2004 ANNUAL REPORT

BCV

Our commitment: your trust

BCV AT A GLANCE

KEY FIGURES (in CHF millions)

	2003	2004	Change (as %)
Total assets	34 252	32 295	–5.7
Total income	943	944	+0.1
Gross profit	389	399	+2.5
Net profit	157	337	+114.1
Assets under management	60 248	64 071	+6.3
Ratios (%)			
Cost/income ratio (C/I)*	71	67	
Return on equity (ROE)	6.5	12.4	
BIS Tier I capital-adequacy ratio	13.4	16.5	
BIS Tier II capital-adequacy ratio	15.1	17.4	

* Excluding goodwill amortization and goodwill write-downs

Highlights in 2004:

- The Bank confirmed the turnaround in its financial performance:
  – Net profit jumped 114.1% to CHF 336.6 million.
  – Capital adequacy, calculated according to rules set out by Switzerland's Implementing Ordinance on Banks and Savings Institutions, improved from 156.3% to 184.6%.
  – S&P raised its credit rating on BCV from A– with negative outlook to A– with stable outlook.

- The strategic realignment on core businesses was completed:
  – BCV withdrew fully from ship financing and oil-trading financing.
  – BCV Finance (France) was sold, bringing strategic withdrawals from foreign subsidiaries to an end.
  – The Yverdon-based retail subsidiary CEPY was integrated within the parent company (effective January 2005).

- The Bank drew up a statement of its core values: responsibility, performance and close ties to customers and the community at large.

- The Bank developed a buyback plan for its participation certificates. The plan was jointly proposed by BCV and the Cantonal Government for approval by the Cantonal Parliament.

- BCV and its majority shareholder, Vaud Canton, signed an information-exchange agreement governing communications between the Canton and the Bank.

- Organizational streamlining continued with the creation of the Business Support Division, which pools most back-office and support units (from January 1, 2005).

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LETTER FROM THE CHAIRMAN

BCV's performance in 2004 confirmed that we have successfully completed our strategic and financial realignment. The Bank now has a comfortable level of equity capital, an improved balance-sheet structure, a clearly defined set of core businesses and a state-of-the-art risk management system. As a result, BCV Group is prepared to deal with the sizeable challenges awaiting it in the years ahead.

BCV complies with modern corporate governance criteria. The Board of Directors' brief complements those of the Executive Board and the Bank's other entities. Against the backdrop of an exceptionally busy year for the Board in 2003, organizational and procedural changes were made, including the creation of Board committees tasked with streamlining the decision-making process. These changes have allowed the Board to sharpen its focus on its main responsibility, building tomorrow's BCV.

A large part of the Board's work in 2004 involved clarifying BCV's relationship with its majority shareholder, Vaud Canton. This resulted in a significant development in September, with the conclusion of an agreement concerning the exchange of information between the Canton and the Bank. The terms of the agreement guarantee transparency for BCV's other shareholders and stakeholders, and are also fully consistent with the recommendations of the Vaud Cantonal Parliament's committee of enquiry and those contained in the ensuing parliamentary initiative.


Olivier Steimer, Chairman of the Board of Directors

In accordance with the announcement made at the 2004 Shareholders' Meeting regarding capital structure, the Bank and the Vaud Cantonal Government jointly proposed a repurchase plan for the participation certificates issued by the Bank in 2003. In line with the philosophy underpinning the Bank's recapitalization, the terms of the proposed buyback safeguard the interests of Vaud Canton, minority shareholders, minority participation-certificate holders and BCV. The plan does not define a specific calendar for the buyback, thus ensuring that the Bank will be able to meet capital-adequacy requirements.

In the months ahead, the Board will focus its attention on human resources and information technology. Our intellectual and technological capital is vital to our ability to keep pace with a rapidly changing environment, respond effectively to growing competition and anticipate the needs of our increasingly demanding clientele. The Bank must therefore continue to be a benchmark employer, one that can attract and keep the top-notch talent on which innovation and creativity depend. At the same time, our IT strategy must keep us technologically competitive over the long term, which means "hard-wiring" flexibility into our platform now, so that it can meet changing needs in the future.

Tomorrow's BCV is taking shape, in a step-by-step process that is making the Bank stronger, sounder, more transparent, more talented and better equipped – in short, better able to serve its customers and create value for its shareholders. This process is beginning to pay off. The Board will therefore have the pleasure of proposing a higher dividend for 2004, as our way of thanking our shareholders for their continuing trust.

Steimer

Olivier Steimer, Chairman of the Board of Directors

LETTER FROM THE CEO

2004 was a great year for BCV, which posted solid operational and financial results.

The Bank completed its strategic re-alignment on core business areas. We have withdrawn from oil trading and ship financing and have sold off or wound up most of the Group's foreign-based wealth management subsidiaries. In addition, we continued to scale back the Bank's portfolio of impaired loans, thus reducing our risk exposure. These measures have put BCV on more solid ground going forward, as does the more pro-active approach to asset and liability management that has been implemented.

The Bank made organizational changes, launched new products, and initiated projects in 2004, and this is having a positive impact on our business. We intend to set the tone once again in our core markets and home region and consolidate our position as a cornerstone of the local economy in 2005 and beyond. To play this key role we must fulfill our corporate mandate, perform well financially, and strengthen the ties between the Bank and the people of Vaud Canton.

As a community bank that is close to the individuals and businesses it serves, BCV creates value for both Vaud Canton and its other shareholders. We have a clear objective: to be the Canton's best universal bank. In this, we never forget that our customers are our *raison d'être*. To respond to their changing needs we will continue to focus on our core areas of expertise: retail banking, corporate banking, wealth management and trading.

Alexandre Zeller, CEO

This fundamental vision underpins our plans for 2005, which include initiatives in the areas of client relationship management, lending operations, and information technology as well as new product launches. These projects are all designed to improve the Bank's position in its markets and sharpen its profile in the face of increasing competition. The goal is to bring in new business while enhancing service quality.

Our staff has been a key factor in the Bank's ongoing operational improvement. In 2005, we will once again be counting on their creativity, integrity, flexibility and client-focused approach.

Tomorrow's BCV is still in the making. However, its foundations have been laid. We can now build on them to meet the challenges of tomorrow's banking markets.

Alexandre Zeller, CEO

THE EXECUTIVE BOARD


▲ **Alexandre Zeller,**
CEO


▲ **Pascal Kiener,**
CFO, Finance & Risks


▲ **Olivier Cavaleri,**
Trading

▲ **Jacques R. Meyer,** Retail

▲ **Philippe Sauthier,** Business Support

▲ **Christopher E. Preston,** Wealth Management

▲ **Jean-François Schwarz,** Corporate Banking


Banque Cantonale Vaudoise

KEY FIGURES – 5-YEAR OVERVIEW

	2000	2001	2002	2003	2004
Balance Sheet as of December 31 (in CHF millions)					
Total assets	37 963	36 104	35 138	34 252	32 295
Advances to customers	26 038	25 986	25 026	23 208	22 112
Customer deposits and bonds	27 700	27 499	27 208	25 683	24 566
Shareholders' equity	2 664	1 499	1 167	2 563	2 920
Assets Under Management* (in CHF billions)	63.1	55.3	54.8	60.2	64.1
Key Income-Statement Data (in CHF millions)					
Total income	978	840	858	943	944
Operating expenses	505	510	539	554	546
Gross profit	474	330	320	389	399
Depreciation and write-offs	97	101	108	151	86
Value adjustments, provisions and losses	220	1 226	1 184	77	44
Net profit/loss	166	–381	–1 200	157	337
Headcount**					
Full-time equivalent	2 243	2 393	2 679	2 483	2 423
BIS Risk-Weighted Assets (in CHF millions)	24 774	22 288	20 361	18 464	17 224
Capital-Adequacy Ratios (as %)					
Shareholders' equity/Total assets	7.0	4.2	3.3	7.5	9.0
BIS ratios: Tier 1	10.1	6.4	5.5	13.4	16.5
BIS ratios: Tier 2	11.9	8.7	7.5	15.1	17.4
SFBC Capital-Adequacy Ratio	123	88	76	156	185
Gross income/Shareholders' equity	17.8	22.0	27.4	15.2	13.7
Cost/Income***	61	72	75	71	67
Gross profit per employee (in CHF thousands)	211	138	119	157	165
ROE	6.6	N/A	N/A	6.5	12.4
Standard & Poor's Rating					
Long-term commitments	N/A	A– stable	A– negative	A– negative	A– stable
Short-term commitments	N/A	A– 2	A– 2	A– 2	A– 2

* 2002-2004 data presentation in line with the 2002 Swiss DEC-CFB financial statement presentation standards

** Including Unicible staff from 2002 onward

*** Excluding goodwill amortization and goodwill write-downs

N. B.: The change in consolidation method concerning Unicible, which took place in 2002 following the acquisition of its minority shares, does not significantly influence the Group's net profit. It does, however, affect some items on the Income Statement.

Welcome to BCV.

AN OVERVIEW OF BCV

Banque Cantonale Vaudoise (BCV) was founded on December 19, 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 is its majority shareholder, with 67.65% of its share capital. BCV is listed in the Vaud Canton Commercial Register. Its legal status is defined in the "LBCV" of June 20, 1995 (i.e., the Cantonal Act Governing the Organization of Banque Cantonale Vaudoise), as amended on June 25, 2002. BCV is subject to applicable banking legislation. The Bank's commitments are not guaranteed by the Canton, with the exception of a limited guarantee covering deposits with Caisse d'Epargne Cantonale Vaudoise, a savings institution managed by the Bank.

In terms of total assets, BCV is one of Switzerland's top five universal banks (i.e., banks offering a full range of financial services). It is the country's second-largest cantonal bank. Its operations include:

- retail banking, which is underpinned by a network of 69 staffed retail outlets covering all regions of its home area, Vaud Canton;
- wealth management;
- corporate banking;
- trading.

BCV's corporate mandate, pursuant to Article 4 of the LBCV, is to contribute to the development of all segments of the private-sector economy in all the regions of Vaud Canton and to the financing of public-sector institutions and entities. The Bank must also contribute to mortgage financing in the Canton. More generally BCV's mission is to create value for shareholders and clients, to be a benchmark employer, and to assume its responsibilities to the community as a good corporate citizen.

In the last few years, BCV has considerably expanded its business through both organic growth and acquisitions. In the second half of the 1990s, following its acquisition of Banque Vaudoise de Crédit in 1993 and its merger with Crédit Foncier Vaudois in 1995, BCV moved to diversify its operations, in particular in the areas of corporate banking and trading. The result was a rise in total assets from approximately CHF 15 billion at the beginning of the 1990s to over CHF 35 billion a decade later. In addition, BCV Group's total assets under management have grown from CHF 28 billion in 1996 to more than CHF 64 billion today.

BCV has refocused on its core businesses: retail banking, corporate banking, wealth management and trading.

In 2001 and 2002, substantial new provisions had to be created after an in-depth assessment of loan-book quality. This resulted in significant losses and a substantial decline in capital. Two recapitalizations were necessary to strengthen the Group's capital base, in 2002 and 2003. The Canton provided most of the funds raised on both occasions.

Over the past two years, a new management team has successfully refocused BCV's operations on its core businesses and selected niches offering strong potential in terms of both growth and earnings. The Bank is improving productivity by reducing operating costs, streamlining business processes and optimizing ALM, with the goal of growing its business while managing risk professionally.

BCV Group gears its business strategy to creating value for clients, shareholders and staff. In this, it is guided by three essential values: responsibility, performance and close ties to customers and the community at large.

We focus on our clients.

THE ECONOMIC ENVIRONMENT IN 2004

A HESITANT WORLD ECONOMY

World economic growth in the first three quarters of 2004 was driven by rising investment and consumer spending, mainly in the USA and China; China's GDP increased by 9.5%. Global GDP grew by around 4%, higher than the long-term average of 3.3%. The breakdown shows that the USA (+4.4%) and Japan (+2.9%) grew faster than Europe (+1.8%), where internal demand remained sluggish.

Despite low inflation and interest rates, the pace of growth slowed toward the end of the year. Several factors were behind the slowdown: fiscal tightening in the USA and Europe; monetary tightening by central banks; surging oil prices; the weak dollar; and finally consumers' increasing propensity to think twice before spending their money. As a result, growth forecasts for 2005 are cautious, suggesting GDP growth of 3.5% in the USA, 1.5% in Japan and 1.6% in Europe. However, the global economic upturn is in all likelihood broad-based enough to resist being derailed by uncertainty over the dollar and oil prices.

SWITZERLAND: GROWTH LOSES MOMENTUM AFTER A GOOD START TO THE YEAR

Global economic and monetary conditions remain generally positive for Switzerland, which posted GDP growth of 1.8% in 2004. This improvement came on the back of strong growth in exports (+4.9%) and imports (+5.9%), along with a substantial rise in capital spending (+4.6%) in construction and industrial equipment. Consumer spending, however, was much more restrained, rising by only 1.5%. Budgetary pressure in the public sector held central and local government spending to a modest 0.8% increase.

Inflation remained very low, averaging 0.8% in 2004. Interest rates also remained at rock-bottom, with three-month Swiss-franc Libor rates averaging 0.5%, to take one example. However, the upturn in growth stoked inflationary fears. As a result, the Swiss National Bank (SNB) followed other central banks and raised interest rates slightly in June and September. However, SNB officials announced at the end of the year that they would factor a recent economic slowdown into their policy and refrain from any further rate-hikes for the moment.

The Swiss economy benefited from favorable global economic and monetary conditions in 2004, but growth looks set to ease in 2005.

The Swiss economy had indeed showed signs of flagging in the fourth quarter. This was due to the weak dollar and slower growth in the eurozone as well as local factors such as the adverse job-market conditions in Switzerland. As a result, the pace of economic growth will be slower in 2005. GDP is forecast to grow at between 1.5% and 1.8%. All areas of the economy are likely to see a slowdown, particularly exports, imports and internal demand. Capital spending, particularly in the construction sector, should also weaken. Although inflation will remain under control and interest rates low, economic growth will not be strong enough to improve the job market significantly. The unemployment rate is therefore likely to fall only slightly, from 3.9% in 2004 to 3.7% in 2005.

MIXED TRENDS IN THE VAUD ECONOMY

A moderately optimistic outlook for manufacturing

The manufacturing sector, having failed to keep up with the national trend since mid-2002 (according to the Vaud Chamber of Commerce and Industry's composite business performance index), turned the corner in 2004. The index mainly reflects the performance and expectations of Vaud Canton's export industries, which include electronics, precision instruments, machinery and chemicals. The index ended the year in positive territory, reflecting the optimistic attitude of leading manufacturers in the Canton.

Manufacturing's comeback is good news for the local economy.

This encouraging development reflects local companies' strong export growth (up 7.1% in the first nine months of the year). As a result, the manufacturing sector in Vaud caught up with the rest of Switzerland in 2004. The main driver of this performance was the upturn in the Swiss economy, especially the recovery in exports.

Although the turnaround in manufacturing is a good sign for Vaud Canton's economy, this sector only accounts for 12% of local jobs. In addition, foreign exports play a relatively limited role, accounting for only 5% of manufacturing sales outside the Canton. According to SCRIS (Vaud Canton's statistics bureau), 75% of sales by Vaud manufacturers outside the Canton go to the German-speaking part of Switzerland. This means that local manufacturing is still highly sensitive to developments in the Swiss economy.

Construction sector in full swing

Construction accounts for 7% of employment in the Canton. The various construction indexes all rose in 2004, generally getting back to the average levels of the past ten years. The number of building-permit applications increased constantly. Lausanne was one of the five large Swiss cities showing the steepest rises in new housing starts in 2004. However, the upturn in construction only served to stabilize the imbalance between supply and demand in what is still a very tight housing market.

Against this backdrop, the vacancy rate in Vaud Canton held steady at 0.6% (1.5% is considered the normal level). The attendant strains carried over to prices, which rose steadily in 2004. Despite the rise in supply, which is likely to continue in 2005, housing-market specialists Wüest & Partner expect prices to continue to move upward in 2005, albeit at a slower rate.

Mixed situation in the service sector

The service sector dominates the Vaud economy, accounting for 75% of its 307,000 jobs. This sector includes administration, other services, retailing and tourism. According to the 2004-2005 survey carried out by the Vaud Chamber of Commerce and Industry (VCCI) in late 2004, 84% of service companies judged 2004 business levels to be satisfactory to good. A similar proportion of companies expected this to continue in 2005.

For hotels and restaurants, however, the trend in revenues was disappointing, although the hotel sector recovered somewhat in 2004 after a tough year in 2003. Restaurants continued to see their revenue flow decline.

Finally, 76% of service companies considered their cash flow situation to be satisfactory to good. However, nearly six out of ten did not invest in 2004, and a similar proportion will remain on the cap-ex sidelines in 2005. This wait-and-see attitude is reflected in BCV's advances to customers, which were flat across the service sector in 2004.

A tough job market

The situation in the Vaud job market remained difficult (by Swiss standards) throughout 2004, as demonstrated by the unusual occurrence of several labor disputes during the year. In 2004, the unemployment rate held steady at around 5.5%, much higher than the Swiss average of 3.9%. Unemployment rose fastest in the service sector, jumping by 33%. Administrative, hotel, restaurant and sales jobs were hit hardest. According to a VCCI survey, service companies remain very cautious, with 60% to 70% of companies in this sector not planning to hire in 2005.

Efforts to promote the local economy

Vaud Canton has stepped up its efforts to attract Swiss and foreign companies. In 2004, 90 businesses of various sizes made Vaud their home, creating 341 jobs (this figure does not include jobs created indirectly). The new arrivals included financial-services companies and administrative centers, several major international retail corporations, an Indian food company and several biotech and medical technology companies. Vaud Canton's economic development agency (DEV) has been highly active in the biotech, medical and IT sectors in the last few years. A biotech cluster has sprung up around the EPFL (Swiss Federal Institute of Technology) in Lausanne, sparking increasing interest in Vaud Canton by foreign biotech firms.

Vaud Canton is emerging as an attractive site for foreign companies.

Focusing on continuity

In 2005, Vaud Canton's growth rate will probably be lower than that of Switzerland as a whole. The Bank's experts expect growth of around 1%. As a result, BCV Group expects moderate expansion in its business. This forecast is based mainly on a stable overall economic situation in Switzerland and Vaud Canton, a modest recovery in loan demand, continuing strength in the real-estate market and a slight rise in financial markets. The Vaud economy is sufficiently diversified to enable BCV Group to selectively develop its business in target growth areas.

Sources: OECD, SECO (State Secretariat for Economic Affairs), Swiss National Bank, KOF (Zurich University center for economic research), CREA (Center of Applied Economic Research for French-speaking Switzerland), SCRIS (Vaud Canton statistics bureau) and BCV.


Our teams have a passion
for performance.

BCV IN 2004

BUSINESS DEVELOPMENT AND STRATEGY

In 2004, BCV pressed ahead with the strategy adopted in the previous year. The efforts initiated in 2003 began to pay off, with a significant improvement in the Group's financial indicators at the close of the 2004 reporting period. The Bank achieved these results by finalizing its strategic realignment, restoring a sound financial base and revitalizing its core businesses.

Business volumes were down, as is shown by the 5.7% decline in total assets for the reporting period. This was essentially a result of the strategic withdrawal from some areas of operations. Despite stiff competition, the Bank maintained its share of the mortgage market with total lendings of CHF 15.7 billion. Commercial loans were down slightly, in line with a general decline in this sector throughout the banking industry. The strategic efforts to reduce the volume of impaired loans continued to bear fruit, with a year-over-year drop of roughly CHF 1 billion in impaired loans on the Bank's books. Savings grew by 1.3%, reflecting both favorable market conditions and the continuing trust of BCV's customers in their Bank. Assets under management at BCV also showed encouraging growth last year, reaching CHF 64.1 billion (CHF 60.2 billion in 2003).

Underlying growth remained healthy in 2004.

The Group's total income held steady at CHF 944.2 million despite the revenue shortfalls resulting from strategic withdrawals and divestments during the year. Excluding the strategic withdrawals, income rose by 4.7%, reflecting good growth trends in core businesses.

Net interest income rose slightly to CHF 424.2 million. New business inflows and reduced financing requirements combined with better asset/liability management offset the negative impact of the strategic withdrawals on revenues.

Net fee and commission income posted a healthy 3.6% rise to CHF 298.5 million. Income from private banking (particularly the contribution made by subsidiary Banque Piguet & Cie) and institutional asset management remained on an upward path, despite the slowdown observed at the beginning of the third quarter. Limited market volatility led to a 23% decline in trading income to CHF 84 million.

Lower operating expenses were reflected in an improved cost-to-income ratio, which went down from 71% in 2003 to 67% in 2004. Efforts were made to reduce both personnel costs and other expenses. Those successful efforts, combined with a stable income trend despite the strategic withdrawals, drove a 2.5% rise in gross income to CHF 398.6 million.

The success of the Group's value-extraction-oriented approach to its impaired loan portfolio was behind a marked drop in provisioning requirements. This led to a net release of provisions, which accounted for most of the extraordinary income of CHF 170.3 million booked in 2004. Net profit for the year was CHF 336.6 million following the allocation of CHF 80.9 million to the reserves for general banking risks.

At the Parent Company

The **Retail Banking Division** set out to revitalize BCV's distribution network and revamp its retail outlets. In this, staff training and cross-selling with other business sectors are paramount. The efforts undertaken to build customer loyalty resulted in numerous conversions of floating-rate into fixed-rate mortgages. Measures taken to enhance the Division's offering also included the repositioning of the Bank's "e-Sider.com" online brokerage service and completion of the ATM overhaul program. Both revenues and net profit rose slightly.

The **Corporate Banking Division** successfully completed the strategic withdrawals begun in 2003. Excluding the effects of these withdrawals, the Division was able to generate sufficient new business to hold lending volumes steady in all segments. The systematic adjustment of pricing to better reflect risk partly offset losses arising from the withdrawals. The Division also put in place new procedures to streamline the loan application process and improve risk control.

The **Wealth Management Division** completed the restructuring of its foreign subsidiaries, optimized its performance and posted a healthy rise in profitability. Under the leadership of a new division-head, the Division refined its strategy and strengthened its positions in the institutional asset management and independent financial advisor segments. The range of products designed for private banking clients was expanded to include absolute-return management agreements. The Division also improved its offering in the areas of long-term financial planning and advisory services.

The **Trading Division** successfully continued the diversification of its revenue sources by stepping up sales of structured products. The launch of new warrants strengthens Trading's presence on the Swiss market. The Division's new online currency-trading platform (BCV e-Forex) has been well received. Low volatility on financial markets and very limited risk-taking are the main reasons for the revenue decline last year.

