

# BCV at a glance 2019

175  BCV  
1845-2020

# BCV at a glance

## Key figures

(in CHF millions)	2019	2018	Change as %
Total assets	48 352	47 863	+ 1
Total income	1 002	977	+ 3
Operating profit	419	403	+ 4
Net profit	363	350	+ 4
Assets under management	97 840	87 620	+ 12

## Ratios

Cost/income ratio <sup>1</sup>	57.7%	57.6%
ROE	10.4%	10.1%
Tier 1 capital ratio	17.1%	17.1%
Total capital ratio	17.3%	17.2%

<sup>1</sup> Excluding goodwill amortization and write-downs

## 2019 highlights

### We delivered very solid results despite the ongoing negative-interest-rate environment

- Volumes expanded across the Bank's key business sectors, and revenues rose 3% to CHF 1.0bn. Operating profit increased 4% to CHF 419m, reflecting continued firm cost control. Net profit was up 4% to CHF 363m. A CHF 1 increase in the dividend to CHF 36 per share will be proposed at the next Annual Shareholders' Meeting.

### BCV's credit ratings were reaffirmed by the two main rating agencies, underscoring our financial solidity

- 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 paid out CHF 301m to our shareholders

- In accordance with our dividend policy, which was extended in 2018, BCV paid an ordinary dividend of CHF 35 per share to shareholders in May 2019, corresponding to a CHF 2 increase relative to the previous year. This CHF 301m payout, together with the appreciation in our share price, equates to a total return of 11.3% in 2019.

### We developed a new strategic phase

- Building on the positive results of our previous strategic phase, *stratégie2018*, we defined several areas where we will focus our efforts to meet future challenges. In particular, we plan to further improve our service quality and continue enhancing our distribution channels – branches, digital services, and call centers – in order to give customers an integrated multichannel experience. We also intend to capture more of the cross-selling potential inherent in our universal bank business model, and to increase our attractiveness as an employer.
- We maintained or slightly adjusted our financial targets: we are still targeting a cost/income ratio of 57%–59% and a CET1 ratio of at least 13%; our ROE target based on this minimum target CET1 ratio is now 13.5%–14.5%.
- The Board of Directors is recommending that shareholders approve a 10-for-1 stock split, in order to enhance the liquidity of BCV's share.

### We signed the United Nations Principles for Responsible Investment (UNPRI)

- In becoming a signatory, we have committed to six principles that range from incorporating environmental, social, and governance (ESG) criteria into our investment analyses, to reporting on our responsible investment activities annually and promoting the principles within the financial sector. The UNPRI are the world's leading framework for responsible investment and provide an important platform for stakeholder engagement.



