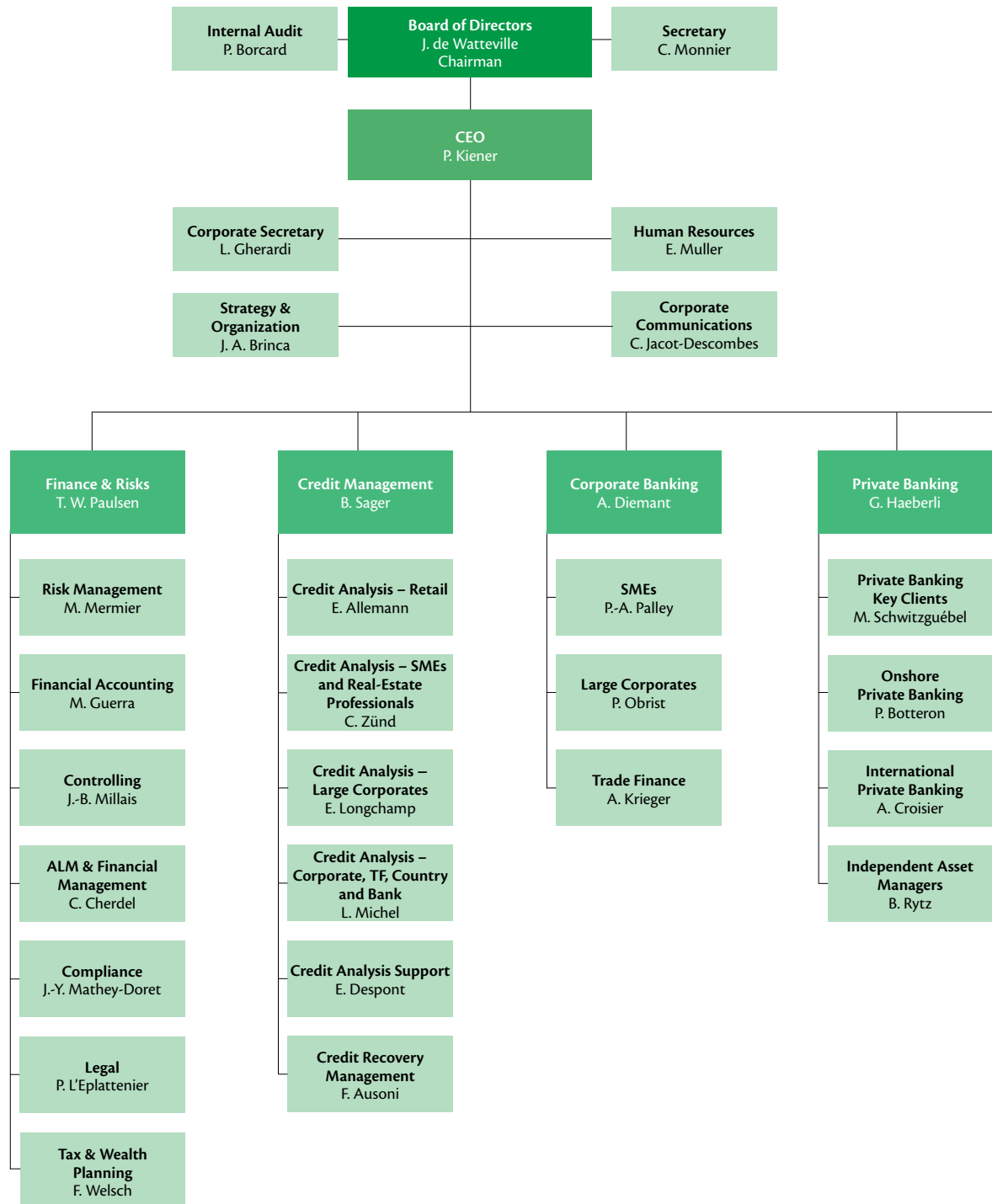
Geneva, 8 March 2019

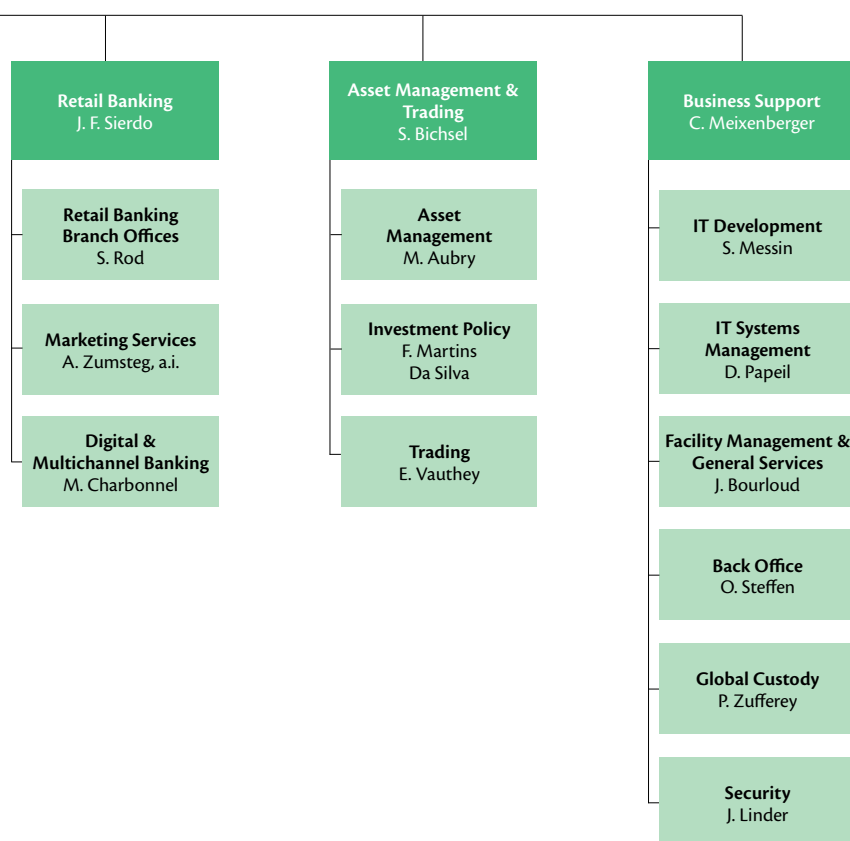
KPMG SA, Rue de Lyon 111, CH-1203 Geneva

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Organization Chart

As of 1 March 2019





Retail Network

As of 1 March 2019



Regional Managers

As of 1 March 2019

Broye region

Retail banking
Private banking
SME

Patrick Balzli
Hubert Joye
Cédric Ottet, a.i.

Morges region

Retail banking
Private banking
SME

Philippe Diserens
Daniel Vuffray
Patrick Blanc

Chablais region

Retail banking
Private banking
SME

Éric Barroud
Vincent Mottier
Sébastien Roduit

Nord vaudois region

Retail banking
Private banking
SME

Steve Magnenat
Adrian Kocher
Alexandre Berthoud

Gros-de-Vaud region

Retail banking
Private banking
SME

Pascal Udry
Pierre-Yves Zimmermann
Stéphane Binggeli

Nyon region

Retail banking
Private banking
SME

Jean-Daniel Dreifuss
Jean-Michel Isoz
Jean-Daniel Gebhard

Lausanne region

Retail banking
Private banking
SME

Thierry Magnin
Pascal Aubry
Henri-Pierre Monney

Riviera region

Retail banking
Private banking
SME

Pierre-Alain Favre
Christophe Millius
Didier Muller

Lavaux region

Retail banking
Private banking
SME

David Platel
Olivier Engler
Cédric Ottet, a.i.

Branch Offices

As of 1 March 2019

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 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 28
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
Case postale 8
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
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

Écublens

Chemin du Croset 3
Case postale 47
1024 Écublens

Épalinges

Place de la Croix-Blanche 17
Case postale 119
1066 Épalinges

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

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

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

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 Perdttemps 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 1

Thanks

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