HIGHLIGHTS OF THE YEAR

Strategic withdrawal from selected lending activities

In 2004, the Bank completed its withdrawal from ship financing, the financing of oil trading and certain lending activities outside Vaud Canton. This structural realignment, announced in 2003, was implemented on schedule and on very favorable financial terms. It is helping to bring about a lasting reduction in the Bank's risk exposure and improve capital adequacy.

Divestments and liquidations

After selling its equity interest in a company in Greece and putting its Italian subsidiary into liquidation, BCV sold BCV Finance France. This brings BCV's strategic realignment to an end.

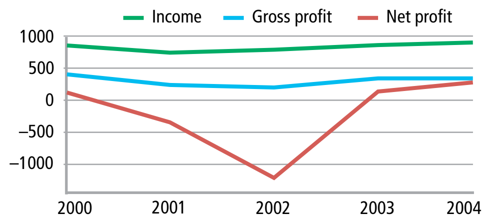
Agreement with Vaud Canton

BCV and the Government of Vaud Canton signed an agreement on September 13, 2004 concerning the exchange of information, reflecting a shared commitment to greater transparency. As provided in BCV's Articles and in accordance with the announcement made to the Annual Meeting of Shareholders on April 28, 2004, this agreement governs the exchange of information between the two parties, and facilitates compliance with their respective legal obligations.

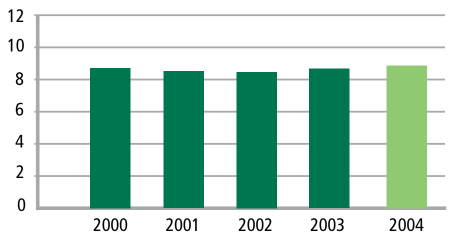
Proposal to buy back participation certificates
When the Bank recapitalized in 2003, the Vaud Cantonal Government made it clear that it considered its participation as temporary financial support to help the Bank through a difficult period, with the intention of scaling back its investment over time. In late 2004, given the Bank's improved financial position, BCV and the Cantonal Government jointly proposed a buyback plan for the participation certificates (i.e., non-voting equity securities). The plan safeguards the interests of the Canton, minority shareholders, minority holders of the securities and the Bank itself. Under the plan, the certificates owned by minority holders (0.16% of the total) will be converted into shares, and those held by the Canton will be gradually repurchased by BCV. The repurchase will be implemented in several tranches, the size and timing of which will depend on BCV's future financial resources. The Bank will pay a premium to Vaud Canton in order to remunerate the risk assumed through participation in the recapitalization.

KEY FINANCIAL DATA

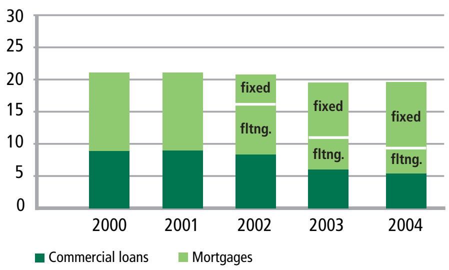
Income, gross profit, net profit in CHF millions



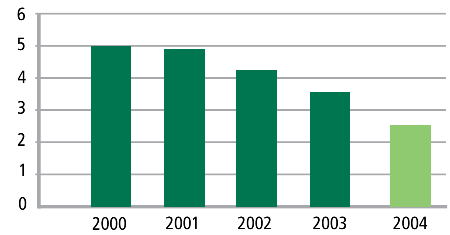
Savings in CHF billions



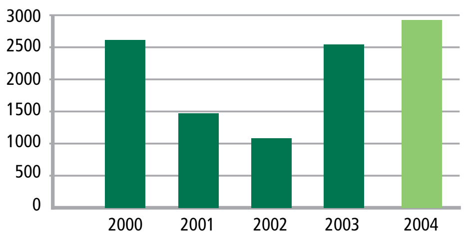
Customer loans in CHF billions (excluding impaired loans)



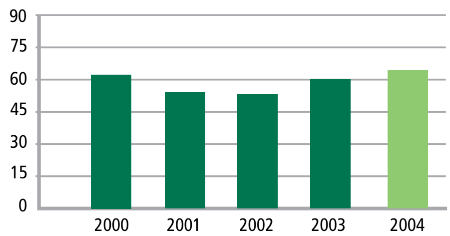
Impaired loans in CHF billions



Shareholders' equity in CHF millions



Assets under management in CHF billions



THOROUGH REORGANIZATION OF THE CORPORATE CENTER

The Corporate Center employs 648 people and comprises the Executive Board, several units reporting to the CEO, the Business Support Division and the Finance and Risks Division.

Several units are directly subordinated to the Office of the CEO: the Human Resources Department, the Corporate Secretariat and a Special Assistant to the CEO. In addition, a post of spokesperson has been created within the Corporate Secretariat in order to enhance media relations. The Human Resources Department has introduced a new personnel-management plan that focuses on performance-based personnel assessment and personnel management. The plan also encourages staff to take initiatives and assume responsibility. It has already had a positive impact.

The **Business Support Division** was set up in order to bring together the various support and service functions, and occupies 387 employees. It includes the units of the former Logistics Division, namely Information Systems Management, the Real-Estate Department and the Trading and Payment Back Offices. In addition, the legal, compliance and communications departments have been transferred to the Business Support Division. This reorganization will sharpen the CEO’s focus on supervising BCV’s operations. As for the new, larger Business Support Division, it can now offer fully integrated support functions and enhance overall service quality. The Division also acts as the interface between the Bank and IT service provider Unicible, a wholly-owned subsidiary. Activities overseen by the Division in 2004 included further real-estate sales, with 207 properties sold for a total of CHF 108 million. It also carried out control procedures in accordance with the Swiss banks’ code of conduct and due diligence (CDB) and ran a project to reduce the rate of back-office processing errors from 0.5% to 0.2%.

The **Finance and Risks Division** continued to reinforce its skill-set by hiring highly qualified people in the fields of strategic planning, risk management, asset and liability management, and controlling. It also pursued major projects to enhance the Group’s financial management in areas that include Basel II, controlling, ALM and integrated risk management. The Division’s Credit Recovery Management Department has a staff of 55 dealing with impaired loans. In 2004, the department reduced the volume of impaired loans by CHF 800 million. Its pro-active approach to extracting value from impaired loans led to the release of over CHF 100 million in provisions to the income statement.

BUSINESS TRENDS AT MAIN SUBSIDIARIES

Unicible

Unicible was established in 1992 and has more than 10 years’ experience in the design and operation of IT systems tailored to its clients’ businesses. It offers the total or partial outsourcing of a company’s IT operations, telecom services, security solutions and management of the entire paper and electronic document-production chain. Unicible also specializes in publishing, integration, consultancy and banking solutions. Four types of service are involved: i.e. consultancy, design, development and maintenance. Major achievements in 2004 include modifications and new features for the OSIRIS software along with the development of GPC, a completely paperless computer application to manage the front- and back-office credit processes. Unicible created additional services as well, including output management, which offers clients complete document-production solution. Output management covers the creation and grouping of documents, insertion into envelopes and electronic records management for the purpose of paperless documentation and mail retaining services via internet. The cantonal banks of Valais, Geneva and Neuchâtel have renewed their contracts with Unicible, which has managed their IT systems for more than ten years.

Unicible has also attracted new clients. Major contracts have been signed with companies like LeShop.ch, the leading Swiss on-line supermarket, and the private bank Anker. In 2004, Unicible's net profit rose 108.2% to CHF 20 million thanks to a 14.6% increase in revenues combined with effective cost control.

Caisse d'Epargne et de Prévoyance d'Yverdon-les-Bains (CEPY)

CEPY is a BCV Group banking subsidiary in the north of Vaud Canton specializing in mortgages, savings and commercial banking with SMEs. As part of BCV Group's strategy of rationalizing costs and generating synergies between its various businesses, it was decided to transfer CEPY's operations to the parent company.

GEP

GEP SA specializes in the administration of BCV Group's real-estate investment funds. It was founded in 1953 and has a share capital of CHF 1.5 million. It administers the Fonds Immobilier Romand, whose total assets amounted to CHF 532 million at the end of 2004. This fund was created by the merger of the FIR, FIR 1970 and CLAIR-LOGIS funds. Fonds Immobilier Romand is invested exclusively in residential real estate in the French-speaking part of Switzerland. With over 120 buildings and 2,900 homes on its books, it is a major player in the regional real-estate market. Fonds Immobilier Romand is listed on the SWX Swiss Exchange. It returned 11.8% in 2004, making it one of the best-performing funds in its category. On the back of this performance, revenues rose by 59.7% to CHF 9.3 million, and net profit grew from CHF 2.3 million in 2003 to CHF 5 million in 2004.

Sogirom

Sogirom, a real-estate company, has been a wholly-owned subsidiary of BCV since 2002. It operates in French-speaking Switzerland in the areas of condominium management, property inspections, and planning and supervision of construction work. The company manages approximately 10,000 leases. Sogirom increased net profit by 7.9% to CHF 1.2 million in 2004.

BCV Finance France

When BCV Group published its 2004 interim results, it announced its intention of withdrawing from BCV Finance France, as part of the strategy of refocusing on core businesses. Having carefully studied several bids, BCV Group accepted the offer made by VIEL & Cie, one of the world's leading financial brokers.

Banque Piguet & Cie SA

Assets under management at Banque Piguet & Cie rose once again in 2004, this time by 18.7% to CHF 3.9 billion. The subsidiary's improvement was driven by new-client business, mainly in the Middle East, Latin America, Switzerland and elsewhere in Europe. Banque Piguet & Cie maintained its efforts in a range of alternative investment products in 2004, which helped to boost the return on assets under management. Revenues rose by 2.3% to CHF 41.8 million, while net profit was stable at CHF 8 million. BCV Group showed its confidence in Banque Piguet & Cie's future by increasing its stake from 65% in 2003 to 79% in 2004.

A&G

A&G (Asesores y Gestores Financieros), founded in 1987, is focused on private wealth management and institutional asset management. BCV owns 50% of the share capital of A&G. In 2004, this subsidiary increased revenues by 48.2% to CHF 6.5 million and net profit by 206% to CHF 1.8 million.

Gérifonds

The total assets of the 70 Swiss-registered funds administered by Gérifonds rose by over 8% to CHF 13.7 billion between the end of 2003 and the end of 2004. During the same period, the total assets of the 38 Swiss- and Luxembourg-registered funds managed by the company increased by 17% to CHF 4.4 billion. On February 1, 2004, Gérifonds adopted new, more efficient fund-administration software that is widely used within the industry.

STRATEGIC DIRECTIONS – FOLLOWING ITS REALIGNMENT, THE GROUP WILL NOW FOCUS ON BOOSTING PERFORMANCE IN CORE BUSINESSES

Having completed its strategic realignment in 2004, BCV is about to enter a new phase of its development. It is looking to revitalize its performance in its core businesses — retail banking, corporate banking, private banking, institutional asset management and securities / currency trading. Its main strategic directions are as follows:

- **Focusing on products and services**
  BCV Group is no longer confronted with the need for urgent measures to safeguard its future, so it can turn its attention back to expanding its offerings in all business areas. Consequently, the spotlight in 2005 will be on products, including a number of launches (such as Protec+ in January 2005). Major efforts will be made to promote cross-selling between divisions, optimize product and service quality and expand the use of alternative distribution channels.

- **Building closer ties to clients**
  While cementing close relationships with existing clients, BCV will also try to selectively grow its business. The Bank's more detailed approach to market segmentation should enable it to identify new opportunities for growth while controlling risk exposures. This will also facilitate the implementation of a risk-adjusted pricing policy.

- **Initiating in-depth transformations**
  In a continuing drive to strengthen management and improve long-term earnings prospects, BCV is initiating major changes on several fronts. For example, the "GPC" project to optimize loan procedures was implemented at the end of 2004. Another priority is the revitalization of client relations and distribution at the three front-line divisions (Retail Banking, Wealth Management, and Corporate Banking). Projects designed to improve financial management and ALM have also been launched. Last but not least, ways to enhance the management of the Bank's key staff and improve IT resources are now being considered.

- **Improving financial performance**
  BCV aims to boost revenues in its traditional businesses while keeping risk exposures under firm control. The Bank intends to consistently create shareholder value. Over the coming three years, the Bank targets an average ROE of 11-12% p.a. It is also aiming for a cost-to-income ratio of 60-63%. The objective for the interest margin (net interest income / average assets) is to surpass 1.5%.

We start by listening.

BCV'S MISSIONS

BCV Group has several missions:

- Contributing to the development of all sectors of the Canton's economy, providing financing to public-sector entities and helping to meet the demand for mortgage lending in the Canton, all in accordance with the Cantonal Act governing the Bank (LBCV).
- Providing banking and financial services for our customers.
- Creating long-term value for shareholders.
- Being a benchmark employer.
- Playing an active role in the community.

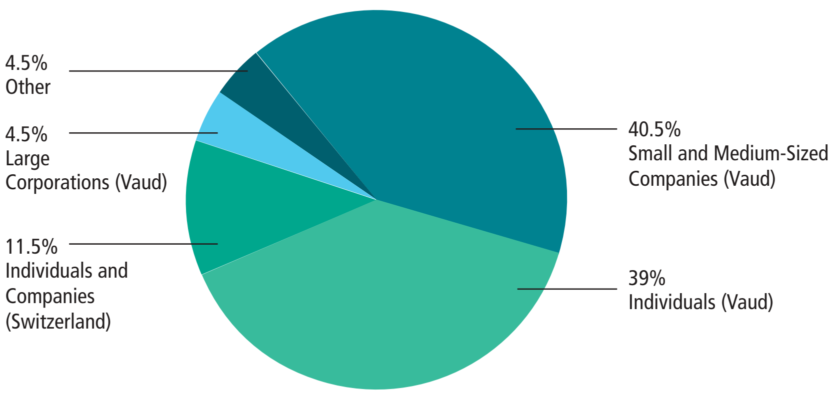
CONTRIBUTING TO THE DEVELOPMENT OF VAUD CANTON'S ECONOMY

Article 4 of the LBCV sets forth BCV's corporate mandate, which is to contribute to the development of all areas of the private-sector economy and to the financing of public sector entities throughout Vaud Canton. BCV must also contribute to mortgage lending within the Canton. BCV works hard to serve all of its individual and corporate customers. Most of its customers are individuals, with Vaud residents making up a substantial proportion of BCV's market. Nearly one out of two Vaud residents is a BCV customer. Regionally, the proportions range from 38% in the west of the Canton to 57% in the north. BCV extended 39% of its loans to Vaud residents in 2004. It seeks to maintain a close relationship with them, in particular via a strong local presence: the Bank has 69 branches, 13 fully automated sites and 140 automatic teller machines, or nearly half of all the ATMs in the Canton.

Seven out of ten companies in Vaud Canton bank with BCV.

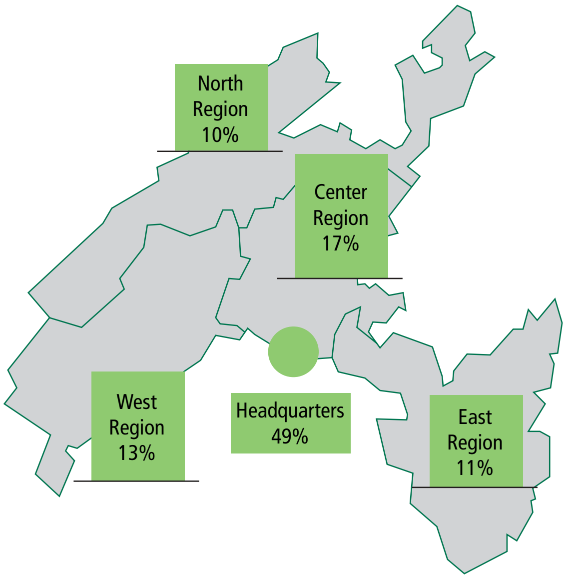
BCV also strives to serve the Canton's private-sector companies, including micro-businesses, small- and medium-sized companies and large corporations. Seven out of ten companies in Vaud Canton have chosen BCV as their banking partner. None of the companies based in Vaud Canton is more than 20 minutes away from a BCV branch. In 2004, BCV extended 45% of its loans to Vaud companies, with 40.5% going to small and medium-sized companies and 4.5% to large corporations. It was able to maintain its market share in this segment despite keen competition and soft demand (see chart below).

Customer Loan Breakdown (CHF 22.1 billion)



BCV's loan breakdown between individuals and the various categories of companies was about the same as in 2003. Business loans were equally divided among the various regions of the Canton (see chart below).

Regional Breakdown of Lending



By the same token, in keeping with its mission, BCV extends loans to all the Canton's various economic segments. Real estate and construction garner a substantial proportion of the Bank's business loans, reflecting the importance of the building industry in the Vaud economy.

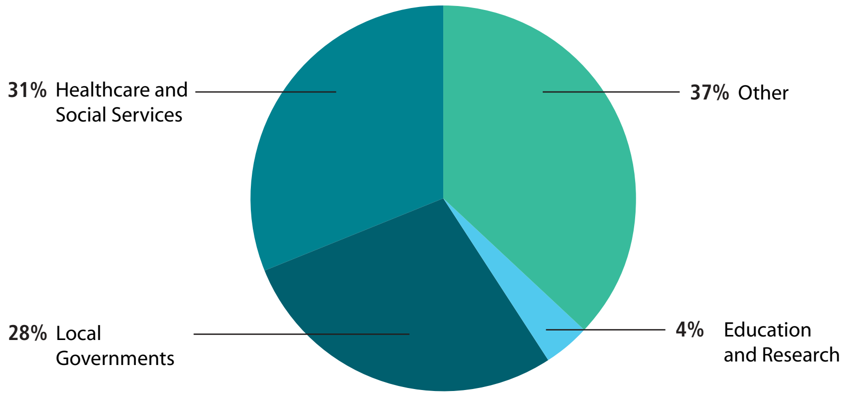
In 2004, real estate and construction accounted for 48% of BCV's loans to Vaud businesses. Trade accounted for 20%, manufacturing 9%, farming 7%, financial services 5%, hotels and restaurants 5%, and other segments (e.g. transportation, energy, and mining), 6%.

BCV lends to businesses throughout the Canton.

As part of its mission, the Bank provides services to the Canton's public-sector entities and related organizations as well. The list includes (but is not limited to) loans to local governments, healthcare and social services, educational and research groups, and international organizations.

The Bank extends 4% of its loans to the public sector. As a percentage of all of its business loans, the proportion is around 15%. These loans break down as shown in the chart below:

Breakdown of Lending to Public Sector (CHF 850 million)



The Bank kept the top spot in the local mortgage and savings markets, where it has a share of around 40%. That dominance was the result of the close ties we have fostered with the community and the goodwill the Bank has built up with individuals and companies in Vaud Canton. As a result, BCV is able to provide local customers – as well as wealthy individuals – with a wide range of banking services in line with their requirements.

MEETING CLIENTS' NEEDS

BCV continued to improve its distribution network, product range and services in 2004.

The Bank revamped retail outlets at the Lausanne University Hospital and in the nearby towns of Avenches and Aigle, and continued to adapt the opening hours of branches in Alpine resort towns to better meet those clients' needs. BCV also rounded out its range of products and services for individuals, with new types of current accounts and accounts designed specifically for young people. It launched new mortgage products specifically designed for families with children and rolled out a service allowing customers to locate the nearest ATM using their mobile phone. In addition, BCV improved its on-line brokerage "e-Sider.com."

In wealth management, BCV provided private and institutional investors with new services that focus on alternative management and hedge-fund-based absolute return products. It attracted substantial interest with new structured products, bancassurance services and open-architecture investment products.

In the business-to-business segment, BCV unveiled an online currency-trading platform called BCV e-Forex. The Bank also finished implementing a project to cut loan processing times. In its trading operations, BCV added to its range of warrants and structured products.

CREATING VALUE FOR SHAREHOLDERS

BCV Group's financial performance improved substantially last year, with net profit rising to CHF 337 million from CHF 157 million in 2003. There was an impressive increase in the return on equity (ROE), from 6.5% in 2003 to 12.4% in 2004. BCV and Vaud Canton reached an agreement to improve the exchange of information between the Bank and the Government. The Bank and the Cantonal Government also developed a plan for the Bank to repurchase 99.8% of the participation-certificate capital held by the Canton. That and the Bank's improved performance attracted investor interest. In addition, Standard & Poor's rating agency upgraded its credit rating outlook on BCV from negative to stable. All of these factors helped drive BCV's share price from CHF 141 at the start of the year to CHF 204.50 at the end, a gain of 45%.

BCV's ownership structure shows the depth of its roots in Vaud Canton. It is 81.8%-owned by the Canton, its people and institutions. BCV's main shareholder is the Canton itself, with 67.65% of the 8.5 million registered shares issued. Another 1.2 million registered shares (14.2%) are held by 7,997 of the Canton's individuals and 425 of its institutions.

However, BCV's ownership structure is becoming more diversified, with an ever-larger proportion of shares held outside of the Canton. At the end of the year, 10% of BCV's individual shareholders, with 105,338 shares, were from the German-speaking part of Switzerland. Similarly, 82 of BCV's 532 institutional shareholders were in non-French-speaking parts of the country, mainly in Zurich, Bern and Basel. For the first time in the Bank's history, institutional investors now own more than 9% of its capital.

BCV also proved an attractive investment for foreigners. At the end of 2004, 77% of foreign shareholders were individuals and 23% were professional investors.

BEING A BENCHMARK EMPLOYER

BCV's management style is based on skills development and performance. Its objective is therefore to attract the most talented people in all its areas of business. Training is crucial for BCV, both to help young people enter the workforce successfully and to ensure that our staff remains highly-trained and motivated. In 2004, we also worked hard to address the issue of women in the workplace.

In 2004, BCV had an average of 107 young people in training positions, including apprentices, high-school graduates and university interns. This effort makes the Bank one of the Canton's top three companies in terms of training tomorrow's workforce. BCV has its own training center with a full-time staff of seven people, backed by 97 BCV employees who lead occasional training classes and 40 outside speakers. In 2004, the training center ran 526 sessions for 7,548 employee-days of training. The training program is also available to other cantonal banks based in Italian and French-speaking Switzerland. On average, every BCV employee had 3.3 days of in-house training in 2004.

BCV boasts one of the largest entry-level training programs in Vaud Canton.

Another aspect of the Bank's human resources policy concerns the role of women. The parent company employs 874 women, i.e., 42.9% of its total workforce. At the end of 2004, 149 women, or 7.3% of the parent-company workforce, held an executive rank. The Bank's senior management is aware that more women should have management-level positions, and has begun to consider ways to enhance the status of women within BCV. That has already resulted in the appointment of a second woman as head of one of BCV's departments and of 17 women to various middle-management positions. In addition, six of our retail banking outlets have female managers.