# Consolidated balance sheet

(in CHF millions)	31 / 12 / 19	31 / 12 / 18	Change absolute	Change as %
Cash and cash equivalents	8 384	8 235	149	2
Due from banks	1 186	1 921	-735	-38
Reverse repurchase agreements	239	314	-75	-24
Loans and advances to customers	5 752	5 677	75	1
Mortgage loans	27 016	26 079	937	4
Trading portfolio assets	277	334	-57	-17
Positive mark-to-market values of derivative financial instruments	273	268	5	2
Other financial assets at fair value	784	621	163	26
Financial investments	3 811	3 767	44	1
Accrued income and prepaid expenses	85	80	6	7
Non-consolidated holdings	69	70	-1	-2
Tangible fixed assets	433	445	-12	-3
Intangible assets	5	9	-3	-39
Other assets	36	42	-7	-16
<b>Assets</b>	<b>48 352</b>	<b>47 863</b>	<b>489</b>	<b>1</b>
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	1 703	2 655	-952	-36
Repurchase agreements	1 502	1 809	-307	-17
Customer deposits	33 048	31 375	1 673	5
Trading portfolio liabilities	2	0	1	326
Negative mark-to-market values of derivative financial instruments	213	236	-23	-10
Other financial liabilities at fair value	918	766	152	20
Medium-term notes	3	7	-4	-54
Bonds and mortgage-backed bonds	7 094	7 244	-150	-2
Accrued expenses and deferred income	154	156	-2	-2
Other liabilities	114	77	37	47
Provisions	16	15	1	5
<b>Liabilities</b>	<b>44 766</b>	<b>44 341</b>	<b>425</b>	<b>1</b>
Reserves for general banking risks	701	701	0	0
Share capital	86	86	0	0
Capital reserve	35	35	0	1
Retained earnings	2 419	2 371	48	2
Currency translation reserve	-2	-1	-0	-5
Own shares	-18	-20	2	9
Minority interests in equity	0	0	-0	-11
Net profit	363	350	13	4
<i>of which minority interests</i>	0	0	0	27
<b>Shareholders' equity</b>	<b>3 586</b>	<b>3 522</b>	<b>64</b>	<b>2</b>
<b>Total liabilities and shareholders' equity</b>	<b>48 352</b>	<b>47 863</b>	<b>489</b>	<b>1</b>
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)	2019	2018	Change absolute	Change as %
Interest and discount income	570.3	573.1	-2.7	-0
Interest and dividend income from financial investments	27.9	31.0	-3.1	-10
Interest expense	-101.4	-108.0	-6.7	-6
<b>Net interest income before loan impairment charges/reversals</b>	<b>496.9</b>	<b>496.1</b>	<b>0.8</b>	<b>0</b>
Loan impairment charges/reversals	9.8	-5.9	-15.8	-265
<b>Net interest income after loan impairment charges/reversals (NII)</b>	<b>506.7</b>	<b>490.1</b>	<b>16.6</b>	<b>3</b>
Fees and commissions on securities and investment transactions	259.4	250.2	9.2	4
Fees and commissions on lending operations	44.5	46.1	-1.6	-4
Fees and commissions on other services	73.6	72.6	1.0	1
Fee and commission expense	-54.6	-51.7	2.9	6
<b>Net fee and commission income</b>	<b>322.9</b>	<b>317.2</b>	<b>5.7</b>	<b>2</b>
<b>Net trading income and fair-value adjustments</b>	<b>128.1</b>	<b>128.1</b>	<b>0.1</b>	<b>0</b>
Gains/losses on disposals of financial investments	0.5	2.1	-1.6	-76
Income from equity investments	13.7	11.9	1.8	15
<i>of which other non-consolidated holdings</i>	13.7	11.9	1.8	15
Real-estate income	7.5	7.5	0.0	0
Miscellaneous ordinary income	22.9	20.0	2.9	15
Miscellaneous ordinary expenses	-0.3	-0.3	0.0	8
<b>Other ordinary income</b>	<b>44.3</b>	<b>41.1</b>	<b>3.2</b>	<b>8</b>
<b>Total income from ordinary banking operations</b>	<b>1002.0</b>	<b>976.5</b>	<b>25.5</b>	<b>3</b>
Personnel costs	-339.3	-332.7	6.6	2
Other operating expenses	-165.2	-167.5	-2.2	-1
<b>Operating expenses</b>	<b>-504.5</b>	<b>-500.2</b>	<b>4.3</b>	<b>1</b>
Depreciation and amortization of fixed assets and impairment on equity investments	-71.3	-68.8	2.6	4
Other provisions and losses	-7.2	-4.7	2.5	54
<b>Operating profit</b>	<b>418.9</b>	<b>402.9</b>	<b>16.0</b>	<b>4</b>
Extraordinary income	0.7	34.9	-34.2	-98
Extraordinary expenses	-0.2	-0.0	0.2	637
Taxes	-56.6	-88.1	-31.6	-36
<b>Net profit</b>	<b>362.9</b>	<b>349.7</b>	<b>13.2</b>	<b>4</b>
Minority interests	-0.0	-0.0	0.0	27
<b>Net profit attributable to BCV shareholders</b>	<b>362.9</b>	<b>349.7</b>	<b>13.2</b>	<b>4</b>

# 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'Épargne Cantonale Vaudoise, a savings institution managed by the Bank.

## Our core businesses

With revenues of CHF 1.0bn in 2019 and total assets of CHF 48.4bn, 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 63 staffed branches and more than 220 ATMs throughout the Canton. The Bank's organization is based on four client-oriented divisions: Retail Banking, Private Banking, Corporate Banking and Asset Management & Trading. We offer a comprehensive range of financial services to all client segments. BCV Group had 1,921 full-time-equivalent employees at 31 December 2019. At that date, in addition to the parent company, BCV Group comprised a private bank, Pignet 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

In 2019, we defined a new strategic phase that builds on those we have been implementing for more than ten years. This next phase aims to maintain the positive trend that the Bank's business lines have been experiencing over the past few years. It is also designed to position the Bank to respond to the main challenges we will face in the coming years, such as heightened competition, persistently low interest rates, advancements in digital technology, and ever-changing customer needs.

