

BCV at a glance 2018



BCV at a glance

Key figures

(in CHF millions)	2018	2017	Change as %
Total assets	47 863	45 415	+ 5
Total income	977	967	+ 1
Operating profit	403	387	+ 4
Net profit	350	320	+ 9
Assets under management	87 620	86 490	+ 1

Ratios

Cost/income ratio ¹⁾	57.6%	58.3%
ROE	10.1%	9.4%
Tier 1 capital ratio	17.1%	17.1%
Total capital ratio	17.2%	17.3%

¹⁾ Excluding goodwill amortization and write-downs

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

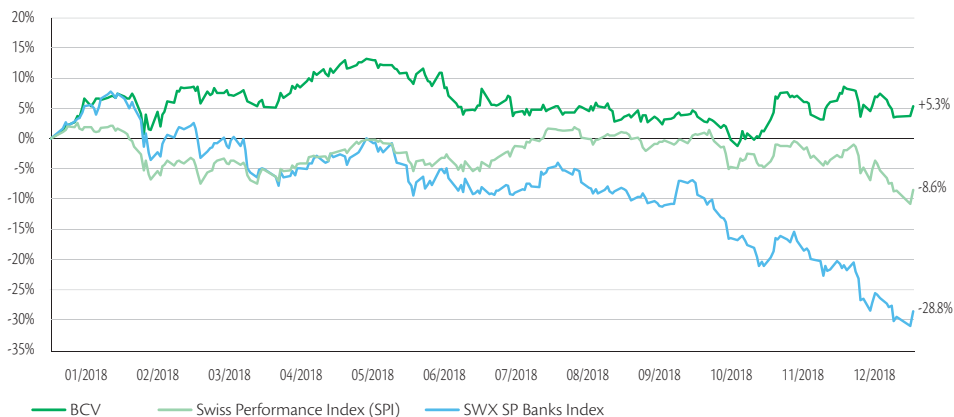
- Fabienne Freymond Cantone replaced Luc Recordon on 26 April 2018.
- Jean-François Schwarz was named to succeed Paul-André Sanglard as of 1 January 2019.

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.

The BCV share

Total shareholder return¹



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

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

	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
Dividend per share (in CHF)	22.0	23.0	23.0	23.0	35.0 ¹⁾
Dividend yield ²⁾ (as %)	4.1	3.6	3.6	3.1	4.7
Total payout ³⁾ (in CHF)	32.0	33.0	33.0	33.0	35.0 ¹⁾
Total payout yield ²⁾ (as %)	5.9	5.2	5.1	4.5	4.7

¹⁾ Dividend to be proposed at the Shareholders' Meeting on 2 May 2019

²⁾ Relative to the period-end share price

³⁾ Total amount distributed to shareholders in the form of an ordinary dividend together with a distribution out of paid-in reserves

Share ownership structure

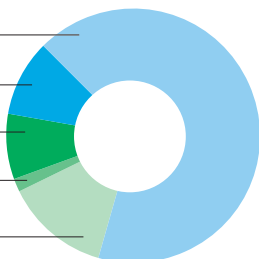
Registered shares owned by the Canton of Vaud 67%