BCV has had a day-care center since 1995. It takes in the children of BCV employees on a part-time or full-time basis from the end of maternity leave until the children reach school age. As of the end of December 2004, 38 children of BCV employees were enrolled in the day-care center. Finally, to encourage the career progress of women and in response to popular demand, the Bank decided to extend maternity leave and to offer women returning to work the possibility of working part-time for an additional several weeks in order to ease the transition back into full-time employment.

BCV is a major employer in Vaud Canton, with 2,423 employees on a full-time-equivalent (FTE) basis at the end of 2004, 60 fewer than one year earlier. The parent company alone had a workforce of 2,037 at the end of the year, or 1,829.7 FTE, a reduction of 52.3 FTE compared with the end of 2003. The improvement in BCV's image and performance in 2004 enabled the Bank to hire several highly talented specialists at various levels of the organization.

Around two-thirds of the parent company's staff work in its three main offices. Two of the offices are located in central Lausanne, at Place Saint-François (head office) and Place Chauderon, and the other is in the Lausanne suburb of Prilly. The remaining one-third work in BCV's 69 retail banking outlets. Most branch managers and staff live less than six miles from their place of work, in line with our core value of being close to the community we serve.

PLAYING AN ACTIVE ROLE IN THE COMMUNITY

The Bank believes that its mission includes a commitment to the cultural, sporting and social side of life in the community. In 2004, BCV supported 33 major events in Vaud Canton and the rest of Switzerland, including the *Tour de Romandie* professional cycling stage-race, the Payerne air show and classical music concerts as part of the *Septembre Musical de Montreux.*

BCV backs many major events in the Canton.

The link between these events is that they promote the goals defined in the Bank's statement of core values: close ties to all our stakeholders and broad popular appeal. That is why BCV supports such a long and varied list of happenings like the Lausanne 20 km running race, the Château-d'Œx hot-air-balloon show and, starting in 2005, the Paleo Music Festival in Nyon.

Our commitment to the community also extends to smaller-scale local events. BCV financially supported around 140 events and attractions in 2004, including the *Trophée de Nyon* running race, the *Musique et Neige* festival in Les Diablerets and the Lausanne-Vidy miniature railway. In addition, the Bank gets involved in socially-oriented work, such as its collaboration with *Fondation Planète Enfants Malades,* which aims to make hospitals more pleasant places for children in Vaud Canton.

BCV also backs citizen-oriented initiatives. These include creating a huge mosaic of Easter eggs for *Transport Handicap* and cleaning up a pasture in Les Diablerets with Pro Natura. BCV also awards academic prizes – often small, but always appreciated – in all of the Canton's schools and universities.

We consider the cultural, sporting and social events and initiatives that we back to be an essential part of the fabric of our Canton. They create a community spirit by getting people involved with their region and each other. We generally support such events discreetly, since we feel that they are a basic part of our mission. That said, we are proud of the role we have played in the visual arts over the years. Our backing for local artists has resulted in a collection that currently includes 2,100 pieces by 500 painters and sculptors from the Canton.

We find solutions for local businesses.

BUSINESS SECTOR REPORT

RETAIL BANKING

Highlights

- **Although the market environment was very competitive, Retail's revenues and net profit increased in 2004.**
- **The Sector maintained its strong position in the local (i.e., Vaud Canton) market despite stiff competition in mortgages.**
- **Savings deposits grew, showing customers' increasing trust in BCV.**
- **New product launches and advertising campaigns improved the Bank's corporate image.**
- **The decentralization of decision chains further enhanced BCV's proximity to customers, and thus its competitive edge.**

Business and strategy

Retail Banking serves individuals with less than CHF 300,000 in assets and very small companies with fewer than five employees and sales of under CHF 1 million. The product range includes mortgages, current accounts, electronic payment methods, savings accounts, long-term financial protection and planning products, investment funds, consumer credit and remote services (the "e-Sider" on-line brokerage service, the BCV-net online banking platform and phone banking). The branch network has 69 staffed retail outlets and employs 489 staff.

Most of BCV's customers first come to the Bank for retail banking services. By providing products that are well-suited to customers' needs, Retail Banking is able to build brand loyalty and make a considerable contribution to Group income. Retail's aim is to consolidate BCV's status as the bank of choice for people living in Vaud Canton. In addition, Retail intends to develop expertise in advisory services for high-potential customers. Finally, the Sector will be working to maintain its dominant position in real-estate financing, financial protection and investments by offering products that add substantial value for both the customer and the Bank. The distribution strategy is designed to maximize client choice. Customers can access products and services in branches, over the phone and on the Internet, and each of these channels has a different pricing structure.

Market Environment

Vaud Canton's retail-banking market is growing, driven by a strong trend in mortgage lending. However, competition remains very tough: UBS and Credit Suisse, the Raiffeisen group and the up-and-coming PostFinance have all been increasing their presence locally. The Sector is experiencing pricing pressure, particularly in real-estate financing.

2004 Business Report

Retail Banking maintained its market share in 2004 despite tough market conditions, and gross income from banking operations rose by 1.5% to CHF 254.4 million. Interest income held steady, while fee income grew, driven by new products such as accounts specifically designed for young people and the Bank's new current-account pricing structure. Initiatives to upgrade ATMs and develop online services such as e-Sider and BCV-net also contributed to the operational improvement.

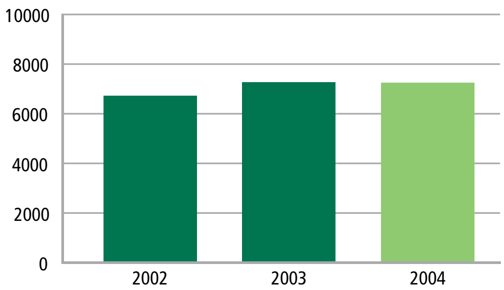
Gross profit rose by 2.8% to CHF 141.4 million, thanks to tight cost control. Net profit rose slightly to CHF 32.8 million. Many staff took part in a major training program aimed at enhancing their technical and customer-relations skills.

2005: Objectives and Outlook

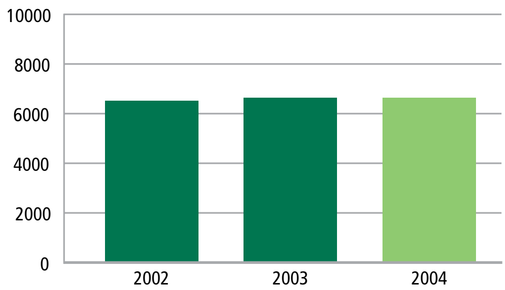
Retail's short-term aim is to increase cross-selling. It also intends to provide global solutions for individual customers while offering the best value in the market, and will work to align the product range even more closely with its customers' requirements. Retail Banking intends to substantially raise its earnings contribution by increasing its business volumes, making greater use of targeted pricing and continuing to reduce expenses. Earnings growth is likely to be accompanied by a significant improvement in the Sector's cost-to-income ratio and an increase in ROE.

Financial Data (2002-2004)

Mortgages / Loans & Advances to Customers (CHF millions)



Customer Savings (CHF millions)



Key Figures

	2003*	2004
Total income (in CHF millions)	250.6	254.4
Gross profit (in CHF millions)	137.6	141.4
C/I (excluding goodwill amortization and goodwill write-downs)	72.0%	73.0%
ROE (based on gross profit after depreciation)	19.1%	20.3%
Headcount (FTE)	467	489

* To facilitate comparisons, figures have been adjusted to reflect organizational changes.

CORPORATE BANKING

Highlights

- **The Corporate Banking sector carried out a strategic withdrawal from certain businesses while reorganizing and refocusing its operations. All objectives were met on schedule.**
- **Two out of every three companies in Vaud Canton bank with BCV.**
- **New credit processes were introduced, which will significantly improve the range of services offered to clients.**
- **BCV maintained its positions in all market segments in 2004 despite a difficult economic climate.**
- **Continuing progress in improving the quality of the loan book and in reorganizing operations paid off in lower costs and a sharp reduction in risk.**

Business and Strategy

Corporate Banking's 341 employees serve three client segments: SMEs, large corporations and trade-finance clients. In 2004, SMEs (i.e., small and medium-sized businesses) accounted for 68% of revenues, major corporations for 16% and trade-finance clients for 16%. Corporate Banking offers a broad range of products and services covering short-term financing needs, cap-ex financing, international trade and risk hedging (for example, exchange-rate-risk strategies). In 2004, Corporate Banking focused efforts on implementing its new strategy and completing its withdrawal from certain business areas. The sector will now focus on strengthening core areas of expertise and improving profitability by reducing operating expenses and expected loan losses.

Market Environment

In the SME segment, the demand for credit continued to decline in Vaud Canton as in other regions of Switzerland, although the latest indications suggest a slight turn in the trend. One effect of businesses' lower financing needs has been an increase in the amount of funds they have on deposit with BCV. Against the backdrop of the Bank's implementation of a risk-adjusted pricing policy, BCV remained the bank of choice among SMEs in the local market. Utilization levels of credit facilities granted to large corporate clients fell, in line with a general decline in their financing requirements.

In the Trade Finance segment, the increase in commodity prices that had begun in 2003 continued in 2004. Prior to 2003, prices had fallen steadily for more than a decade. Sharp rises in oil and metals spread to softs in 2004. The general price uptrend is partly attributable to structural changes in the market. This has led to a rapid increase in commodity traders' financing requirements.

2004 Business Report

Gross banking income fell by 16.7% to CHF 235.5 million, mainly due to the strategic withdrawals. A firm grip on costs and a sharp drop in expected loan losses partly offset the decline in revenues. There has been good progress in optimizing cross-selling between the Group's various businesses, and new credit procedures are currently being implemented.

SME segment: Lending volumes were down slightly due to stiff competition in the mortgage market. Sales efforts in commercial loans and the introduction of risk-adjusted pricing helped to improve overall profitability in this segment.

Large Corporate segment: Lending volumes were down slightly, but there was a concomitant improvement in the segment's risk profile.

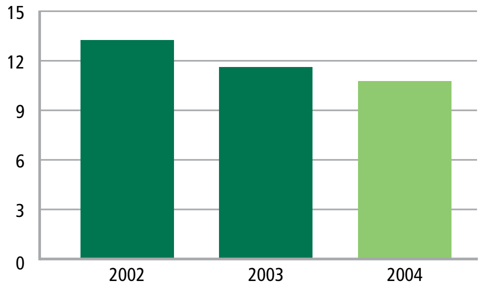
Trade Finance segment: The reorganization has been a success. The segment's contribution to earnings remained substantial at CHF 22 million, despite the strategic withdrawals. The Group is pursuing a niche strategy in this business, focusing on softs and metals financing.

2005: Objectives and Outlook

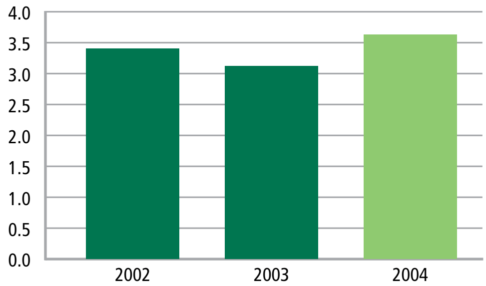
Now that the strategic withdrawals have been completed, Corporate Banking will focus efforts on core business areas. The overall aim is to achieve a moderate increase in business volumes, with revenues rising slightly faster than Vaud Canton's expected economic growth rate. New credit processes will result in shorter processing times, lower operating expenses and a reduction in expected loan losses.

Financial Data (2002-2004)

Loans outstanding (CHF billions)



Customer deposits (CHF billions)



Key Figures

	2003*	2004
Total income (in CHF millions)	282.6	235.5
Gross profit (in CHF millions)	197.1	158.9
C/I (excluding goodwill amortization and goodwill write-downs)	42.0%	45.0%
ROE (based on gross profit after depreciation)	21.9%	20.1%
Headcount (FTE)	386	341

* To facilitate comparisons, figures have been adjusted to reflect organizational changes.

WEALTH MANAGEMENT

Highlights

- **Wealth Management's results improved significantly in 2004. Revenues increased by 1.4% (up 6% excluding the impact of strategic withdrawals), while costs remained firmly under control. As a result, gross profit rose by 13% to CHF 139 million and net profit by 57% to CHF 58.5 million.**
- **The Sector's business model – based on integrating all areas of expertise involved in wealth management – paid off, with substantial growth in institutional clients' assets and a rise in private-client investments in the SMARTPLAYER and absolute-performance products managed by the Bank's asset-management team.**
- **Assets under management rose by 4.5%, driven mainly by inflows from institutional clients, growth in subsidiary Banque Piguet & Cie's private client business and an increase in funds under administration at subsidiary Gérifonds SA. Including performance gains, total assets under management grew to CHF 47 billion by the end of the year.**
- **The restructuring of the sector's foreign network is nearing completion following the sale of BCV Finance France and the winding up of wealth-management activities in Italy and Greece.**

Business and Strategy

Wealth Management covers five main business areas within the parent company. They are private banking, institutional asset management, services for independent financial advisors and portfolio managers, financial and estate planning and private and professional financial protection. These are complemented by investment-fund management activities (through subsidiary Gérifonds SA), private wealth management through specialist private banking subsidiary Banque Piguet & Cie, and a 50% holding in A&G in Spain. Wealth Management employs 283 staff within the parent company and 198 in the subsidiaries.

The parent company accounts for 70% of Wealth Management revenues. The parent company's Private Banking Department offers the full range of wealth management and credit services to both onshore and offshore clients through six dedicated offices in Vaud Canton. BCV's client-relationship philosophy is based on a long-term approach to wealth and estate planning, with 65 specialists located conveniently close to their clients.

The investment product range is designed specifically to meet the needs of private clients. It harnesses state-of-the-art risk management combined with open architecture to target absolute returns.

The institutional asset management business offers advisory services, specialized management agreements and fund-management services to clients both within and outside Vaud Canton. The sector's service offering also includes asset/liability analysis services for pension funds.

Independent financial advisors and portfolio managers turn to the Wealth Management team for access to the Bank's trading expertise, as well as for market research and analysis.

Wealth Management's strategy is to maintain and expand its position as the bank of choice for wealth management services in Vaud Canton. It also aims to achieve growth in selected markets and areas outside the Canton through its subsidiaries and specialized service offering for institutional clients and IFAs. It will continue to profit from the Bank's expertise in investment management. This will help it respond to the needs of both private and institutional customers through highly personal service geared to building relationships and developing high-quality customized solutions. The subsidiaries will follow niche strategies, expanding through the development of their own brands and areas of expertise, while seeking synergies with the parent company where appropriate.

Market Environment
The financial markets turned in a mixed performance in 2004. After a positive first quarter, renewed uncertainty resulted in highly volatile markets. Most asset classes had achieved modest gains at the end of the year. Investor confidence in equity markets, which had been shaken by losses following the end of the bubble in 2000-2001, was partially restored. Within Vaud Canton, a strong real-estate market in the Lake Geneva region contributed to a building boom and a jump in demand for mortgages to finance high-end real estate, as investors continued to diversify away from purely financial assets.

Competitive pressure continued to grow in all areas of activity, with both intense price competition and moves by traditional private banks to expand activities within Vaud Canton. The impact of the new competitors has been very limited, thanks to the loyalty of BCV's clients and the efforts of client advisors.

2004 Business Report
Revenues grew by 1.4% (up 6% excluding withdrawals) to CHF 264 million. This was achieved through a combination of growth in assets under management and switching into investment products offering higher returns. Interest revenues increased as a result of the favorable interest-rate environment and an increase in new mortgage business. The increase in total assets under management was driven mainly by new institutional management agreements signed both within and outside Vaud Canton, a 19% increase in the assets managed by the Banque Piguet & Cie and an increase in assets deposited via IFAs due to expansion in their client base. The generally positive trend was also reflected in the results of A&G, whose assets under management surpassed EUR 1 billion for the first time.

Investment performance was buoyed by the launch of innovative new products including absolute-return instruments and rising-floor management agreements. Wealth Management's bond and real-estate management strategies performed exceptionally well. In line with the policy of selective investment in subsidiaries with good long-term prospects and group synergies, BCV increased its stake in Banque Piguet & Cie to 79%. An agreement to sell subsidiary BCV Finance France was reached in 2004, and the sale will be finalized in 2005.

2005: Objectives and Outlook
Wealth Management's objective is to offer high-quality service and reliable investment performance that meet the needs of all our client segments. The sector intends to sell its high-quality approach aggressively in order to achieve its ambitious client-acquisition goals. It also aims to increase assets under management and keep a tight lid on costs.

The range of investment products will continue to be expanded and improved. The aim is to stay in step with the opportunities arising in financial markets and maintain risk controls and a disciplined approach to investment. The sector will add specific, specialized fund products in line with the particular needs of institutional fund managers, which should help BCV consolidate its successful performance in this market segment in 2004.

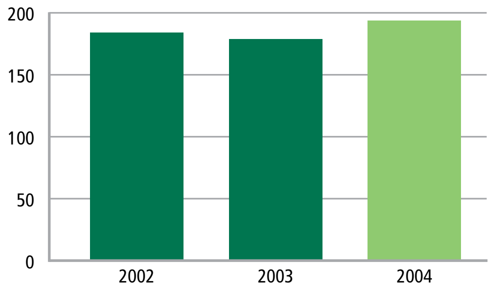
Within the parent company, particular emphasis will be placed on ensuring that the Sector meets the needs of its onshore private customers both in the high-net-worth and affluent categories. This will involve both refining its range of mortgage products and re-examining its market and product positioning. The aim is to address the changing needs of these customers and to utilize geographic coverage and investment expertise to optimize growth.

Within the subsidiaries, Wealth Management is continuing to target significant expansion at both Banque Piguet & Cie and A&G. Banque Piguet & Cie is expected to continue increasing business levels with offshore customers, particularly in the Middle East, and to take advantage of BCV's offices in Asia. Gérifonds is expected to grow assets under management by offering solutions integrated with the parent company's depositary services and by developing both its own and third-party investment funds for distribution in Switzerland.

Financial Data (2002-2004)

Assets under Management (CHF billions)

Commission and Fee Income (CHF millions)



Key Figures

	2003*	2004
Total income (in CHF millions)	260.2	264.0
Gross profit (in CHF millions)	123.2	139.0
C/I (excluding goodwill amortization and goodwill write-downs)	77.0%	69.0%
ROE (based on gross profit after depreciation)	24.4%	48.5%
Headcount (FTE)	541	481

* To facilitate comparisons, figures have been adjusted to reflect organizational changes.

TRADING

Highlights

- **BCV took its well-established structured-product operations to a new level through a significant move into Swiss-franc warrants.**
- **The launch of the new BCV e-FOREX currency trading platform improved service quality in terms of user-friendliness and efficient order processing.**
- **Trading activities provided a good source of revenue diversification for BCV Group.**
- **Risk remained low, as did volatility, with Value-at-Risk (VaR) at less than CHF 4 million.**

Business and Strategy

Trading serves both Group entities and external clients, including private individuals in Switzerland, Switzerland-based institutional investors, and also investment funds and Swiss banks. The broad product range covers forex, equity and fixed-income trading, along with derivatives and structured products. Trading's growing service offering also encompasses product design, new issues, market-making and advisory/sales services. BCV Group has direct links with the SWX, Virt.X and XETRA electronic exchanges and with the EUREX standardized derivatives exchange. Trading also handles the Bank's cash management and carries out proprietary arbitrage trading. The Bank has a branch in Guernsey for fiduciary investments and structured-product issuance. Overall, the Trading Sector has 75 employees (FTE).

Trading intends to focus on the Swiss market and to be a center of trading expertise in the Swiss franc. In particular, it aims to expand proprietary trading activities, with an emphasis on high-value arbitrage. In addition, targeted diversification opportunities in euro-denominated trading are currently being analyzed. The Sector is constantly upgrading its straight-through processing systems in order to improve service quality and profitability. Trading aims to create value for the Group by broadening its range of investment products and its suite of forex, hedging, investment and professional advisory services.

Market Environment

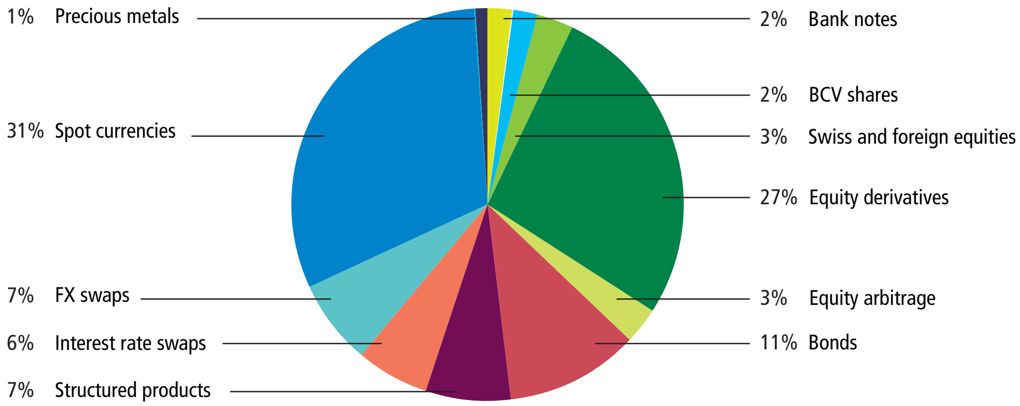
The quality of electronic trading platforms and market data systems has improved, making low-value-added products more price-transparent. This is pushing down margins and creating stiffer competition in these product areas. After falling to a historically low level in 2004, the Swiss market's volatility is likely to rise in 2005, providing support for BCV's derivatives and structured-product businesses. However, market sentiment and performance are unlikely to reach great heights.