For the business lines, we are targeting:

- Above-market growth in asset management, SMEs, and onshore private banking;
- At least market growth in retail banking;
- A focus on the profitability of our commodities trade finance and large corporates businesses;
- Continued development of our other business lines.

We have identified several strategic focus areas that will enable us to meet future challenges. These goals include:

- Continuing to improve our service quality along the entire value chain to create an even better customer experience;
- Enhancing our distribution channels (branches, digital services, and call centers) to give customers an integrated multichannel experience;
- Capturing more of the cross-selling potential inherent in our universal bank business model;
- Implementing operational improvements through targeted measures;
- Increasing our attractiveness as an employer and fostering continuous skills development among our employees;
- Sharpening our focus on corporate social responsibility (CSR) measures, including a wider range of sustainable banking products, socially responsible investment options, and mortgage solutions.

The Group aims to achieve sustainable growth, with revenues and operating profit trending along the same lines as in recent years. We are targeting a cost/income ratio of 57%–59% and a CET1 ratio of at least 13%; our ROE target based on this minimum target CET1 ratio is now 13.5%–14.5%. 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 dividend policy for another five years beginning with the 2018 reporting period. Following the reduction in our tax expense due to the implementation of Vaud Canton's corporate tax reform, the Bank intends to pay an ordinary dividend of CHF 34–38 per share, barring significant changes in the economic or regulatory environment or in the Bank's situation.

# Key figures – 5-year overview

Balance sheet (in CHF millions)	2015	2016	2017	2018	2019
Total assets	43 418	44 085	45 415	47 863	48 352
Advances to customers	29 457	29 849	30 233	31 756	32 768
Customer deposits	28 877	29 245	30 512	31 375	33 048
Shareholders' equity	3 397	3 420	3 457	3 522	3 586

## Assets under management (in CHF millions)

Assets under management	87 972	85 382	86 490	87 620	97 840
<i>cash and cash equivalents</i>	24 900	26 009	26 977	28 062	29 837
<i>investment funds</i>	21 164	19 812	21 807	21 817	25 217
<i>shares</i>	22 891	21 588	19 871	18 485	20 934
<i>bonds</i>	13 156	11 029	9 764	9 413	9 746
<i>other</i>	5 861	6 945	8 071	9 843	12 106

## Headcount

Full-time equivalents	1 947	1 943	1 922	1 896	1 921
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## Income statement (in CHF millions)

Total income	1 026	967	967	977	1 002
Operating expenses	514	509	508	500	505
Depreciation and amortization of fixed assets and impairment on equity investments	76	72	70	69	71
Other provisions and losses	37	3	1	5	7
Operating profit	399	383	387	403	419
Net profit	336	310	320	350	363

## Liquidity and capital ratios<sup>1</sup>

Liquidity Coverage Ratio (LCR)	111%	113%	121%	113%	129%
Leverage Ratio	6.7%	6.6%	6.5%	6.2%	6.3%
Tier 1 capital ratio <sup>2</sup>	18.3%	17.5%	17.1%	17.1%	17.1%
Total capital ratio <sup>2</sup>	18.4%	17.6%	17.3%	17.2%	17.3%

## Income ratios

Operating profit/average shareholders' equity	12.0%	11.4%	11.4%	11.6%	11.9%
Cost/income ratio <sup>3</sup>	57.2%	59.4%	58.3%	57.6%	57.7%
Operating profit per employee (in CHF thousands)	205.5	197.1	201.6	211.8	219.3
ROE	10.1%	9.1%	9.4%	10.1%	10.4%

## 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	Aa2 / stable	Aa2 / stable	Aa2 / stable	Aa2 / stable	Aa2 / stable
Short term	Prime-1	Prime-1	Prime-1	Prime-1	Prime-1

<sup>1</sup> 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](http://www.bcv.ch) and on the BCV Investor Relations iPad app.

<sup>2</sup> To facilitate like-for-like comparison, the ratios for 2015 and 2016 have been recalculated without subtracting the countercyclical buffer from regulatory capital, in accordance with FINMA Circular 2016/1 "Disclosure – banks"

<sup>3</sup> Excluding goodwill amortization and write-downs



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