Registered shares owned by private shareholders 9%

Registered shares owned by institutional shareholders 8%

Registered shares owned by BCV employees 1%

Unregistered shares 14%



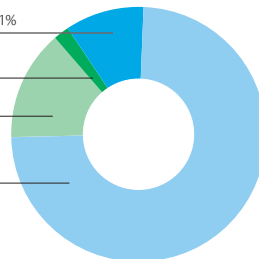
Share ownership by geographical zone

Registered shares owned by non-Vaud Swiss shareholders 11%

Registered shares owned by foreign shareholders 1%

Unregistered shares 14%

Registered shares owned by Vaud shareholders 74%



Consolidated balance sheet

(in CHF millions)	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	314	499	- 185	- 37
Loans and advances to customers	5 677	4 826	851	18
Mortgage loans	26 079	25 407	672	3
Trading portfolio assets	334	186	148	80
Positive mark-to-market values of derivative financial instruments	268	282	- 14	- 5
Other financial assets at fair value	621	653	- 32	- 5
Financial investments	3 767	3 753	13	0
Accrued income and prepaid expenses	80	91	- 12	- 13
Non-consolidated holdings	70	70	- 0	- 0
Tangible fixed assets	445	519	- 74	- 14
Intangible assets	9	12	- 3	- 28
Other assets	42	57	- 15	- 26
Assets	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	1 809	1 350	460	34
Customer deposits	31 375	30 512	863	3
Trading portfolio liabilities	0	0	0	n/a
Negative mark-to-market values of derivative financial instruments	236	205	31	15
Other financial liabilities at fair value	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	156	172	- 16	- 9
Other liabilities	77	87	- 10	- 11
Provisions	15	15	- 0	- 0
Liabilities	44 341	41 958	2 383	6
Reserves for general banking risks	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	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

Consolidated income statement

(in CHF millions)	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	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	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	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	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	- 332.7	- 337.0	- 4.3	- 1
Other operating expenses	- 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	- 68.8	- 70.4	- 1.6	- 2
Other provisions and losses	- 4.7	- 1.2	3.4	279
Operating profit	402.9	386.5	16.4	4
Extraordinary income	34.9	16.8	18.1	108
Extraordinary expenses	- 0.0	- 0.0	- 0.0	- 35
Taxes	- 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

Overview of BCV

Our legal status

Banque Cantonale Vaudoise (BCV) was founded on 19 December 1845 by the Vaud Cantonal Parliament (Grand Conseil vaudois) as a société anonyme de droit public (i.e., a corporation organized under public law). The Canton of Vaud is BCV's majority shareholder, with 66.95% of the share capital. BCV is listed in the Vaud Commercial Register and is subject to all applicable legislation. Its legal status is defined in the Cantonal Act Governing the Organization of Banque Cantonale Vaudoise (LBCV) of 20 June 1995, as amended on 25 June 2002, 30 January 2007 and 2 March 2010. BCV's commitments are not underwritten by the Canton. However, customer deposits are covered by a nationwide system of investor protection concerning Swiss banks and securities dealers. This system insures deposits of up to CHF 100,000 per person and per bank. In addition, a limited cantonal guarantee applies to deposits with Caisse d'Epargne Cantonale Vaudoise, a savings institution managed by the Bank.

Our core businesses

With revenues of CHF 977m in 2018 and total assets of CHF 47.9bn, we rank among Switzerland's top five universal banks by assets. BCV is the country's second-largest cantonal bank and the largest bank in Vaud, with a network of more than 60 shared branches and more than 230 ATMs throughout the Canton. The Bank's organization is based on four client-oriented divisions: Retail Banking, Private Banking, Corporate Banking and Asset Management & Trading. We offer a comprehensive range of financial services to all client segments. BCV Group had 1,896 full-time-equivalent employees at 31 December 2018. At that date, in addition to the parent company, BCV Group comprised a private bank, Piguet Galland & Cie SA, and two fund management firms, GÉRIFONDS SA and GEP SA (Société pour la gestion de placements collectifs).

Our missions

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

Our strategy

The *BCVPlus* strategy begun in 2008 was based on the business model of a universal bank with solid local roots. The success of this strategy led the Board of Directors and Executive Board in 2014 to maintain this model as the best way to ensure profitable growth going forward.

The new strategic phase – *stratégie2018* – follows on from our previous strategy and aims primarily to continue developing all of the Bank's business lines and improving internal processes. A moderate risk profile and active approach to equity capital management remain central to this strategy.

For the business lines, we are targeting:

- At-or-above market-rate growth in the retail banking and SME segments;
- Above-market growth in onshore private banking;
- 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 multi-channel access to our products and services;
- Embarking on various projects to enhance our internal operations;
- Pressing ahead with our human resources strategy to continue developing our employees' skills sets.

BCV aims to achieve sustainable growth, with revenues and operating profit trending along the same lines as in recent years. We have set long-term targets of 12–13% for ROE, 57–59% for the cost/income ratio, and 13% for Common Equity Tier 1 (CET1) – 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 has extended its distribution policy for another five years beginning with the 2018 reporting period. In light of the planned reduction in Vaud Canton's corporate tax rates, the Bank intends to pay an ordinary dividend of CHF 34–38, barring significant changes in the economic or regulatory environment or in the Bank's situation.

Key figures – 5-year overview

Balance sheet ¹ (in CHF millions)	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

Income statement ¹ (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 ratios ²					
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



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