2004 Business Report

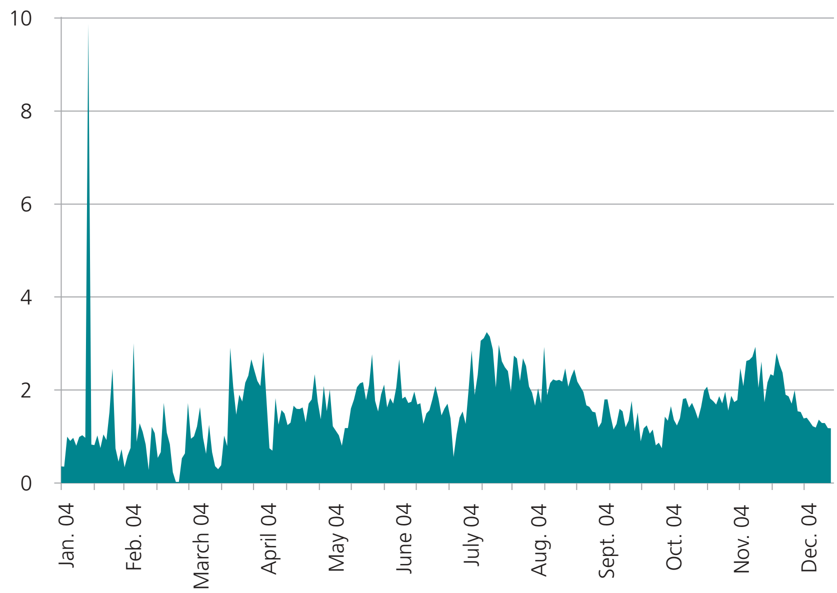
A key event in 2004 was the launch of BCV e-FOREX, an online currency-trading and advisory service, which has been marketed to corporate clients and banks. Client feedback has been very positive. In the warrants segment, business based on Swiss securities grew rapidly with the issue of 215 new warrants. At the end of the year, BCV ranked tenth in terms of warrant and structured-product trading volumes on the Swiss stock exchange. BCV also benefited from its status as a full-fledged direct member of the German XETRA stock exchange. The sales force on the trading floor is made up of two teams, one working on forex products and the other on structured products and derivatives. These teams were strengthened in 2004.

Low volatility and volumes in the Swiss market dampened the Sector's business levels throughout 2004. Its profit fell from a historically high CHF 14.4 million in 2003 to CHF 9.6 million in 2004, which was lower than expected.

Breakdown of income by market segment



Trading VaR 2002-2004 (in CHF millions) 99% confidence interval, 10 days



2005: Objectives and Outlook

Revenue-growth efforts will focus on design, sales and market-making in derivative-based and structured investment products. Eventually, Trading is aiming to be the fifth-largest provider of structured products and warrants on the Swiss stock exchange (SWX) in terms of volumes. New products will be developed to take advantage of any rise in interest rates, and exchange-rate risk-hedging products will be introduced. As regards alternative distribution channels, the number of forex customers using BCV e-FOREX should continue to grow in 2005. At the same time, the structured-equity, forex and fixed-income product range will be expanded, and efforts to enhance straight-through order processing will be continued. Trading intends to increase gross income from banking operations, reduce its cost-to-income ratio and improve return on equity in 2005.

Financial Data (2002-2004)

Key Figures

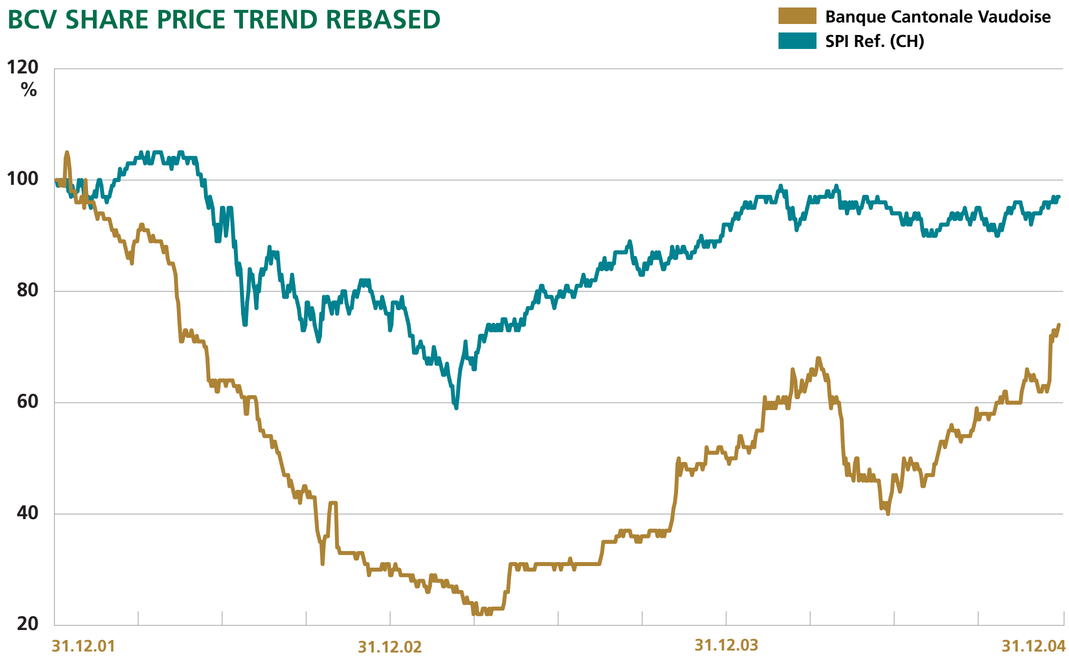
	2003*	2004
Total income (in CHF millions)	69.3	49.9
Gross profit (in CHF millions)	41.1	22.5
C/I (excluding goodwill amortization and goodwill write-downs)	54.0%	68.0%
ROE (based on gross profit after depreciation)	33.7%	15.7%
Headcount (FTE)	79	75

* To facilitate comparisons, figures have been adjusted to reflect organizational changes.

We offer convenient remote-banking services.

INVESTOR INFORMATION

BCV SHARE PRICE TREND REBASED



Listed on:	SWX Swiss Exchange		
Par value:	CHF 62.50		
Swiss security code:	1 525 171		
ISIN code:	CH0015251710		
Ticker symbols:	Bloomberg: BCVN	Telekurs: BCVN	Reuters: BCVN.S

		2002	2003	2004
Number of shares outstanding (thousands)		8488	8488	8518
Period-end share price		80	141	204
Share price high/low	– high	295	144	208
(adjusted, in CHF)	– low	79	62	111
Dividend per share *(after preference dividends)*		–	2.00	3.00
Dividend yield (as %)		–	1.4	1.5
S&P long-term credit rating			A–, negative	A–, stable
S&P short-term credit rating			A– 2	A– 2

BCV's share price dropped sharply between 2001 and 2003, a period when BCV Group was experiencing some significant problems. The strategic measures implemented since mid-2003 have paid off, with a return to profitability and a sounder financial position. This recovery led to a 45% rise in the share price in 2004, to CHF 204.50 at the end of the year. However, this positive share-price trend was accompanied by some degree of volatility. The share price came under occasional pressure as a result of several factors, such as uncertainty about the future of the participation-certificate capital. BCV's late-2004 proposal to buy back the participation certificates largely dispelled those concerns. The buyback will enable the Group to maintain its financial flexibility while retaining an adequate capital base. BCV has recently taken steps to strengthen relations with the investor community and make its financial reporting and communications more transparent, and the Group intends to pursue these measures.

We put technology to work for you.

FINANCIAL STATEMENTS – CONTENTS

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

In 2004, the following factors resulted in an improvement in the quality and structure of the balance sheet:

- the withdrawal from areas with relatively high risk profiles (trade financing in the oil and shipping sectors);
- the reduction in the volume of impaired loans on the parent company's books from CHF 3.7 billion at the end of 2003 to CHF 2.7 billion one year later;
- the reduction in the volume of outstanding bonds from CHF 8.5 billion to CHF 7.2 billion one year later (by redeeming rather than rolling over maturing bonds);
- the improvement in the ratio of customer deposits to customer advances, which rose from 72% to 77% in the period under review.

Three factors drove the increase in gross profit (up 3%) and the strong rise in net profit (up 114%):

- a stable trend in income from banking operations, which stood at CHF 944 million, despite the strategic withdrawals from certain areas of business;
- strict cost control, which resulted in a CHF 8.6 million decline in operating expenses and an improvement in the cost-to-income ratio from 71% to 67%;
- provision releases: the reduction in loan-loss provisions reflected the better-than-expected terms obtained on several liquidations carried out by the parent company, which benefited from a favorable market environment on those operations, and the improved financial situation of some borrowers. Provisions amounting to CHF 156 million were therefore released to earnings as extraordinary income during the period under review.

ASSETS: DOWN 5.7% IN LINE WITH STRATEGY

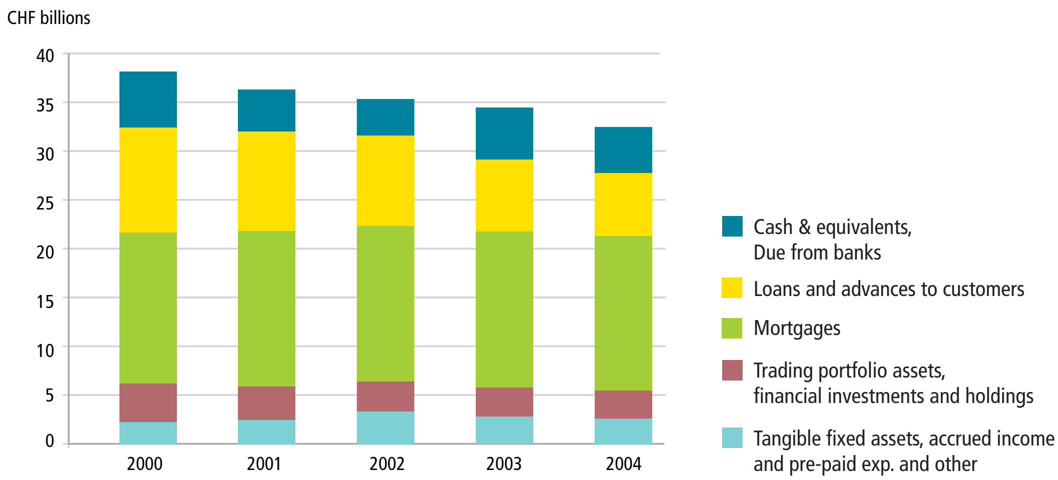
Total assets declined by 5.7% to CHF 32.3 billion in 2004.

REDUCTION IN IMPAIRED LOANS

Several asset positions showed a decrease in the reporting period, reflecting the Bank's strategic realignment. Loans and advances to customers and mortgages fell on aggregate by CHF 1.1 billion, or 4.7%, to CHF 22.1 billion. The breakdown reveals a more pronounced decline in the area of commercial lending, where total volume contracted by CHF 933 million. This 12.8% drop was due to the strategic withdrawals initiated in early 2003 and a significant reduction in the volume of impaired loans on the parent company's books. Total impaired loans amounted to CHF 2.7 billion at December 31, 2004, compared with CHF 3.7 billion one year earlier. Mortgage loans fell by only CHF 163 million, or 1.0%, in spite of the reductions in the volume of impaired mortgage loans achieved during the period. This shows that BCV was able to generate new business in 2004 in order to maintain its market position. Among other assets, the item "Due from banks" was down CHF 737 million, while money market instruments increased by CHF 93 million and trading portfolio assets were up CHF 39 million, or 3.3%.

Financial investments declined by CHF 116 million, essentially due to disposals of available-for-sale real estate. The "Other assets" item showed a decrease of CHF 181 million, mainly as a result of declines in the positive replacement values of derivative financial instruments.

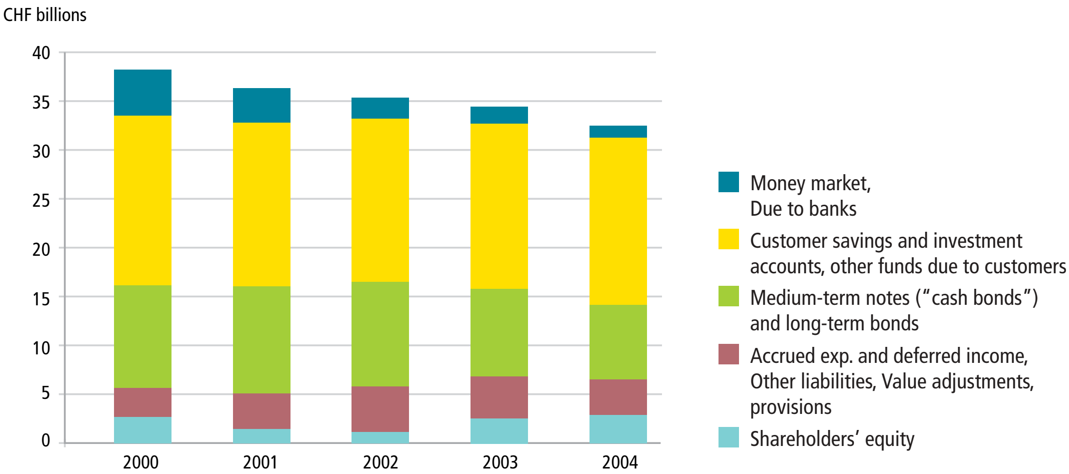
Assets



Liabilities: Savings Up

On the liabilities side, customer savings and investment accounts continued to rise in the period under review (up 1.3% to CHF 8.9 billion). An increase of CHF 73 million in other funds due to customers offset a decline in medium-term notes (down 19% to CHF 343 million). There has been a downward trend in the latter item for several years. The Group's divestments having led to lower long-term financing needs, BCV used its strong cash position to redeem a number of high-cost bonds at maturity rather than roll them over. Consequently, long-term borrowings were down by CHF 1.2 billion, or 14%, at December 31, 2004. A reduction of 17% in value adjustments and provisions (to CHF 1.8 billion) underscores the Group-wide efforts made over the last two years to scale back the portfolio of impaired loans.

Liabilities and Shareholders' Equity



IMPROVEMENT IN GROSS PROFIT

Despite the impact of strategic withdrawals on revenue flows, BCV Group posted a 2.5% rise in gross profit in 2004 to CHF 398.6 million.

The various components of overall gross profit are detailed below:

- Net interest income, of which over 98% is generated by the parent company, rose by 1.3% to CHF 424.2 million. The reduction in international trade-financing operations (in line with the strategic decisions made early in 2003 to withdraw from ship and oil financing) reduced interest income by roughly CHF 30 million. Overall, the Bank's net interest margin was 1.29% in the period under review, as compared with 1.23% in 2003.

- Net fee and commission income rose by 3.6% to CHF 298.5 million. The negative impact of strategic withdrawals (estimated at CHF 10 million) was largely offset by an increase in net commission income from wealth-management operations. That increase was mainly due to BCV subsidiary Banque Piguet & Cie SA's strong performance.

- Net trading income was down 23% to CHF 84.0 million.

- Other ordinary income was up 17% to CHF 15.7 million, thanks to a rise in revenues at BCV's IT subsidiary Unicible.

- Operating expenses fell by 1.6% to CHF 545.6 million, reflecting a 2.1% reduction in personnel costs (to CHF 364.9 million) in line with the lower headcount at the Group. At the end of 2004, BCV Group's staff numbered 2,423 full-time equivalents (FTEs), as against 2,483 a year earlier (a decline of 2.4%). The parent company had 1,830 FTEs at year-end. Other operating expenses were stable at CHF 180.7 million.

Income from ordinary banking operations totaled CHF 944.2 million, while operating expenses amounted to CHF 545.6 million, yielding a gross profit of CHF 398.6 million (up 2.5%) for the reporting period. The cost-to-income ratio improved from 71% to 67%.

SHARPLY HIGHER NET PROFIT

Net profit at BCV Group was up sharply for the 2004 reporting period. It stood at CHF 336.6 million, an increase of 114% on the year-earlier figure. The strong rise in net profit reflected the following factors:

- Depreciation and write-offs were significantly lower than in 2003 (down 43% to CHF 86 million), which in fact simply marked a return to normal levels for this item. (There had been substantial extraordinary write-downs on goodwill in 2003.)

- Value adjustments, provisions and losses fell considerably (down 49%) compared with 2003, and stood at CHF 39.7 million. The Group also released CHF 156 million of provisions to the income statement as extraordinary income (total extraordinary income amounted to CHF 170.3 million). The releases were made possible by the better-than-expected terms obtained on several liquidations carried out by the parent company (largely thanks to good market conditions) and the improved financial situation of some borrowers.

- CHF 80.9 million was charged against earnings in order to increase reserves for general banking risks.

The main drivers of BCV's financial results for the period under review were the following: the Bank's strategic focus on extracting maximum value from impaired loans, the new organizational structures and business processes implemented in the area of credit management, the staff's professionalism, and the favorable economic environment in 2004.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET (in CHF thousands)

	Notes *	31/12/04	31/12/03	Change absolute	Change as %
Cash and cash equivalents	12	399 594	367 979	31 615	8.6
Money market instruments	1/12	358 127	264 984	93 143	35.2
Due from banks	12	3 916 601	4 653 195	–736 594	–15.8
Loans and advances to customers	2/12	6 372 425	7 305 188	–932 763	–12.8
Mortgages	2/12	15 740 014	15 903 175	–163 161	–1.0
Trading portfolio assets	3/12	1 130 780	1 094 866	35 914	3.3
Financial investments	3/12	1 659 118	1 775 378	–116 260	–6.5
Non-consolidated holdings	3/4	86 492	45 588	40 904	89.7
Tangible fixed assets	4	629 139	677 208	–48 069	–7.1
Intangible assets	4	92 609	74 993	17 616	23.5
Accrued income and prepaid expenses		187 819	186 559	1 260	0.7
Other assets	5	1 722 002	1 902 586	–180 584	–9.5
Assets	6/15/16/17	**32 294 720**	**34 251 699**	**–1 956 979**	**–5.7**
Total subordinated assets		74 503	71 575	2 928	4.1
Total claims on non-consolidated holdings and significant shareholders		250 626	251 008	–382	–0.2
of which claims on Vaud Canton		*104 958*	*106 891*	*–1 933*	*–1.8*
Money market paper issued	12	933	819	114	13.9
Due to banks	12	1 196 224	1 722 370	–526 146	–30.5
Customer savings and investment accounts	12	8 857 487	8 747 419	110 068	1.3
Due to customers, other	12	8 116 773	8 043 926	72 847	0.9
Medium-term notes	8/12	342 504	422 746	–80 242	–19.0
Bonds and mortgage-backed bonds	9/12	7 249 592	8 468 512	–1 218 920	–14.4
Accrued expenses and deferred income		227 350	231 703	–4 353	–1.9
Other liabilities	5	1 544 052	1 828 654	–284 602	–15.6
Value adjustments and provisions	2/10	1 840 084	2 222 937	–382 853	–17.2
Liabilities	7	**29 374 999**	**31 689 086**	**–2 314 087**	**–7.3**
Reserves for general banking risks	10	332 080	252 907	79 173	31.3
Share capital		1 381 565	1 379 690	1 875	0.1
Own equity securities		–5 677	–9 309	3 632	39.0
Capital reserve		339 852	334 407	5 445	1.6
Retained earnings		523 389	430 013	93 376	21.7
Minority interests – equity		11 953	17 686	–5 733	–32.4
Net profit before minority interests		336 559	157 219	179 340	114.1
Minority interests		*1 728*	*3 115*	*–1 387*	*–44.5*
Shareholders' equity	11	**2 919 721**	**2 562 613**	**357 108**	**13.9**
Total liabilities and shareholders' equity	15/17	**32 294 720**	**34 251 699**	**–1 956 979**	**–5.7**
Total subordinated liabilities		592 525	600 405	–7 880	–1.3
Total liabilities to non-consolidated holdings and significant shareholders		283 539	206 004	77 535	37.6
of which liabilities to Vaud Canton		*253 488*	*100 579*	*152 909*	*152.0*

* The notes are on pages 68 to 82.

CONSOLIDATED OFF-BALANCE-SHEET TRANSACTIONS (in CHF thousands)

	Notes *	31/12/04	31/12/03	Change absolute	Change as %
Irrevocable and similar guarantees		371 527	271 094	100 433	37.0
Acceptances and endorsements		283 249	343 944	–60 695	–17.6
Contingent liabilities	2	**654 776**	**615 038**	**39 738**	**6.5**
Irrevocable commitments	2	**217 451**	**193 804**	**23 647**	**12.2**
Liabilities for calls on shares and other commitments	2	**102 341**	**105 521**	**–3 180**	**–3.0**
Commitments arising from deferred payments		49 264	30 899	18 365	59.4
Confirmed credits	2	**49 264**	**30 899**	**18 365**	**59.4**
Fiduciary transactions		**1 053 467**	**1 122 340**	**–68 873**	**–6.1**
Derivative financial instruments					
Positive replacement values	5/18	1 510 753	1 706 698	–195 945	–11.5
Negative replacement values	5/18	1 078 359	1 280 344	–201 985	–15.8
Values of underlyings	18	64 639 271	66 880 144	–2 240 873	–3.4

* The notes are on pages 68 to 82.

CUSTOMER ASSETS (in CHF millions)

	31/12/04	31/12/03	Change absolute	Change as %
Assets held by funds under own management	14 538	12 937	1 601	12.4
Assets under discretionary management agreements	8 714	9 030	–316	–3.5
Other assets	40 819	38 281	2 538	6.6
Total customer assets (incl. double-counted)	**64 071**	**60 248**	**3 823**	**6.3**
of which double-counted	*7 970*	*6 005*		
Net new money	766	N/A		

CONSOLIDATED INCOME STATEMENT (in CHF thousands)

	Notes *	2004	2003	Change absolute	Change as %
Interest and discount income		795 709	870 574	–74 865	–8.6
Interest and dividend income from financial investments		42 623	44 073	–1 450	–3.3
Interest expense		–414 164	–495 823	–81 659	–16.5
Net interest income	19/20/30	**424 168**	**418 824**	**5 344**	**1.3**
Commissions on lending operations		36 782	45 519	–8 737	–19.2
Commissions on securities and investment transactions		279 727	264 074	15 653	5.9
Commissions on other services		60 471	49 392	11 079	22.4
Commission expense		–78 528	–70 884	7 644	10.8
Net fee and commission income	21/22/30	**298 452**	**288 101**	**10 351**	**3.6**
Net trading income	23	**84 017**	**109 157**	**–25 140**	**–23.0**
Profit on disposal of financial investments		12 245	19 438	–7 193	–37.0
Total income from holdings		6 129	6 997	–868	–12.4
of which holdings accounted for using the equity method		*1 009*	*4 163*	*–3 154*	*–75.8*
of which other non-consolidated holdings		*5 120*	*2 834*	*2 286*	*80.7*
Real-estate income		12 583	17 724	–5 141	–29.0
Miscellaneous ordinary income		109 221	93 520	15 701	16.8
Miscellaneous ordinary expenses		–2 647	–10 619	–7 972	–75.1
Other ordinary income		**137 531**	**127 060**	**10 471**	**8.2**
Total income from ordinary banking operations		**944 168**	**943 142**	**1 026**	**0.1**
Personnel costs	24/30	–364 925	–372 663	–7 738	–2.1
Other operating expenses	25/30	–180 689	–181 542	–853	–0.5
Operating expenses		**–545 614**	**–554 205**	**–8 591**	**–1.6**
Gross profit		**398 554**	**388 937**	**9 617**	**2.5**
Depreciation and write-offs on fixed assets	4/26	–86 477	–150 954	–64 477	–42.7
Value adjustments, provisions and losses	10/27	–39 684	–77 465	–37 781	–48.8
Profit on ordinary banking operations before extraordinary items and taxes		**272 393**	**160 518**	**111 875**	**69.7**
Extraordinary income	10/28	170 253	16 627	153 626	924.0
Extraordinary expenses	11/29	–84 112	–3 214	80 898	2 517.1
Taxes		–21 975	–16 712	5 263	31.5
Net profit before minority interests		**336 559**	**157 219**	**179 340**	**114.1**
Minority interests		1 728	3 115	–1 387	–44.5
Net profit		**334 831**	**154 104**	**180 727**	**117.3**

* The notes are on pages 68 to 82.

CONSOLIDATED CASH FLOW STATEMENT (in CHF thousands)

	2004 Source of funds	2004 Application of funds	2003 Source of funds	2003 Application of funds
Cash flow from operations				
Net profit for the year	336 559		157 219	
Depreciation and write-offs on fixed assets	86 477		150 954	
Value adjustments and provisions	203 867	289 667	366 360	255 012
Accrued and deferred items	–	5 613	10 024	4 288
Profit/loss (incl. affiliates accounted for using the equity method and sale of fixed assets)		880		12 820
Reserves for general banking risks	80 900		600	
Dividend for previous year		62 220		–
	707 803	**358 380**	**685 157**	**272 120**
Net cash inflow from operations	**349 423**	**–**	**413 037**	**–**
Cash flow from equity transactions				
Share capital	1 875		849 185	
Net share premium		1 640	387 315	
Own equity securities	34 944	24 227	22 245	28 524
Minority interests		8 848		2 428
Change in scope of consolidation		36 017	1 847	
Effect of exchange-rate differences	267		2 206	
	37 086	**70 732**	**1 262 798**	**30 952**
Net cash inflow from equity transactions	**–**	**33 646**	**1 231 846**	**–**
Cash flow from investments				
Holdings	7 210		1 296	242
Real estate	22 899	1 436	8 368	1 718
Other tangible fixed assets	142	25 812	10 436	30 693
Goodwill		4 277	12 413	9 060
Other intangible assets	49	60 853		38 671
	30 300	**92 378**	**32 513**	**80 384**
Net cash inflow from investments	**–**	**62 078**	**–**	**47 871**
Cash flow from banking operations				
Medium- and long-term operations (over 1 year)				
Due to banks		93 787		1 338
Customer accounts		193 696	8 742	
Medium-term notes	63 563	143 805	38 418	192 252
Bond issues		324 694		614 466
Private placements		150 000		420 000
Structured products	756 625	716 851	203 322	437 577
Loans from central mortgage bond institution of Swiss cantonal banks	60 000	844 000	110 000	462 500
Savings and investment accounts	110 068		407 750	
Other liabilities		284 602		118 418
Due from banks	2 645			37 561
Loans and advances to customers		22 196	68 484	
Mortgages	163 161			122 956
Value adjustments and provisions as allocated		303 569		346 414
Financial investments	124 321		157 260	
Other receivables	180 584		403 438	

CONSOLIDATED CASH FLOW STATEMENT (in CHF thousands) *(continued from p. 52)*

	2004 Source of funds	2004 Application of funds	2003 Source of funds	2003 Application of funds
Short-term operations				
Money market paper issued	114			387
Due to banks		432 359		407 192
Customer accounts	266 543			166 753
Money market instruments		93 143	4 700	
Due from banks	733 949			1 587 159
Loans and advances to customers	954 959		1 872 242	
Trading portfolio assets		35 914	12 477	
Cash and cash equivalents				
Cash and equivalents		31 615	31 128	
	3 416 532	**3 670 231**	**3 317 961**	**4 914 973**
Net cash inflow from banking operations	**–**	**253 699**	**–**	**1 597 012**
	349 423	**349 423**	**1 644 883**	**1 644 883**

Accounting Principles

OVERVIEW OF OPERATIONS

Banque Cantonale Vaudoise (BCV) is a corporation organized under public law. It operates as a universal bank with a community focus. Its corporate mandate is to contribute to the economic development of its home region, Vaud Canton.

BCV offers a comprehensive range of retail-banking services for individuals and business customers throughout the Canton, as well as wealth-management and investment-banking services for Swiss and international clients. Along with its traditional areas of business (savings & loan and wealth management), BCV engages in corporate banking and selected trade-financing operations in commodities (softs and metals). It plays a major role on the financial markets, offering a broad portfolio of stock-exchange services, including financial-engineering consulting, equity and derivatives trading and operations in interest-rate instruments. It is also active in the field of new issues, bonds and structured products, and foreign-exchange trading.

In order to play a leading role in the financial services industry, BCV diversified its operations and is now the parent company of a banking and financial group. In Switzerland, this group encompasses a regional bank, a private bank, two fund-management companies, an online trading site, a private equity company, a real-estate firm and an IT company. Outside Switzerland, BCV Group has subsidiaries specializing in asset management in Spain and Asia.

BCV Group has not signed any outsourcing agreements with third parties in Switzerland or abroad in respect of essential operations.

ENGLISH TRANSLATION

BCV's Consolidated Financial Statements are prepared and published in French, and only the French text is authoritative. The present text is an English translation of that document; it should by no means be construed as a "reconciliation" to the accounting practices of the US, UK, or other English-speaking countries. Although care has been taken to ensure that the English version corresponds as closely as possible to the original French as used in the context of Swiss GAAP, the terminological choices made in this translation represent one possibility among others, and interpretations should be based exclusively on the original French terms.

STAFF NUMBERS

Full-time equivalents	31/12/04	31/12/03
Group	2,423	2,483
of which parent company	1,830	1,863

BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of BCV Group have been prepared in accordance with the provisions of the Federal Act of November 8, 1934 on Banks and Savings Institutions, its Ordinance of May 17, 1972 and the directives of the Swiss Federal Banking Commission of December 14, 1994, as amended on December 18, 2002.

SCOPE OF CONSOLIDATION

All Group companies operating in the banking and financial sectors, as well as management companies in which BCV directly or indirectly holds a majority of the share capital or voting rights, are fully consolidated.

Financial-service companies in which BCV owns between 20% and 50% of the share capital are treated as associated undertakings and accounted for using the equity method.

Holdings of less than 20%, companies of no material significance, subsidiaries that are not in the financial-services industry and investments held purely with a view to their subsequent sale are not consolidated. They are stated at cost, less appropriate depreciation.

BASIS OF CONSOLIDATION

Equity is consolidated using the purchase method. The acquisition cost of a holding is offset against the equity existing on the date on which control is transferred.

The acquisition date for all holdings acquired before 1992 is taken to be January 1, 1992. Goodwill is carried on the balance sheet and amortized over its estimated useful life (maximum 20 years).

Depending on its nature, any negative goodwill is allocated either to retained earnings or provisions.

TRUE AND FAIR VIEW

The financial statements give a true and fair view of the assets, financial position and results of BCV Group.

The consolidated financial statements are based on the annual accounts of Group companies, which have been prepared in accordance with standard accounting and valuation principles.

CLOSE OF FINANCIAL YEAR

The accounts are closed at December 31. Group companies with other closing dates prepare interim financial statements.

REGULAR RECORDING OF TRANSACTIONS

Results of all transactions concluded on a daily basis are carried in the income statement. Cash transactions not yet executed are recorded in the balance sheet at the transaction date.

FOREIGN-CURRENCY TRANSLATION

Transactions in foreign currencies during the year are translated at the exchange rates prevailing on the transaction date.

Assets and liabilities in foreign currencies are translated into Swiss francs at the exchange rates prevailing on the balance-sheet date, provided that they are not valued at their historical cost.

Exchange gains and losses, including unrealized gains and losses on forward foreign-exchange contracts open at the balance-sheet date, are carried in the income statement.

Balance-sheet items and off-balance-sheet operations of foreign holdings are translated at year-end exchange rates fixed for the Group, with the exception of shareholders' equity invested in these holdings, which is translated at historical rates.

Income-statement items are translated at the average annual exchange rates fixed for the Group. Differences arising from the translation of shareholders' equity and the income statement are recorded directly in shareholders' equity.

Major currencies	**Units**	**Rate at 31/12/04** (in CHF)
Euro	1	1.5456
US dollar	1	1.1371
Pound sterling	1	2.1831
Japanese yen	100	1.1097

MONEY MARKET INSTRUMENTS AND RECEIVABLES FROM BANKS

Money market instruments and receivables from banks are carried on the balance sheet at their nominal value.

CUSTOMER LOANS AND ADVANCES AND MORTGAGES

Customer loans and advances and mortgages are recorded in the balance sheet at nominal value. Appropriate value adjustments are entered as liabilities under "Value adjustments and provisions."

Customer loans and advances are analyzed on an individual basis. A provision for impaired loans is booked in accordance with the principles set out under point 2 of the section on risk assessment. Interest and commissions overdue by more than 90 days are not entered in the income statement. They are instead booked directly to "Value adjustments and provisions."

Receivables considered as non-recoverable are written off through the appropriate value-adjustment account; any recoveries of receivables that have been written off are booked to "Value adjustments and provisions."

TRADING PORTFOLIO ASSETS

The item "Trading portfolio assets" comprises positions in equity securities, debt securities and precious metals, held with a view to taking advantage of price fluctuations in their respective markets. These positions are calculated at fair value with reference to quoted market prices. If the market is illiquid, a valuation model is used.

Gains and losses realized on sales and purchases of these positions, as well as unrealized gains and losses arising from variations in fair value, are reported under "Net trading income." The cost of refinancing securities held in the trading portfolios is netted against interest and dividend income from these portfolios and recorded under "Net trading income."

FINANCIAL INVESTMENTS

This item comprises securities and precious metals acquired for medium- and long-term investment purposes, as well as equity securities held neither for trading nor as a permanent investment. Available-for-sale real estate acquired in connection with credit operations is also shown under this heading. Held-to-maturity fixed-interest-bearing securities are carried at cost, with premiums or discounts (yield components) amortized over the term of the instrument.

Gains and losses arising from their sale or early redemption are recorded proportionally up to the initial maturity date of the securities.

Interest-bearing securities not intended to be held until maturity are valued at the lower of cost or market. Net adjustments in value are entered under "Other ordinary expenses" or "Other ordinary income."

Positions in equity securities and available-for-sale real estate are also valued at the lower of cost or market.

Related-party loans *(prêts partiaires)* to companies in the real-estate sector are recognized on a substance-over-form basis and carried in the balance sheet at their net worth, i.e., after deduction of appropriate value adjustments, under "Financial investments."

SECURITIES BORROWING AND LENDING

Securities sold subject to a repurchase agreement (repos) and those lent (securities lending) remain on the balance sheet as trading or investment securities, provided that the Group continues to be the beneficiary owner. Cash amounts received for the sale of these securities or as collateral for these loans are included under "Due to customers, other" or "Due to banks." Interest charges relating to these liabilities are recorded in the income statement using the accrual method.

Securities acquired under commitments to resell (reverse repos) and those borrowed (securities borrowing) are not recognized on the balance sheet as debt securities unless the ownership rights pass to the Group. Cash amounts paid for the purchase of these securities or as collateral for these borrowings are entered under "Loans and advances to customers" or "Due from banks." Interest charges relating to these assets are recorded in the income statement using the accrual method.

TANGIBLE FIXED ASSETS

Tangible fixed assets are carried at cost and depreciated on a straight-line basis over their estimated useful lives within the following limits:

- 50 years for real estate;
- 10 years for technical equipment;
- 5 years for machinery, furniture and fittings;
- 5 years for computer software and hardware.

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

Any depreciation recorded over the remaining estimated useful life and additional write-downs made subsequent to impairment reviews are charged to the income statement for the period, under "Depreciation and write-offs on fixed assets."

If the factors giving rise to an impairment cease to exist, the carrying value of the asset concerned is increased in order to fully or partly eliminate any depreciation in value recorded in preceding periods.

INTANGIBLE ASSETS

Computer software is carried at cost and depreciated on a straight-line basis over its estimated useful life (maximum 5 years).

Goodwill is entered in the balance sheet and amortized over an estimated useful life not to exceed 20 years.

PENSION-FUND LIABILITIES

The Group provides pension plans for all its personnel. These plans comply with the legislation of the countries where it operates. Most of these plans have the legal status of defined-contribution plans.

Most Group employees belong to the parent company's pension plan. Given the Group's commitment to reduce the actuarial deficit of its main pension fund, the Caisse de pensions de la Banque Cantonale Vaudoise, the main pension plan has been qualified as a defined-benefit plan, within the meaning of Swiss-GAAP RPC 16, for the purpose of calculating pension-fund liabilities. Actuarial calculations conducted by independent experts serve as a basis for establishing the liabilities and costs arising from employee-benefit plans. Coverage surpluses are only capitalized to the extent that they allow the employer's future costs to be reduced. However, such surpluses may not be returned to the employer. Coverage deficits resulting from the implementation of this standard are amortized over the average remaining employment period of currently active employees.

VALUE ADJUSTMENTS AND PROVISIONS

In keeping with prudential accounting, value adjustments and provisions are established for all tangible and potential risks of loss. See point 2.7 in the "Risk-assessment principles" section of this chapter (pp. 61-65).

With the exception of value adjustments for related-party loans *(prêts partiaires)* to real-estate companies (which are offset under assets), these value adjustments are accounted for as liabilities on the balance sheet.

In addition to individual provisions for counterparty risk, the Bank has a supplementary lump-sum general provision that covers the potential risks – in particular, the concentration of loans in particular regions and sectors – contained in its impaired loan portfolio, which is considered to be too large relative to the total loan book. The amount of this provision varies according to the ratio of impaired loans to total loans.

TAXATION

Tax is calculated on the basis of the results of Group companies and the principle of matching the reference period.

In conformity with prudential accounting, the tax credit resulting from the losses incurred in the 2001 and 2002 reporting periods has not been capitalized. At the end of 2004, CHF 1.5 billion remained out of the initial CHF 2.1 billion in losses that could be carried forward and offset against the profits of subsequent years. The resultant reduction in tax for the 2004 financial year may be estimated at CHF 93.1 million.

RESERVES FOR GENERAL BANKING RISKS

To cover risks inherent in the banking business which are not covered by specific provisions, the Group preventively sets aside "Reserves for general banking risks." These reserves have been duly declared and the tax charge on them has been paid.

OWN-EQUITY AND DEBT SECURITIES

Own-equity securities held by Banque Cantonale Vaudoise (registered shares and bearer participation certificates) are deducted from shareholders' equity at their acquisition value. Dividend payments and the profit or loss on disposals are allocated directly to the capital reserve.

Positions in own-debt securities of BCV are offset by corresponding positions on the liabilities side.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING OPERATIONS

All derivative financial instruments are carried at fair value. For all positions traded on a liquid and efficient market, fair value is determined by the market value. In the absence of such a market, fair value is established using valuation models.

Gains and losses (realized or unrealized) on derivatives used for trading purposes are recognized in the income statement under "Net trading income."

The Group also employs derivatives as part of its asset and liability management strategy, primarily to hedge interest-rate risk. These operations are recognized as macro hedging operations, and net gains or losses are entered under "Interest and discount income." Changes in fair value of hedging instruments are recognized in the "Offset account" under "Other assets" or "Other liabilities."

In all cases where the Bank's risk-management unit employs derivative hedging instruments, records are kept of the operations themselves as well as their objectives and the overall strategic framework, together with the system adopted to monitor the operations' effectiveness.

Risk-Assessment Principles

1. INTRODUCTION

The objectives of risk management are presented in the "Global Risk Management" chapter (pp. 128-133), which also outlines BCV's approach and new developments in this area. The following section describes the principles that the Bank applies in assessing risk.

2. CREDIT RISK

2.1 Exposure to credit risk

Credit risk arises from the possibility that a counterparty might default on its financial obligations to the Bank. Credit risk includes settlement risk and country risk. All forms of credit commitments (on or off the balance sheet) to non-bank clients, other banks or organized markets entail credit risk for the Bank.

The Bank distinguishes four types of exposure to credit risk:
- financial exposures, which are characterized by an outflow of funds;
- off-balance-sheet commercial exposures, stemming from third-party guarantees given or obtained by the Bank;
- exposures arising from derivatives when their replacement value is positive;
- settlement exposures, which result from a time lag between the delivery of funds or securities and the receipt of the funds or securities acquired in exchange.

Every position that entails credit risk is clearly assigned to one of these exposure categories. A breakdown of the Bank's exposure to credit risk by exposure category is then established using well-defined methods. Overall or specific limits are set for financial, off-balance-sheet commercial and OTC derivatives exposures. Limits on settlement exposures are likewise set for bank counterparties. When positions are unwound through a system of simultaneous settlement such as CLS (Continuous Linked Settlement), settlement risk is assumed to be zero.

In its trade-finance business, the Bank also monitors its exposure to the risks linked to the commodities serving as risk mitigants (these commodities are typically located abroad). At this level, it distinguishes four different types of exposure:
- exposure to the risk that the merchandise serving as collateral is not produced;
- exposure to the risk that the merchandise serving as collateral suffers a loss of value in transit;
- exposure to the risk that the merchandise serving as collateral does not leave the country;
- exposure to the risk that the merchandise serving as collateral does not leave the port.

2.2 Categories of default risk

The Bank considers a counterparty to be in default whenever any of its debts to the Bank becomes "non-performing" (see definition of non-performing loans under point 2.3 below). Each counterparty is assigned to an issuer-risk rating category on the basis of a well-defined model. Rating categories are defined by intervals of probabilities of default. Seven main risk categories and 17 sub-categories are used to classify counterparties according to their risk of default.

2.3 Non-performing loans

A counterparty defaults and all its loans from the Bank are considered "non-performing" whenever at least one of the following criteria is met:

- on any of the forms of credit extended to the counterparty, the Bank has not received all of the following payments within 90 days after the due date: interest, fees, partial or full repayment of principal due; or any of the credit limits is exceeded for more than 90 days;
- the counterparty is in bankruptcy proceedings (as defined in Article 171 of the LP, the Swiss federal law on debt and bankruptcy proceedings), under a debt-restructuring moratorium (LP Article 293) or in out-of-court debt-settlement negotiations (LP Article 333);
- on any of the forms of credit extended to the counterparty, credit terms markedly more favorable than current market terms have been granted and/or maintained by the Bank solely on the basis of the counterparty's solvency problems;
- the Bank expects that a significant portion of the amount owed will not be recovered because the counterparty's indebtedness is deemed definitively and permanently to exceed its ability to pay;
- a financial instrument comparable to one of the counterparty's debts to the Bank is traded on a liquid secondary market at a discount of more than 40% for reasons related to the creditworthiness of the counterparty.

2.4 Impaired loans

Impaired loans are the sum of the loans to non-performing or defaulting counterparties and to counterparties "reputed to be in financial difficulty". A counterparty is classified as "reputed to be in financial difficulty" when at least one of the following four criteria is met and a follow-up risk analysis has not refuted the indication of increased risk:

- the counterparty has been assigned to a risk category indicating a probability of default within one year greater than 10%;
- on any of the forms of credit extended to the counterparty by the Bank, a significant breach of the agreement has occurred and has not been remedied;
- the Bank believes that a portion of its receivable is unlikely to be recovered because of the debtor's excessive debt;
- a financial instrument comparable to one of the counterparty's debts to the Bank is traded on a liquid secondary market at a discount of between 10% and 40% for reasons related to the creditworthiness of the counterparty.

2.5 Market value of risk mitigants

The market value is the estimated selling price of an asset in its current state and under current market conditions. More specifically, for real estate, the market value is the estimated selling price taking into account its current state, the type of property, the location (surroundings, neighborhood), the region, its current use and the related income and expenses, the age of the building and any renovations made to it, as well as market conditions for this type of real estate (independently of the seller). For mortgage loans, the value of the collateral taken into account to determine the loan-to-value ratio is based on the market value of the real estate.

2.6 Liquidation value of risk mitigants

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 the transaction costs of the sale).

For a real-estate asset, liquidation value is the estimated net proceeds from sale based on the current market value, the time required to sell it under current market conditions, holding costs and transaction costs.

2.7 Provisions for credit risk

The purpose of provisions for credit risk is to recognize increases in the expected loss on impaired loans as expenses booked to the current accounting period. Provisions for credit risk include provisions for risks related directly to the counterparty as well as provisions for country risk.

Provisions for counterparty risk are calculated individually for each counterparty. The analysis specifically takes into account the liquidation value of the risk mitigants, the total exposure (on and off the balance sheet) to the counterparty, market conditions, the quality of the counterparty's management, and the counterparty's ability and willingness to pay its debts.

In addition to its counterparty-specific provisions, the Bank has created a lump-sum supplementary general provision to cover the risks associated with its portfolio of impaired loans, which is considered to be too large relative to the total loan book. This supplementary provision is intended in particular to cover the latent risks entailed in the geographical and sector concentration of the portfolio. The amount of the provision evolves as a function of the proportion of impaired loans to the total loan portfolio.

Provisions for country risk are intended to cover potential losses resulting from exposures in high-risk countries, namely those whose country-risk rating as assessed by Moody's is less than or equal to Ba or an equivalent rating by another recognized rating agency.

3. MARKET RISK ON THE TRADING BOOK

3.1 Exposure to market risk

Market risk arises from the possibility of losses on one or more of the Bank's trading positions as a result of changes in market parameters, in particular the quoted price (or estimate, in less liquid markets) and the price volatility of the underlying. Trading positions are positions in equities, fixed-income instruments or currencies (including precious metals). Positions in underlying instruments are classified as "spot" positions, whereas positions in futures contracts, swaps and options are classified as "derivatives" positions.

Each trading position is valued at the price quoted on a specified reference market and on the basis of price quotes from a specified source.

3.2 Sensitivities

Measures of sensitivity are used to control local risk exposures. The following measures are used.

For equity positions:
- Beta, which is the percent change in price resulting from a 1% rise in the benchmark index.

For equity options and currencies:
- Delta, which is the percent change in the price of the option resulting from a 1% rise in the price of the underlying.
- Gamma, which is the percent change in delta resulting from a 1% rise in the price of the underlying.
- Vega, which is the percent change in the price of the option resulting from a 1% rise in the implied volatility of the underlying.
- Theta, which is the percent change in the price of the option resulting from a decrease of one day in the time to expiration.
- Rho, which is the percent change in the price of the option resulting from an upward shift of 1% of the yield curve.

For debt securities, interest-rate futures and options:

- Sensitivity, which is the percent change in price resulting from an upward shift of one basis point of the yield curve.
- Convexity, which is the percent change in sensitivity resulting from an upward shift of one basis point of the yield curve.

3.3 Value-at-risk (VaR)

Limits stated in terms of value-at-risk are applied at the aggregate level and by group of underlyings. VaR is calculated on the basis of simulations using historical variations in market parameters. The Bank works with a confidence interval of 99% and a ten-day horizon. The liquidation horizon is chosen to be consistent with the liquidity of the positions and the portfolio management strategy chosen.

3.4 Stress testing

Stress loss is measured on the basis of well-defined stress scenarios. At the aggregate level and by group of underlyings, scenarios are constructed to reflect historical shocks and variations in market parameters. The purpose of applying these scenarios is to understand potential losses beyond those identified by VaR analysis.

4. MARKET RISK ON THE BANKING BOOK

4.1 Exposure to interest-rate risk and liquidity risk

Interest-rate risk arises from the possibility of a decline in the interest margin and/or the value of capital resulting from movements in the yield curve. The interest margin is the difference between interest income on the asset side and interest expense on the liability side. Exposure to interest-rate risk on the banking book arises from mismatches between the size and terms (maturity of fixed rates) of assets and liabilities of the banking book. These mismatches are expressed in terms of interest-rate risk gaps by maturity. The interest-rate risk gap is defined by time interval. It is determined by the difference between asset positions and liability positions on which the interest rate arrives at maturity during the time interval considered. Exposures to balance-sheet interest-rate risk include all positions on the banking book, i.e., on and off the balance sheet.

Liquidity risk arises from the possibility that a liquid asset will not be available and/or that access to refinancing will be insufficient or difficult. Exposure to liquidity risk is expressed in terms of liquidity gaps by residual maturity. These (static) gaps indicate future refinancing requirements arising from the assets and liabilities existing at the time of analysis.

4.2 Yield-curve sensitivity and duration of capital

Yield-curve sensitivity is the percentage change in the value of capital resulting from a shift of 100 basis points in the yield curve. This analysis uses well-defined scenarios for interest rates on assets and liabilities and for changes in balance-sheet structure. Replication portfolios are used to simulate changes in positions in non-indexed variable-rate instruments (such as adjustable-rate mortgage loans).

The duration of capital is the ratio of the present value of all future cash flows, weighted by time to maturity, to the present value of capital.

4.3 Value-at-risk

The value-at-risk of capital is determined on the basis of historical simulations using a 99% confidence interval and a 90-day horizon.

4.4 Interest-rate stress analysis

Stress analysis of potential interest-margin loss is performed on the basis of scenarios defined in terms of changes in interest rates on assets and liabilities and changes in balance-sheet structure.

5. OPERATIONAL RISKS

As defined by the Basel Committee, operational risk arises from inadequacies or failures relating to internal processes, people and systems or from events external to the Bank. Operational risks include legal risk, in particular the risk of having to pay damages or fines as a result of a malfunction. Operational risk is not something that the Bank actively seeks with the objective of earning a return; rather, it is incurred as a result of the Bank's operations. The Bank distinguishes seven categories of operational risk:

- Internal fraud
- External fraud
- Human resources management, including workplace safety
- Customers, products and services
- Physical damage
- Business disruptions and system breakdowns
- Services management and the management process

Increased or realized operational risks that have not yet had a financial impact are provisioned according to a defined procedure. Both provisions for operational risks and incurred losses not covered by provisions are recorded as costs of operational risk.

SCOPE OF CONSOLIDATION

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

Fully Consolidated Group Companies

			Status at December 31, 2004		Previous year
			Capital in thousands of units	Stake as %	Stake as %
Banking interests held by Banque Cantonale Vaudoise					
Banque Piguet & Cie SA, Yverdon-les-Bains	Switzerland	CHF	20 000	79.00	65.00
Caisse d'Epargne et de Prévoyance d'Yverdon-les-Bains SA (CEPY) *en liquidation,* Yverdon-les-Bains	Switzerland	CHF	10 000	100.00	100.00
Finance and service companies held by Banque Cantonale Vaudoise					
Asesores y Gestores Financieros SA, Madrid	Spain	EUR	92	50.00	50.00
BCV Asia Investment Inc., Tortola	Virgin Islands	USD	–	100.00	100.00
BCV Finance (France) SA, Paris	France	EUR	33 380	100.00	100.00
BCV Investment Asia (Hong Kong) Ltd., Hong Kong	China	HKD	15 000	100.00	100.00
BCV Investment Asia (Singapore) PTE Ltd., Singapore	Singapore	SGD	2 700	100.00	100.00
Gérifonds SA, Lausanne	Switzerland	CHF	2 900	100.00	100.00
Initiative Capital SA, Lausanne	Switzerland	CHF	1 720	100.00	100.00
Société pour la gestion de placements collectifs GEP SA, Lausanne	Switzerland	CHF	1 500	100.00	100.00
Sogirom société de gestion immobilière, Lausanne	Switzerland	CHF	500	100.00	100.00
Unicible, Prilly	Switzerland	CHF	20 000	100.00	100.00
Banque Cantonale Vaudoise and Gérifonds SA					
Gerifonds Floor Fund Management Company (Lux.) SA Holding, Luxembourg	Luxembourg	EUR	130	100.00	100.00
Banque Piguet & Cie SA					
Piguet Asset Management SA, Luxembourg	Luxembourg	CHF	210	100.00	100.00
BCV Finance (France) SA, Paris					
BCV Broking & Consulting SA, Paris	France	EUR	38	100.00	100.00

Main changes in 2004

At end-June 2004, BCV acquired the Déjardin estate's holdings of Banque Piguet & Cie SA shares, increasing BCV's stake from 65% to 79%.

In early December 2004, BCV transferred part of its stake in Defi Gestion SA to its partners, reducing its shareholding to 20%.

Companies that are dormant or in the process of liquidation, together with their subsidiaries, are no longer listed in the scope of consolidation. This applies in particular to Argant, BCV Corporate Finance Holding, BCV Italia, Rhonagest and Soroges.

OTHER HOLDINGS

Group Companies Accounted for Using the Equity Method

			Capital in thousands of units	Status at December 31, 2004 Stake as %	Previous year Stake as %
Finance and service companies held by Banque Piguet & Cie SA					
PRS International (Cayman) LTD, George Town	Cayman Islands	USD	250	25.00	33.33
PRS International Consulting Inc., Miami	United States	USD	1	25.00	33.33

Main changes in 2004

In March 2004, BCV sold its interest in EPIC Investment Services Firm, Athens.

Other Non-Consolidated Holdings

			Capital in thousands of units	Status at December 31, 2004 Stake as %	Previous year Stake as %
Finance and service companies jointly owned by the cantonal banks					
Caleas SA, Zurich	Switzerland	CHF	30 000	4.72	4.72
Central mortgage institution of Swiss cantonal banks, Zurich	Switzerland	CHF	165 000	13.64	13.64
Finarbit SA, Küsnacht	Switzerland	CHF	1 500	8.33	8.33
Swiss Canto Finanz in Liquidation, Baar	Switzerland	CHF	24 000	15.42	15.42
Swisscanto Holding SA, Bern (formerly Swissca Holding SA)	Switzerland	CHF	24 204	8.38	8.38
Viseca Card Services SA, Opfikon	Switzerland	CHF	20 000	4.29	4.29
Finance and service companies jointly owned by the Swiss banks					
Société Nominee en liquidation, Geneva	Switzerland	CHF	1 000	13.00	13.00
SIS Swiss Financial Services Group AG, Zurich	Switzerland	CHF	26 000	3.41	3.46
Telekurs-Holding SA, Zurich	Switzerland	CHF	45 000	2.33	2.33
Temporary or insignificant holdings					
Advanced Investment Techniques SA, Geneva	Switzerland	CHF	3 600	16.67	16.67
Argant SA, Lausanne	Switzerland	CHF	2 000	100.00	100.00
BCV Corporate Finance Holding SA en liquidation, Lausanne	Switzerland	CHF	6 000	100.00	100.00
BCV Italia S.p.A., Milan	Italy	EUR	10	100.00	100.00
BCV Gestion SIM S.p.A. in liquidazione, Milan	Italy	EUR	1 200	100.00	100.00
Coopérative vaudoise de cautionnement CVC, Lausanne	Switzerland	CHF	5 368	39.21	40.87
Coopérative vaudoise de cautionnement hypothécaire CVCH, Lausanne	Switzerland	CHF	1 067	76.00	78.92
Defi Gestion SA, Lausanne	Switzerland	CHF	100	20.00	51.01
Finserve SA, Zurich	Switzerland	CHF	100	8.33	13.40
Office Vaudois de Cautionnement Agricole, Lausanne	Switzerland	CHF	1 500	10.47	12.23
Piguet Bank & Trust Ltd, George Town	Cayman Islands	USD	1 000	100.00	100.00
Saparges SA de participations et de gestion, Lausanne	Switzerland	CHF	500	100.00	100.00
Société vaudoise pour la création de logements à loyers modérés (SVLM), Lausanne	Switzerland	CHF	2 000	45.00	45.00
Transatlantic Trust Corporation, Charlottetown	Canada	CAD	417	20.00	20.00
VDCapital Private Equity Partners LTD, St. Helier	Jersey	CHF	63	25.00	25.00

Main Equity Securities Positions Held under "Financial investments" (companies listed on the SWX Swiss Exchange)

			Capital in thousands of units	Status at December 31, 2004 Stake as %	Previous year Stake as %
Baumgartner Papiers Holding SA, Crissier	Switzerland	CHF	13 000	17.28	17.28
Bondpartners SA, Lausanne	Switzerland	CHF	5 500	9.05	9.00

Notes to the Consolidated Balance Sheet

1. MONEY MARKET INSTRUMENTS (in CHF thousands)

	31/12/04	31/12/03
Book claims	300 000	200 000
Bills of exchange and checks	58 127	64 984
Money market instruments	**358 127**	**264 984**

2. BREAKDOWN OF COLLATERAL FOR LOANS AND OFF-BALANCE-SHEET TRANSACTIONS (in CHF thousands)

		Secured by mortgage	Other collateral	Unsecured	Total
Loans and advances to customers		708 211	2 196 451	3 467 763	6 372 425
Mortgages		15 740 014			15 740 014
Residential real estate		*11 931 256*			*11 931 256*
Office and business premises		*2 446 421*			*2 446 421*
Commercial and industrial property		*1 292 784*			*1 292 784*
Other		*69 553*			*69 553*
Loans	31/12/04	**16 448 225**	**2 196 451**	**3 467 763**	**22 112 439**
	31/12/03	**16 781 801**	**2 340 062**	**4 086 500**	**23 208 363**
Contingent liabilities		16 052	215 460	423 264	654 776
Irrevocable commitments		17 440	8 628	191 383	217 451
Liabilities for calls on shares and other equity securities				102 341	102 341
Confirmed credits			49 264		49 264
Off-balance-sheet transactions	31/12/04	**33 492**	**273 352**	**716 988**	**1 023 832**
	31/12/03	**37 853**	**246 224**	**661 185**	**945 262**

		Gross receivables	Realization value of collateral	Net receivables	Individual value adjustments
Impaired loans	31/12/04	**2 676 976**	**–1 078 528**	**1 598 448**	**1 508 454**
of which relating to oil-trade and shipping finance		*1 365*	*–*	*1 365*	*1 365*
	31/12/03	**3 692 593**	**–1 627 395**	**2 065 198**	**1 874 849**
of which relating to oil-trade and shipping finance		*225 297*	*–193 174*	*32 123*	*32 123*
Change absolute		–1 015 617	–548 867	–466 750	–366 395
as %		–27.5	–33.7	–22.6	–19.5

Non-performing loans	31/12/04	**2 302 246**	**–844 688**	**1 457 558**	**1 421 204**
	31/12/03	**3 219 381**	**–1 367 324**	**1 852 057**	**1 769 049**
Change absolute		–917 135	–522 636	–394 499	–347 845
as %		–28.5	–38.2	–21.3	–19.7

Impaired and non-performing loans are defined in the section on risk-assessment principles above (2.3 and 2.4).

3. TRADING PORTFOLIO ASSETS (in CHF thousands) FINANCIAL INVESTMENTS AND HOLDINGS

	31/12/04	31/12/03
Debt securities	219 277	164 712
of which listed on a recognized stock exchange	*181 255*	*127 261*
of which unlisted	*38 022*	*37 451*
Equity securities	875 871	897 232
Precious metals	35 632	32 922
Trading portfolio assets	**1 130 780**	**1 094 866**

		Book value		Fair value
	31/12/04	31/12/03	31/12/04	31/12/03
Debt securities	1 340 660	1 306 478	1 383 905	1 350 243
of which securities intended to be held until maturity	*1 319 960*	*1 276 586*	*1 362 751*	*1 319 264*
of which securities carried at lower of cost or market	*20 700*	*29 892*	*21 154*	*30 979*
Equity securities	118 636	129 831	195 037	189 607
of which significant holdings (minimum of 10% of capital or voting rights)	*32 527*	*34 456*	*45 131*	*43 424*
Available-for-sale real estate	171 535	279 235	171 535	279 235
Related-party loans for real-estate companies	28 287	59 834	28 287	59 834
Financial investments	**1 659 118**	**1 775 378**	**1 778 764**	**1 878 919**

	31/12/04	31/12/03
Holdings without market value	86 492	45 588
Holdings	**86 492**	**45 588**

4. TANGIBLE FIXED ASSETS (in CHF thousands)

	Acquisition value	Accumulated depreciation	Book value at year-end **2003**	Changes in allocation or scope	Additions	Disposals	Depreciation	Book value at year-end **2004**
Holdings accounted for using the equity method	4 668	–1 382	3 286	–557		–1 631		1 098
Other holdings	59 444	–17 142	42 302	44 386		–374	–920	85 394
Holdings	**64 112**	**–18 524**	**45 588**	**43 829**	**0**	**–2 005**	**–920**	**86 492**
Group premises	474 848	–64 968	409 880	–7 012	534	–1 997	–9 742	391 663
Other real estate	262 845	–64 572	198 273	–1 996	902	–19 303	–5 251	172 625
Other tangible fixed assets	428 556	–359 501	69 055	1 371	25 812	–409	–30 978	64 851
Tangible fixed assets	**1 166 249**	**–489 041**	**677 208**	**–7 637**	**27 248**	**–21 709**	**–45 971**	**629 139**
Goodwill	75 655	–57 860	17 795		4 277		–4 082	17 990
Other intangible assets	253 077	–195 879	57 198	–2 222	60 853	–5 706	–35 504	74 619
Intangible assets	**328 732**	**–253 739**	**74 993**	**–2 222**	**65 130**	**–5 706**	**–39 586**	**92 609**
Fire-insurance value of real estate			693 433					756 144
Fire-insurance value of other fixed assets			261 024					253 242

5. OTHER ASSETS AND OTHER LIABILITIES (in CHF thousands)

	31/12/04 Other assets	31/12/04 Other liabilities	31/12/03 Other assets	31/12/03 Other liabilities
Replacement values of derivative financial instruments (positive/negative)	1 510 753	1 078 359	1 706 698	1 280 344
Offset accounts	–	243 848	–	212 794
Indirect taxes	22 395	63 954	22 679	70 476
Coupons/Coupons and securities due	103 330	5 681	57 590	4 151
Settlement accounts	39 638	117 206	86 919	213 096
Miscellaneous assets and liabilities	45 886	35 004	28 700	47 793
Other assets and other liabilities	**1 722 002**	**1 544 052**	**1 902 586**	**1 828 654**

6a. ASSETS PLEDGED OR ASSIGNED AS COLLATERAL FOR OWN LIABILITIES AND ASSETS WITH RESERVATION OF TITLE (in CHF thousands)

	31/12/04 Amount or book value of pledge	31/12/04 Real liabilities	31/12/03 Amount or book value of pledge	31/12/03 Real liabilities
Assets pledged or assigned to Swiss National Bank	131 502	–	140 885	–
Mortgages pledged or assigned to cantonal banks' central mortgage bond institution	5 323 119	4 144 000	6 252 168	4 928 000
Other	547 815	500 011	501 826	454 157
Assets pledged or assigned	**6 002 436**	**4 644 011**	**6 894 879**	**5 382 157**

6b. SALE AND REPURCHASE AGREEMENTS (in CHF thousands)

	31/12/04	31/12/03
Book value of claims arising from cash collateral pledged in connection with securities borrowing or reverse repurchase agreements	1 491 737	368 193
Book value of liabilities arising from cash collateral received in connection with securities lending or repurchase agreements	38 890	58 491
Book value of securities held for own account, lent or transferred as collateral in connection with securities borrowing or repurchase agreements	38 283	54 496
of which those that can be sold or repledged without restriction	–	–
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	2 953 092	1 432 172
of which fair value of above securities sold or transferred as collateral to a third party	*1 466 637*	*1 078 237*

7. PENSION-FUND LIABILITIES (in CHF thousands)

	31/12/04	31/12/03
	181 197	**191 364**

Persons insured

BCV employees and Group employees of Swiss subsidiaries, with the exception of Unicible staff, 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 Law on Occupational Retirement, Survivors' and Disability Pension Plans (LPP) and satisfies at least the minimum requirements of that Law.

Senior executives insured with the CP BCV are also members of the "Fondation de prévoyance complémentaire de la Banque Cantonale Vaudoise (FPC BCV)", 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.

Unicible employees are insured with the "Fondation de prévoyance professionnelle Unicible (FPP Unicible)", the purpose of which is to insure its members against the economic consequences of retirement, disability and death. The minimum benefits prescribed by the LPP are guaranteed.

The "Fonds de prévoyance en faveur du personnel de la BCV (FP BCV)" is an employer-operated Fund that assists BCV employees insured with the CP BCV in the event of early retirement.

Defined-contribution plans

The FPC BCV and FPP Unicible plans are "defined-contribution plans" within the meaning of the Swiss-GAAP RPC 16 accounting standard.

Pension liabilities for both Funds correspond to the accrued pension assets of active members at the time of the calculation as the mathematical reserve of current pensions, for a total of CHF 141 million. The Employer's regulatory contribution represents an annual cost to the company of CHF 7.5 million. The FPC BCV and FPP Unicible are not underfunded. The FPP Unicible in particular had a coverage ratio of 108.95% at January 1, 2004 with respect to the provisions of Art. 44 of the Ordinance on Occupational Retirement, Survivors' and Disability Pension Plans (OPP2).

As a result, no additional amount has to be shown in the assets or liabilities of the Group Balance Sheet for these two pension funds.

Defined-benefit plans

Method of calculation and assumptions

Owing to the Employer's participation in the Pension Fund's remedial measures, the CP BCV pension plan is considered a defined-benefit plan for the purposes of Swiss-GAAP RPC 16. Since the FP BCV regulations do not define the Employer's contribution, the plan is treated as a defined-benefit plan within the meaning of RPC 16. The liabilities of these two pension plans, as determined by an independent pension actuary, are evaluated according to the Projected Unit Credit Method, based on the following assumptions:

Biometric probabilities	EVK 2000
Adjustment for longevity	0.0%
Salary trend	1.5%
Indexation of pensions	0.0%
Discount rate	4.0%
Interest rate on savings accounts	3.5%
Termination probability	10.0%
Retirement age	100% at age 60
Future annual increase in AVS pension	0.5%
Take-up of AVS bridging pension by members at age 60	100.0%

This also assumes a long-term return on assets of 5.0%. The expected yield for 2004 was 3.0%.

Due to the regulatory changes that took effect on January 1, 2004, the remedial measures undertaken, and a substantial change in assumptions, the initial situation was restated at January 1, 2004. It shows an initial deficit of CHF 63.8 million which will be amortized over 10 years.

Annual charges

The annual charge for 2004 was CHF 41.7 million, taking account of employee contributions totaling CHF 15.2 million. This pension cost is not covered by the Employer's regulatory contributions of CHF 32.7 million for 2004.

Movements in net assets and pension liabilities during the year were as follows (in CHF millions):

	31.12.2004	01.01.2004
Pension liabilities	1 123.2	1 128.6
Net assets	1 078.0	1 064.8

Amounts not capitalized on the Balance Sheet

In 2002, the CP BCV Pension Board decided to implement remedial measures, effective from 2003 to 2007. They generated additional income of CHF 17.2 million in 2004, producing a surplus of CHF 8.2 million. This amount cannot be deducted from the Group's contributions and is therefore not capitalized on the Balance Sheet.

The financial gain of CHF 5.7 million and actuarial gain of CHF 6.5 million booked in 2004 were mainly due to the remedial measures.

The participation of Group companies in the remedial measures was financed by a withdrawal from the provision created for this purpose in 2002. This provision stood at CHF 47.2 million at December 31, 2004.

8. MEDIUM-TERM NOTES BY RATE AND MATURITY (in CHF thousands)

	2005	2006	2007	2008	2009	2010 and after	31/12/04	31/12/03
Up to 1.875%	15 488	38 449	26 356	6 510	1 857	20	88 680	45 978
2 – 2.875%	21 576	9 293	4 225	2 099	5 261	9 536	51 990	93 626
3 – 3.875%	57 629	36 755	14 692	4 076	5 476	4 379	123 007	194 877
4 – 4.625%	52 594	10 664	5 711	7 791	2 067		78 827	88 265
Total	**147 287**	**95 161**	**50 984**	**20 476**	**14 661**	**13 935**	**342 504**	**422 746**

9. LONG-TERM BORROWINGS (in CHF thousands)

		Year of issue	Nominal value	Maturity	Group-held securities	31/12/04 Amount outstanding	31/12/03
3.000%	surbordinated with option	1994	130 000	28.2.2005	8 660	121 340	
5.000%	surbordinated	1995	120 000	25.9.2005	18 150	101 850	
4.500%		1995	120 000	5.12.2005	9 705	110 295	
4.250%		1996	150 000	12.12.2006	850	149 150	
4.125%	surbordinated	1997	150 000	12.3.2007	7 550	142 450	
4.250%	surbordinated – reopening	1997	100 000	15.10.2008	6 560	93 440	
3.625%	reopening	1998	125 000	7.7.2008	2 255	122 745	
4.000%	reopening	1998	175 000	5.2.2010	7 135	167 865	
3.750%	reopening	1999	135 000	27.9.2006	3 045	131 955	
4.500%	reopening	2000	250 000	25.9.2008	17 380	232 620	
4.250%	reopening	2000	140 000	10.2.2010	33 855	106 145	
5.000%	reopening	2000	200 000	5.5.2010	28 755	171 245	
4.500%	surbordinated – reopening	2001	135 000	22.3.2011	1 555	133 445	
4.000%	reopening	2001	150 000	26.9.2011	8 705	141 295	
Bond issues			**2 080 000**		**154 160**	**1 925 840**	**2 250 534**
Central mortgage-bond institution of Swiss cantonal banks						4 144 000	4 928 000
Private placements						960 000	1 110 000
Structured products						219 752	179 978
Long-term borrowings						**7 249 592**	**8 468 512**
of which subordinated bonds			*635 000*		*42 475*	*592 525*	*600 405*

No bond can be called in for redemption before its maturity date.

Long-term bonds by maturity	2005	2006	2007	2008	2009	2010 and after	Total	31/12/04 Average rates
Bond issues	333 485	281 105	142 450	448 805	–	719 995	1 925 840	4.2%
Central mortgage-bond institution	531 000	543 000	741 000	397 000	648 000	1 284 000	4 144 000	3.7%
Private placements	150 000	250 000	400 000	160 000	–	–	960 000	2.1%
Structured products	144 193	35 381	–	40 178	–	–	219 752	1.5%
Total	**1 158 678**	**1 109 486**	**1 283 450**	**1 045 983**	**648 000**	**2 003 995**	**7 249 592**	**3.5%**

10. VALUE ADJUSTMENTS AND PROVISIONS RESERVES FOR GENERAL BANKING RISKS (in CHF thousands)

	Status at year-end 2003	Used according to their purpose	Changes in scope of consolidation	Recoveries, overdue interest, forex differences	New provisions charged to income statement	Releases credited to income statement	Status at year-end 2004
Counterparty risk	2 088 406	–303 569	–345	63 929	90 030[1]	–261 997[1]	1 676 454
– of which lump-sum provision[4]	*209 500*					*–41 500*	*168 000*
Country risk	64 911				16 167[1]		81 078
Value adjustments and provisions for credit risk	**2 153 317**	**–303 569**	**–345**	**63 929**	**106 197**	**–261 997**	**1 757 532**
Value adjustments and provisions for other operational risks	2 852	–82	–668	–1	680[2]	–62[2]	2 719
Other provisions	101 679	–25 460	–532		33 062[2]	–2 066[2]	106 683
Value adjustments and provisions	**2 257 848**	**–329 111**	**–1 545**	**63 928**	**139 939**	**–264 125**	**1 866 934**
Value adjustments directly netted with assets	–34 911						–26 850
Value adjustments and provisions shown on the Balance Sheet	**2 222 937**						**1 840 084**
Reserves for general banking risks	**252 907**		**–1 727**		**80 900**[3]		**332 080**

New provisions and releases

[1] Net credit-risk provisions released to extraordinary income	155 800	(note 28)
[2] Net amount booked to value adjustments and miscellaneous provisions	31 614	(note 27)
[3] Amount booked to extraordinary expenses	80 900	(note 29)

[4] See definition on page 59, or page 46 of the 2003 Annual Report

11. MOVEMENTS IN SHAREHOLDERS' EQUITY (in CHF thousands)

	Share capital	Capital reserve	Own equity securities	Retained earnings	Exchange adjust-ments	Reserves for general banking risks	Share-holders' equity – Group	Share-holders' equity – minority interests	Total share-holders' equity
Status at January 1, 2003	**1 061 010**	**633 862**		**–798 377**	**–3 144**	**253 524**	**1 146 875**	**20 114**	**1 166 989**
Decrease in share capital	–530 505	530 505					–		–
Creation of participation-certificate capital	849 185						849 185		849 185
Net share premiums		387 315					387 315		387 315
Coverage of 2002 loss		–1 220 305		1 220 305			–		–
Own equity securities at January 1, 2003			–12 788				–12 788		–12 788
Purchases of own shares (at cost)			–15 736				–15 736		–15 736
Sales of own shares (at cost)			19 215				19 215		19 215
Profit on disposal of own shares		3 030					3 030		3 030
Exchange adjustments					2 206		2 206		2 206
Allocation to reserves for general banking risks						600	600		600
Change in scope and/or minority interests				1 847			1 847	–2 428	–581
Change in allocation, reclassifications				7 176		–1 217	5 959		5 959
Net profit for the year				154 104			154 104	3 115	157 219
Status at December 31, 2003	**1 379 690**	**334 407**	**–9 309**	**585 055**	**–938**	**252 907**	**2 541 812**	**20 801**	**2 562 613**
Dividend for 2003				–62 220			–62 220		–62 220
Capital increase (paid-in conditional capital)	1 875						1 875		1 875
Stamp tax on 2003 capital increase		–1 640					–1 640		–1 640
Purchases of own shares (at cost)			–24 227				–24 227		–24 227
Sales of own shares (at cost)			27 824				27 824		27 824
Profit on disposal of own shares and dividends		7 085					7 085		7 085
Exchange adjustments					267		267		267
Allocation to reserves for general banking risks						80 900	80 900		80 900
Changes in scope and/or minority interests			35	1 225		–1 727	–467	–8 848	–9 315
Net profit for the year				334 831			334 831	1 728	336 559
Status at December 31, 2004	**1 381 565**	**339 852**	**–5 677**	**858 891**	**–671**	**332 080**	**2 906 040**	**13 681**	**2 919 721**

11. MOVEMENTS IN SHAREHOLDERS' EQUITY (in CHF thousands) *(continued from p. 74)*

	Total		Own equity securities	
	Shares	Participation certificates	Shares	Participation certificates
Number of own equity securities (in units)				
Status at January 1, 2004	**8 488 080**	**13 586 956**	**114 309**	**2 162**
Capital increase	30 000			
Purchases			155 349	1 140
Sales			–213 378	
Status at December 31, 2004	**8 518 080**	**13 586 956**	**56 280**	**3 302**

	31/12/04	31/12/03
Main shareholder, voting stake	Stake	Stake
Vaud Canton, direct interest	67.65%	67.89%

12. MATURITY STRUCTURE OF CURRENT ASSETS AND BORROWED FUNDS (in CHF thousands)

		Sight	Callable	Maturity: up to 3 months	3 to 12 months	12 months to 5 years	over 5 years	Fixed assets	**Total**
Cash and cash equivalents		399 594							399 594
Money market instruments		1 879		296 189	55 802	4 257			358 127
Due from banks		714 783		2 870 774	292 908	38 136			3 916 601
Loans and advances to customers		68 120	3 164 634	1 677 071	868 877	539 308	54 415		6 372 425
Mortgages		92 282	4 188 598	763 597	2 096 217	8 097 431	501 889		15 740 014
Trading portfolio assets		1 091 611	39 169						1 130 780
Financial investments		138 739		65 657	104 034	767 377	383 489	199 822	1 659 118
Current assets	31/12/04	**2 507 008**	**7 392 401**	**5 673 288**	**3 417 838**	**9 446 509**	**939 793**	**199 822**	**29 576 659**
	31/12/03	**2 903 436**	**9 283 112**	**5 500 700**	**3 993 727**	**8 334 711**	**1 010 009**	**339 070**	**31 364 765**
Money market paper issued		933							933
Due to banks		698 246		273 926	178 786	45 266			1 196 224
Customer savings and investment accounts			8 857 487						8 857 487
Due to customers, other		5 649 179	6 110	1 929 053	354 998	106 020	71 413		8 116 773
Medium-term notes				43 785	103 502	181 282	13 935		342 504
Bonds and mortgage-backed bonds				298 060	860 618	4 086 919	2 003 995		7 249 592
Borrowed funds	31/12/04	**6 348 358**	**8 863 597**	**2 544 824**	**1 497 904**	**4 419 487**	**2 089 343**		**25 763 513**
	31/12/03	**7 055 093**	**8 761 554**	**1 976 075**	**1 613 967**	**5 324 504**	**2 674 599**		**27 405 792**

13. LOANS TO MEMBERS OF GOVERNING BODIES (in CHF thousands)

	31/12/04	31/12/03
Loans used	10 116	7 190
Contingent liabilities	–	155

Up to and including 2002, loans to members of governing bodies were granted on standard terms that were below market rates and identical to those granted to all BCV employees. Some former members of the Board of Directors still have loans with preferential terms obtained when they were in office.

The Board of Directors decided on December 18, 2002, that its members would no longer be given preferential terms on loans.

14. RECEIVABLES AND COMMITMENTS IN RESPECT OF AFFILIATED COMPANIES (in CHF thousands)

	31/12/04	31/12/03
Receivables	**75 179**	**88 567**
Loans and advances to customers	48 748	56 065
Mortgages	18 401	24 530
Financial investments	8 030	7 972
Commitments	**312 207**	**244 978**
Customer savings and investment accounts	2 231	5 460
Due to customers, other	309 976	239 518

Transactions with affiliated companies are conducted on market terms.

15. BREAKDOWN OF ASSETS AND LIABILITIES BY SWISS AND FOREIGN ORIGIN (in CHF thousands)

	31/12/04 Swiss	31/12/04 Foreign	31/12/03 Swiss	31/12/03 Foreign
Cash and cash equivalents	392 457	7 137	367 041	938
Money market instruments	358 001	126	264 954	30
Due from banks	1 984 845	1 931 756	1 952 596	2 700 599
Loans and advances to customers	5 452 583	919 842	6 194 732	1 110 456
Mortgages	15 738 170	1 844	15 900 822	2 353
Trading portfolio assets	903 463	227 317	845 226	249 640
Financial investments	1 430 004	229 114	1 534 270	241 108
Non-consolidated holdings	83 533	2 959	41 574	4 014
Tangible fixed assets	627 746	1 393	673 757	3 451
Intangible assets	92 495	114	74 626	367
Accrued income and prepaid expenses	185 285	2 534	182 846	3 713
Other assets	1 710 437	11 565	1 900 947	1 639
Assets	**28 959 019**	**3 335 701**	**29 933 391**	**4 318 308**
Total as %	**89.7**	**10.3**	**87.4**	**12.6**
Money market paper issued	933		819	
Due to banks	802 243	393 981	1 058 996	663 374
Customer savings and investment accounts	8 410 842	446 645	8 288 326	459 093
Due to customers, other	7 191 288	925 485	7 211 872	832 054
Medium-term notes	342 504		422 746	
Bonds and mortgage-backed bonds	7 056 974	192 618	8 297 283	171 229
Accrued expenses and deferred income	224 642	2 708	224 728	6 975
Other liabilities	1 532 478	11 574	1 828 157	497
Value adjustments and provisions	1 839 324	760	2 222 747	190
Reserves for general banking risks	332 080		252 907	
Share capital	1 381 565		1 379 690	
Own equity securities	–5 677		–9 309	
Capital reserve	339 852		334 407	
Retained earnings	523 389		430 013	
Minority interests – equity	9 800	2 153	15 165	2 521
Net profit before minority interests	336 559		157 219	
Total liabilities and shareholders' equity	**30 318 796**	**1 975 924**	**32 115 766**	**2 135 933**
Total as %	**93.9**	**6.1**	**93.8**	**6.2**

16. BREAKDOWN OF ASSETS BY COUNTRY / COUNTRY GROUP (in CHF thousands)

	31/12/04 Absolute value	31/12/04 as % of total	31/12/03 Absolute value	31/12/03 as % of total
Switzerland	28 959 019	89.7	29 933 391	87.4
European Union	2 305 090	7.1	2 455 051	7.2
France	*346 081*	*1.1*	*378 848*	*1.1*
Italy	*134 886*	*0.4*	*99 595*	*0.3*
Germany	*772 547*	*2.4*	*594 851*	*1.7*
United Kingdom	*407 620*	*1.3*	*389 424*	*1.1*
Other	*643 956*	*2.1*	*992 333*	*3.0*
United States	61 177	0.2	251 566	0.7
Other	969 434	3.0	1 611 691	4.7
Assets	**32 294 720**	**100.0**	**34 251 699**	**100.0**

17. CURRENCY STRUCTURE OF BALANCE SHEET (in CHF thousands)

		CHF	USD	EUR	Other	Total
Cash and cash equivalents		354 048	1 951	42 165	1 430	399 594
Money market instruments		333 002	13 011	12 104	10	358 127
Due from banks		2 672 246	688 696	373 825	181 834	3 916 601
Loans and advances to customers		5 120 356	861 689	258 175	132 205	6 372 425
Mortgages		15 738 793			1 221	15 740 014
Trading portfolio assets		859 791	47 996	215 000	7 993	1 130 780
Financial investments		1 520 682	3 613	134 470	353	1 659 118
Non-consolidated holdings		83 533	2 328	631		86 492
Tangible fixed assets		627 746		1 099	294	629 139
Intangible assets		92 495		32	82	92 609
Accrued income and prepaid expenses		185 283		2 518	18	187 819
Other assets		1 701 403	3 580	13 227	3 792	1 722 002
Positions carried as assets		**29 289 378**	**1 622 864**	**1 053 246**	**329 232**	**32 294 720**
Delivery claims arising from spot and forward transactions and options		8 915 409	8 805 020	5 705 507	2 035 955	25 461 891
Assets	31/12/04	**38 204 787**	**10 427 884**	**6 758 753**	**2 365 187**	**57 756 611**
	31/12/03	**36 217 883**	**7 851 387**	**4 492 535**	**2 001 359**	**50 563 164**
Money market paper issued		933				933
Due to banks		933 374	27 897	222 092	12 861	1 196 224
Customer savings and investment accounts		8 828 572		28 915		8 857 487
Due to customers, other		6 263 004	882 415	801 566	169 788	8 116 773
Medium-term notes		342 504				342 504
Bonds and mortgage-backed bonds		7 199 193	7 707	42 692		7 249 592
Accrued expenses and deferred income		223 760	3 350	22	218	227 350
Other liabilities		1 531 978	3 565	4 944	3 565	1 544 052
Value adjustments and provisions		1 839 324		760		1 840 084
Reserves for general banking risks		332 080				332 080
Share capital		1 381 565				1 381 565
Own equity securities		–5 677				–5 677
Capital reserve		339 852				339 852
Retained earnings		523 389				523 389
Minority interests – equity		11 953				11 953
Net profit before minority interests		336 559				336 559
Positions carried as liabilities		**30 082 363**	**924 934**	**1 100 991**	**186 432**	**32 294 720**
Delivery commitments arising from spot and forward transactions and options		8 135 384	9 597 846	5 498 560	2 193 220	25 425 010
Total liabilities and shareholders' equity	31/12/04	**38 217 747**	**10 522 780**	**6 599 551**	**2 379 652**	**57 719 730**
	31/12/03	**36 166 871**	**7 868 814**	**4 416 874**	**2 020 468**	**50 473 027**
Net position by currency	31/12/04	**–12 960**	**–94 896**	**159 202**	**–14 465**	**36 881**
	31/12/03	**51 012**	**–17 427**	**75 661**	**–19 109**	**90 137**

Notes to Off-Balance-Sheet Transactions

18. OPEN POSITIONS IN DERIVATIVE FINANCIAL INSTRUMENTS (in CHF thousands)

	Trading instruments			Hedging instruments		
	Positive replacement values	Negative replacement values	Values of underlyings	Positive replacement values	Negative replacement values	Values of underlyings
Swaps	68 807	50 065	3 740 184	241 652	4 954	3 123 554
Futures			1 136 233			
Options (OTC)	850	1 909	377 390	6 333		905 800
Interest-rate instruments	**69 657**	**51 974**	**5 253 807**	**247 985**	**4 954**	**4 029 354**
Forward contracts	375 493	339 670	23 268 449			
Combined interest-rate and currency swaps				2 318	5 363	32 734
Options (OTC)	60 975	56 735	6 739 025			
Foreign currencies and gold	**436 468**	**396 405**	**30 007 474**	**2 318**	**5 363**	**32 734**
Forward contracts	501	478	17 016			
Precious metals	**501**	**478**	**17 016**	**–**	**–**	**–**
Futures			76 169			
Options (OTC)	120 739	98 934	3 828 984			
Options (exchange traded)	633 085	520 251	21 393 733			
Equity securities / indices	**753 824**	**619 185**	**25 298 886**	**–**	**–**	**–**
Total 31/12/04	**1 260 450**	**1 068 042**	**60 577 183**	**250 303**	**10 317**	**4 062 088**
31/12/03	**1 472 877**	**1 275 225**	**62 205 434**	**233 821**	**5 119**	**4 674 710**

			Positive replacement values (cumulative)			**Negative replacement values (cumulative)**
31/12/04			**1 510 753**			**1 078 359**
31/12/03			**1 706 698**			**1 280 344**

Notes to the Consolidated Income Statement

19. INTEREST INCOME (in CHF thousands)

	2004	2003	Change
Money market paper	6 504	4 781	1 723
Banks	16 902	7 654	9 248
Customers	672 977	750 023	–77 046
Interest and dividends on financial investments	42 623	44 073	–1 450
Other interest income	99 326	108 116	–8 790
Total	**838 332**	**914 647**	**–76 315**

20. INTEREST EXPENSE (in CHF thousands)

	2004	2003	Change
Banks	5 203	11 041	–5 838
Customers	97 580	110 667	–13 087
Medium-term notes and bonds	310 117	371 854	–61 737
Other interest expense	1 264	2 261	–997
Total	**414 164**	**495 823**	**–81 659**

21. COMMISSIONS ON SECURITIES AND INVESTMENT TRANSACTIONS (in CHF thousands)

	2004	2003	Change
Securities administration	47 407	44 646	2 761
Brokerage	64 714	71 695	–6 981
Management fees	49 941	42 899	7 042
Investment-fund operations	83 273	70 574	12 699
Other	34 392	34 260	132
Total	**279 727**	**264 074**	**15 653**

22. COMMISSIONS ON OTHER SERVICES (in CHF thousands)

	2004	2003	Change
Payment transactions	16 020	15 773	247
Rental of safes	1 990	2 098	–108
Other	42 461	31 521	10 940
Total	**60 471**	**49 392**	**11 079**

23. NET TRADING INCOME (in CHF thousands)

	2004	2003	Change
Foreign currency	39 019	51 420	–12 401
Banknotes and precious metals	10 289	10 603	–314
Securities (less refinancing costs) and derivatives	34 709	47 134	–12 425
Total	**84 017**	**109 157**	**–25 140**

24. PERSONNEL COSTS (in CHF thousands)

	2004	2003	Change
Salaries and bonuses	280 501	280 236	265
Employee benefits	31 071	32 904	–1 833
Contributions to staff pension funds	38 413	40 492	–2 079
Other personnel expenses	14 940	19 031	–4 091
Total	**364 925**	**372 663**	**–7 738**

25. OTHER OPERATING EXPENSES (in CHF thousands)

	2004	2003	Change
Premises	26 740	27 375	–635
IT	38 480	38 506	–26
Machinery, furniture, vehicles, etc.	3 167	3 472	–305
Telecommunications and transportation	15 022	14 568	454
Marketing and communications	14 041	16 329	–2 288
Service fees	28 605	21 566	7 039
Miscellaneous operating expenses	54 634	59 726	–5 092
Total	**180 689**	**181 542**	**–853**

26. DEPRECIATION AND WRITE-OFFS ON FIXED ASSETS (in CHF thousands)

	2004	2003	Change
Real estate	14 993	30 504	–15 511
Hardware and software	45 405	55 635	–10 230
Other investments	21 077	32 353	–11 276
Holdings	920	183	737
Goodwill	4 082	32 279	–28 197
Total	**86 477**	**150 954**	**–64 477**

27. VALUE ADJUSTMENTS, PROVISIONS AND LOSSES (in CHF thousands)

	2004	2003	Change
Credit-risk provisions	–	61 279	–61 279
Miscellaneous provisions	31 614	13 635	17 979
Other losses	8 070	2 551	5 519
Total (after offsetting against recoveries)	**39 684**	**77 465**	**–37 781**

28. EXTRAORDINARY INCOME (in CHF thousands)

	2004	2003	Change
Release of credit-risk provisions	155 800	–	155 800
Release of miscellaneous provisions	–	9 022	–9 022
Other extraordinary income	14 453	7 605	6 848
Total	**170 253**	**16 627**	**153 626**

29. EXTRAORDINARY EXPENSES (in CHF thousands)

Allocation to reserves for general banking risks	80 900	600	80 300
Other extraordinary expenses	3 212	2 614	598
Total	**84 112**	**3 214**	**80 898**

30. BREAKDOWN OF INCOME AND EXPENSES ARISING FROM ORDINARY BANKING OPERATIONS (in CHF thousands)

		2004		2003
	Swiss	Foreign	Swiss	Foreign
Net interest income	423 923	245	418 453	371
Net fee and commission income	281 788	16 664	271 063	17 038
Income	**705 711**	**16 909**	**689 516**	**17 409**
Personnel costs	353 342	11 583	359 495	13 168
Other operating expenses	174 073	6 616	172 351	9 191
Expenses	**527 415**	**18 199**	**531 846**	**22 359**

The geographical breakdown of income is not representative insofar as international business generates income in Switzerland.

Other Information

BREAKDOWN BY CORE ACTIVITIES

Methodology

Results by area of activity are presented at BCV Group level, in accordance with generally accepted accounting principles used for preparing the consolidated financial statements.

Retail Banking covers operations with retail customers and micro-businesses.

Wealth Management addresses the needs of private and institutional clients.

Corporate Banking deals with large corporations, SMEs, public-sector enterprises and trade finance.

Trading encompasses financial market transactions (forex, equities, interest-rate instruments and derivatives) conducted by the Bank for its own account and on behalf of customers.

The **Corporate Center** comprises the Executive Board and the attached service departments (Human Resources, Communications, Compliance and Legal), the Finance & Risks Division (which handles ALM, credit recoveries, financial investments, etc.) and the Logistics Division (back offices, real estate and IT).

Subsidiaries are allocated to the segment that corresponds to their own area of business.

As a general rule, gross income (including commission income) is allocated to the segment that is responsible for the client relationship or to which the client-relationship manager is attached.

For segments dealing with customers, the "Interest" item represents the Group's net commercial spread, i.e., the difference between the rate charged to the customer and the Swiss franc rate on the money market, taking into account the nature and duration of the transaction.

For the **Corporate Center**, net interest income comprises gains/losses on mismatched maturities, the cost of financing fixed assets and net interest on impaired loans handled by the Credit Recoveries Department.

Income from securities trading is determined on a portfolio basis and allocated to the segment to which the portfolio manager is attached.

"Other income" is allocated account by account, depending on the nature of the item.

Operating expenses are allocated in two stages. The first of these involves charging direct expenses to the segment that consumes the resources (personnel, premises, IT, etc.). In the second stage, indirect or central expenses are allocated on the basis of services provided to other segments (internal billing at cost).

The "Value adjustments, provisions and losses" item records the losses expected for each segment in respect of borrowers. The difference between expected losses and actual losses or provisions is allocated to the **Corporate Center**.

The difference between taxes calculated per segment and taxes actually payable by the Group is booked to the **Corporate Center**.

FINANCIAL DATA BY BUSINESS SECTOR FOR THE 2004 REPORTING PERIOD (in CHF millions)

	Retail Banking	Wealth Management	Corporate Banking	Trading	Corporate Center	BCV Group 2004	BCV Group 2003
Interest margin	199.9	52.3	188.6	0.4	(17.0)	424.2	
2003*	199.8	49.7	223.1	0.8	(54.7)		418.8
Net commissions	42.2	193.8	38.2	(3.5)	27.9	298.5	
2003*	38.4	178.7	47.9	3.0	20.2		288.1
Trading income	9.0	16.2	5.7	52.9	0.2	84.0	
2003*	9.4	26.0	7.6	65.5	0.6		109.2
Other income	3.3	1.7	3.0		129.5	137.5	
2003*	3.0	5.8	3.9	0.0	114.4		127.1
2004 gross banking income	**254.4**	**264.0**	**235.5**	**49.9**	**140.6**	**944.2**	
2003*	250.6	260.2	282.6	69.3	80.4		943.1
Personnel costs	(57.7)	(81.0)	(49.7)	(13.3)	(163.3)	(364.9)	(372.7)
Operating expenses	(55.2)	(44.0)	(26.9)	(14.1)	(40.4)	(180.7)	(181.5)
2004 gross profit	**141.4**	**139.0**	**158.9**	**22.5**	**(63.1)**	**398.6**	
2003*	137.6	123.2	197.1	41.0	(110.0)		388.9
Depreciation	(24.5)	(16.0)	(9.9)	(4.9)	(31.2)	(86.5)	(151.0)
Interdivisional billing	(48.0)	(43.0)	(20.3)	(1.8)	113.1		
Gross profit after depreciation and interdivisional billing	**68.9**	**79.9**	**128.7**	**15.8**	**18.8**	**312.1**	**237.9**
Value adjustments, losses, provisions, extraordinary income and expenses	(26.2)	(0.4)	(77.5)	(2.9)	153.4	46.4	(64.1)
Taxes	(9.9)	(19.3)	(12.0)	(3.3)	22.5	(22.0)	(16.7)
Minority interests		(1.7)				(1.7)	(3.1)
2004 net profit	**32.8**	**58.5**	**39.2**	**9.6**	**194.7**	**334.8**	
2003*	32.4	37.2	49.0	24.0	11.5		154.1

INDICATORS (in CHF millions)

	Retail Banking	Wealth Management	Corporate Banking	Trading	Corporate Center	BCV Group 2004	BCV Group 2003
Average shareholders' equity	340	165	640	100	1 455	2 700	2 400
Profitability ratios (as %)							
2004 ROE (based on gross profit after depreciation)	20.3	48.5	20.1	15.7		11.6	
2003 ROE (based on gross profit after depreciation)*	19.1	24.4	21.9	33.7			9.9
ROE (based on net profit)	9.6	35.5	6.1	9.6		12.4	6.5
Cost/Income**	73	69	45	68		67	71
Average headcount							
Direct	489	481	341	75	1 031		
Indirect	196	148	51	27	(423)		
Total	**685**	**629**	**392**	**102**	**608**	**2 416**	**2 560**
Data per employee*** (in CHF thousands)							
Gross banking income	372	419	601	487		391	368
Expenses**	–271	–288	–272	–333		–260	–263
Gross profit after depreciation	101	131	329	154		131	
2003*/**	91	87	360	283			105

* 2003 figures adjusted to facilitate comparison, in particular following changes in organization of business units.

** Cost-to-income ratio and expenses per employee are calculated without write-downs on goodwill and amortization of goodwill.

*** Data per employee are based on total staff numbers (direct + indirect).

CONSOLIDATED INCOME STATEMENT – 5-YEAR OVERVIEW (in CHF thousands)

	2000	2001	2002	2003	2004
Interest and discount income	1 164 503	1 266 175	1 044 782	870 574	795 709
Interest and dividend income from financial investments	49 594	55 240	45 352	44 073	42 623
Interest expense	–801 358	–885 789	–661 474	–495 823	–414 164
Net interest income	**412 739**	**435 626**	**428 660**	**418 824**	**424 168**
Commissions and fees on lending operations	43 491	56 318	59 022	45 519	36 782
Commissions and fees on securities and investment transactions	368 361	311 193	271 490	264 074	279 727
Commissions and fees on other services	43 508	47 726	50 012	49 392	60 471
Commission and fee expense	–100 870	–90 558	–78 401	–70 884	–78 528
Net commission and fee income	**354 490**	**324 679**	**302 123**	**288 101**	**298 452**
Net trading income	**89 273**	**–18 227**	**60 447**	**109 157**	**84 017**
Profit on disposal of financial investments	103 002	120 120	22 040	19 438	12 245
Total income from holdings	5 989	7 386	8 431	6 997	6 129
of which holdings accounted for using the equity method	*2 604*	*4 402*	*5 226*	*4 163*	*1 009*
of which other non-consolidated holdings	*3 385*	*2 984*	*3 205*	*2 834*	*5 120*
Real-estate income	14 513	15 193	19 072	17 724	12 583
Miscellaneous ordinary income	11 816	18 454	63 268	93 520	109 221
Miscellaneous ordinary expenses	–13 333	–63 709	–45 573	–10 619	–2 647
Other ordinary income	**121 987**	**97 444**	**67 238**	**127 060**	**137 531**
Total income from ordinary banking operations	**978 489**	**839 522**	**858 468**	**943 142**	**944 168**
Personnel costs	–329 941	–316 135	–346 515	–372 663	–364 925
Other operating expenses	–174 862	–193 657	–191 989	–181 542	–180 689
Operating expenses	**–504 803**	**–509 792**	**–538 504**	**–554 205**	**–545 614**
Gross profit	**473 686**	**329 730**	**319 964**	**388 937**	**398 554**
Depreciation and write-offs on fixed assets	–97 002	–100 740	–107 646	–150 954	–86 477
Value adjustments, provisions and losses	–219 984	–1 226 185	–1 184 414	–77 465	–39 684
Profit on ordinary banking operations before extraordinary items and taxes	**156 700**	**–997 195**	**–972 096**	**160 518**	**272 393**
Extraordinary income	54 328	699 901	31 668	16 627	170 253
Extraordinary expenses	–5 858	–74 591	–251 268	–3 214	–84 112
Taxes	–39 559	–9 568	–7 960	–16 712	–21 975
Net profit before minority interests	**165 611**	**–381 453**	**–1 199 656**	**157 219**	**336 559**
Minority interests	5 305	4 239	456	3 115	1 728
Net profit	**160 306**	**–385 692**	**–1 200 112**	**154 104**	**334 831**

CONSOLIDATED BALANCE SHEET – 5-YEAR OVERVIEW (in CHF thousands)

	31/12/00	31/12/01	31/12/02	31/12/03	31/12/04
Cash and cash equivalents	244 531	612 863	399 107	367 979	399 594
Money market instruments	94 077	102 596	269 684	264 984	358 127
Due from banks	5 354 569	3 550 896	3 028 475	4 653 195	3 916 601
Loans and advances to customers	10 637 797	10 117 432	9 245 914	7 305 188	6 372 425
Mortgages	15 399 982	15 868 076	15 780 219	15 903 175	15 740 014
Trading portfolio assets	1 221 915	1 080 007	1 107 343	1 094 866	1 130 780
Financial investments	2 501 056	2 249 050	1 916 849	1 775 378	1 659 118
Non-consolidated holdings	153 132	66 608	44 966	45 588	86 492
Tangible fixed assets	694 919	697 014	724 750	677 208	629 139
Intangible assets	70 962	59 967	118 336	74 993	92 609
Accrued income and prepaid expenses	235 241	209 205	196 583	186 559	187 819
Other assets	1 354 335	1 489 825	2 306 024	1 902 586	1 722 002
Assets	**37 962 516**	**36 103 539**	**35 138 250**	**34 251 699**	**32 294 720**
Money market paper issued	7 186	849	1 206	819	933
Due to banks	4 644 294	3 489 157	2 130 900	1 722 370	1 196 224
Customer savings and investment accounts	8 638 701	8 516 220	8 339 669	8 747 419	8 857 487
Due to customers, other	8 637 528	8 084 658	8 201 937	8 043 926	8 116 773
Medium-term notes	657 033	625 042	576 580	422 746	342 504
Bonds and mortgage-backed bonds	9 766 299	10 272 815	10 089 733	8 468 512	7 249 592
Accrued expenses and deferred income	379 020	282 505	235 991	231 703	227 350
Other liabilities	1 654 143	1 673 810	1 947 072	1 828 654	1 544 052
Value adjustments and provisions	913 842	1 659 499	2 448 173	2 222 937	1 840 084
Liabilities	**35 298 046**	**34 604 555**	**33 971 261**	**31 689 086**	**29 374 999**
Reserves for general banking risks	714 000	29 000	253 524	252 907	332 080
Share capital	589 450	589 450	1 061 010	1 379 690	1 381 565
Own equity securities				–9 309	–5 677
Capital reserve	477 000	477 000	633 862	334 407	339 852
Retained earnings	684 308	757 725	398 591	430 013	523 389
Minority interests – equity	34 101	27 262	19 658	17 686	11 953
Net profit before minority interests	165 611	–381 453	–1 199 656	157 219	336 559
Shareholders' equity	**2 664 470**	**1 498 984**	**1 166 989**	**2 562 613**	**2 919 721**
Total liabilities and shareholders' equity	**37 962 516**	**36 103 539**	**35 138 250**	**34 251 699**	**32 294 720**

Report of the Group Auditors to the General Meeting of Banque Cantonale Vaudoise, Lausanne

As group auditors, we have audited the consolidated financial statements (balance sheet, income statement, statement of cash flows and notes, pages 49 to 82) of Banque Cantonale Vaudoise for the year ended December 31, 2004.

These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position and of the results of operations and cash flows in accordance with the provisions governing the preparation of financial statements for banks, and comply with Swiss law.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG Fides Peat

Raphaël Jaquet	Olivier Gauderon
Swiss Certified Accountant	Swiss Certified Accountant
Auditor in Charge	

Geneva, March 11, 2005

PARENT COMPANY FINANCIAL STATEMENTS

BALANCE SHEET (in CHF thousands)

	Notes *	31/12/04	31/12/03	Change absolute	as %
Cash and cash equivalents		388 743	358 161	30 582	8.5
Money market instruments		358 116	264 914	93 202	35.2
Due from banks	2	3 885 190	4 586 299	–701 109	–15.3
Loans and advances to customers	7/8	6 235 180	7 225 330	–990 150	–13.7
Mortgages	1/7/8	15 450 595	15 612 006	–161 411	–1.0
Trading portfolio assets		1 483 154	1 395 470	87 684	6.3
Financial investments	1/8	1 634 376	1 738 262	–103 886	–6.0
Holdings		203 483	217 003	–13 520	–6.2
Tangible fixed assets		587 379	590 436	–3 057	–0.5
Accrued income and prepaid expenses		172 226	172 130	96	0.1
Other assets		1 694 768	1 876 508	–181 740	–9.7
Assets		**32 093 210**	**34 036 519**	**–1 943 309**	**–5.7**
Total subordinated assets		74 503	72 575	1 928	2.7
Total claims on Group companies and significant shareholders		243 700	232 587	11 113	4.8
of which claims on Vaud Canton		*104 758*	*106 162*	*–1 404*	*–1.3*
Money market paper issued		933	818	115	14.1
Due to banks		1 221 342	1 815 968	–594 626	–32.7
Customer savings and investment accounts	8/9	8 730 436	8 586 557	143 879	1.7
Due to customers, other	3/8	7 860 470	7 744 447	116 023	1.5
Medium-term notes		329 054	406 626	–77 572	–19.1
Bonds and mortgage-backed bonds	3	7 639 451	8 826 397	–1 186 946	–13.4
Accrued expenses and deferred income		177 881	183 451	–5 570	–3.0
Other liabilities		1 540 539	1 809 676	–269 137	–14.9
Value adjustments and provisions	4	1 806 833	2 210 492	–403 659	–18.3
Liabilities		**29 306 939**	**31 584 432**	**–2 277 493**	**–7.2**
Reserves for general banking risks	4	327 907	250 000	77 907	31.2
Share capital	5	1 381 565	1 379 690	1 875	0.1
General legal reserve		758 537	688 377	70 160	10.2
Reserve for own equity securities	4	2 093	–	2 093	–
Profit for the year		316 169	134 020	182 149	135.9
Shareholders' equity	6	**2 786 271**	**2 452 087**	**334 184**	**13.6**
Total liabilities and shareholders' equity		**32 093 210**	**34 036 519**	**–1 943 309**	**–5.7**
Total subordinated liabilities		635 000	635 000	–	–
Total liabilities to Group companies and significant shareholders		475 552	349 234	126 318	36.2
of which liabilities to Vaud Canton		*253 488*	*100 579*	*152 909*	*152.0*

* The notes are on pages 91 to 95.

INCOME STATEMENT (in CHF thousands)

	Notes *	2004	2003	Change absolute	Change as %
Interest and discount income		784 774	859 023	–74 249	–8.6
Interest and dividend income from financial investments		41 453	42 343	–890	–2.1
Interest expense		–409 162	–488 738	–79 576	–16.3
Net interest income		**417 065**	**412 628**	**4 437**	**1.1**
Commissions and fees on lending operations		36 584	45 317	–8 733	–19.3
Commissions and fees on securities and investment transactions		210 033	189 816	20 217	10.7
Commissions and fees on other services		51 146	44 300	6 846	15.5
Commission and fee expense		–63 444	–61 725	1 719	2.8
Net commission and fee income		**234 319**	**217 708**	**16 611**	**7.6**
Net trading income	10	**80 754**	**101 531**	**–20 777**	**–20.5**
Profit on disposal of financial investments		6 474	19 378	–12 904	–66.6
Income from holdings		16 936	7 086	9 850	139.0
Real-estate income		11 117	16 202	–5 085	–31.4
Miscellaneous ordinary income		9 194	9 406	–212	–2.3
Miscellaneous ordinary expenses		–2 065	–8 517	–6 452	–75.8
Other ordinary income		**41 656**	**43 555**	**–1 899**	**–4.4**
Total income from ordinary banking operations		**773 794**	**775 422**	**–1 628**	**–0.2**
Personnel costs		–267 242	–269 555	–2 313	–0.9
Other operating expenses		–156 575	–161 151	–4 576	–2.8
Operating expenses		**–423 817**	**–430 706**	**–6 889**	**–1.6**
Gross profit		**349 977**	**344 716**	**5 261**	**1.5**
Gross profit		349 977	344 716	5 261	1.5
Depreciation and write-offs on fixed assets		–84 206	–136 731	–52 525	–38.4
Value adjustments, provisions and losses	4	–23 180	–75 613	–52 433	–69.3
Profit on ordinary operations before extraordinary items and taxes		**242 591**	**132 372**	**110 219**	**83.3**
Extraordinary income	4	161 490	51 784	109 706	211.9
Extraordinary expenses		–80 019	–43 311	36 708	84.8
Taxes		–7 893	–6 825	1 068	15.6
Profit for the year		**316 169**	**134 020**	**182 149**	**135.9**
Appropriations					
Profit for the year		316 169	134 020		
Profit shown in balance sheet		316 169	134 020		
Appropriation of profit					
– Allocation to other reserves		254 066	–		
– Allocation to general legal reserve		–	71 799		
– Distribution of dividend on share capital		62 103	62 221		

* The notes are on pages 91 to 95.

OFF-BALANCE-SHEET TRANSACTIONS (in CHF thousands)

	31/12/04	31/12/03	Change absolute	as %
Contingent liabilities	**647 929**	**608 007**	**39 922**	**6.6**
Irrevocable commitments	**211 111**	**186 788**	**24 323**	**13.0**
Liabilities for calls on shares and other equity securities	**104 650**	**111 470**	**–6 820**	**–6.1**
Confirmed credits	**49 264**	**30 899**	**18 365**	**59.4**
Fiduciary deposits with other banks	**842 474**	**977 598**	**–135 124**	**–13.8**
Derivative financial instruments				
Positive replacement values	1 510 238	1 703 898	–193 660	–11.4
Negative replacement values	1 076 582	1 276 506	–199 924	–15.7
Values of underlyings	64 636 985	66 322 019	–1 685 034	–2.5
Other contingent liabilities				
Joint and several liability with respect to subsidiaries within the BCV VAT Group	n.a.	n.a.		

ACCOUNTING AND VALUATION PRINCIPLES

Overview of operations

See first section of "Accounting Principles" on page 54.

Basis of preparation of company financial statements

The company financial statements have been prepared in accordance with the provisions of the Swiss Code of Obligations, the Federal Act on Banks and Savings Institutions and its Implementing Ordinance, and the directives of the Swiss Federal Banking Commission.

Valuation principles

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

Trading-portfolio assets

This item contains positions in own equity securities and own debt securities, which are valued and carried on the balance sheet at fair value.

Holdings

This item comprises shares and other equity securities of companies held as long-term investments. They are valued at cost less appropriate write-downs.

Notes to the Balance Sheet

1. ASSETS PLEDGED OR ASSIGNED AS COLLATERAL FOR OWN LIABILITIES AND ASSETS WITH RESERVATION OF TITLE (in CHF thousands)

	31/12/04		31/12/03	
	Amount or book value of pledge	Real liabilities	Amount or book value of pledge	Real liabilities
Assets pledged or assigned to the Swiss National Bank	130 191	–	139 570	–
Mortgages pledged or assigned to central mortgage bond institution of Swiss cantonal banks	5 323 119	4 144 000	6 252 168	4 928 000
Other	467 741	467 741	419 562	419 562
Assets pledged or assigned	**5 921 051**	**4 611 741**	**6 811 300**	**5 347 562**

2. SALE AND REPURCHASE AGREEMENTS (in CHF thousands)

	31/12/04	31/12/03
Book value of claims arising from cash collateral pledged in connection with securities borrowing or reverse repurchase agreements	1 450 000	300 000
Book value of liabilities arising from cash collateral received in connection with securities lending or repurchase agreements	–	–
Book value of securities held for own account, lent or transferred as collateral in connection with securities borrowing or repurchase agreements	38 283	56 496
of which those which can be sold or repledged without restriction	–	–
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	2 953 092	1 432 172
of which above securities sold or transferred as collateral to a third party	*1 466 637*	*1 078 237*

3. LIABILITIES TO OWN PENSION FUNDS (in CHF thousands)

	31/12/04	31/12/03
	180 318	**190 474**

See “Pension-fund liabilities” in the section on accounting policies.

4. VALUE ADJUSTMENTS AND PROVISIONS (in CHF thousands)
RESERVES FOR GENERAL BANKING RISKS AND RESERVES FOR OWN EQUITY SECURITIES

	Balance at year-end **2003**	Used according to their purpose	Change in allocation	Recoveries, overdue interest, forex differences	New provisions charged to income statement	Reversals credited to income statement	Balance at year-end **2004**
Value adjustments and provisions for default risks (counterparty and country risks)	2 145 505	–303 347		63 933	104 364 [1]	–261 623 [1]	1 748 832
– of which lump-sum provision	*209 500*					*–41 500*	*168 000*
Other provisions	99 898	–30 297			17 316 [2]	–2 066 [2]	84 851
Total value adjustments and provisions	**2 245 403**	**–333 644**		**63 933**	**121 680**	**–263 689**	**1 833 683**
Value adjustments netted directly with assets	–34 911						–26 850
Total value adjustments and provisions shown on Balance Sheet	**2 210 492**						**1 806 833**
Reserves for general banking risks	**250 000**		**–2 093**		**80 000**		**327 907**
Reserves for own equity securities	**–**		**2 093**				**2 093**

[1] Net amount booked to "Extraordinary income" 157 259
[2] Net amount booked to "Value adjustments, provisions and losses" 15 250

5. SHARE CAPITAL (in CHF thousands)

		2004 Number of shares (in units)	2004 Total nominal value	2003 Number of shares (in units)	2003 Total nominal value
Share capital					
Registered share, fully paid-up	Nominal value	CHF	62.50	CHF 125.00 CHF 62.50 from Feb. 5, 2003	
Status at January 1		8 488 080	530 505	8 488 080	1 061 010
Increase in share capital		30 000	1 875		
Decrease in share capital					–530 505
Status at December 31		**8 518 080**	**532 380**	**8 488 080**	**530 505**
of which share capital ranking for dividends			*532 380*		*530 505*
Participation-certificate capital					
Bearer participation certificate, fully paid-up	Nominal value	CHF	62.50	CHF 62.50	
Status at January 1		13 586 956	849 185	–	–
Creation of participation-certificate capital				13 586 956	849 185
Status at December 31		**13 586 956**	**849 185**	**13 586 956**	**849 185**
of which PC capital with preference dividend entitlement			*849 185*		*849 185*
Conditional share capital					
Status at January 1		96 000	6 000	96 000	12 000
Decrease following change in nominal value					–6 000
Conditional share capital issued		–30 000	–1 875	–	–
Status at December 31		**66 000**	**4 125**	**96 000**	**6 000**

Authorized capital

BCV does not have an authorized capital.

5. SHARE CAPITAL (in CHF thousands) *(continued from p. 92)*

Major shareholders and shareholder groups with voting ties	Number of shares (in units) 31/12/04	Total nominal value 31/12/04	Stake 31/12/04	Number of shares (in units) 31/12/03	Total nominal value 31/12/03	Stake 31/12/03
Voting rights						
Vaud Canton, direct interest	5 762 252	360 141	67.65%	5 762 252	360 141	67.89%

6. MOVEMENTS IN SHAREHOLDERS' EQUITY (in CHF thousands)

	Share capital	Participation-certificate capital	General legal reserve	Reserves for general banking risks	Reserve for own equity securities	Profit/loss for the year	Total shareholders' equity
Status at January 1, 2002	**589 450**		**1 224 000**	**–**	**–**	**–389 064**	**1 424 386**
Increase in capital	471 560						471 560
Net share premiums			156 862				156 862
Allocation to reserves for general banking risks				250 000			250 000
Coverage of 2001 loss			–390 000			390 000	–
Profit/loss for the year						–1 221 241	–1 221 241
Status at December 31, 2002	**1 061 010**	**–**	**990 862**	**250 000**	**–**	**–1 220 305**	**1 081 567**
Decrease in share capital	–530 505		530 505				–
Creation of participation-certificate capital		849 185					849 185
Net share premiums			387 315				387 315
Coverage of 2002 loss			–1 220 305			1 220 305	–
Profit/loss for the year						134 020	134 020
Status at December 31, 2003	**530 505**	**849 185**	**688 377**	**250 000**	**–**	**134 020**	**2 452 087**
Allocation to general legal reserve			71 800			–71 800	–
2003 dividend						–62 220	–62 220
Capital increase (paying-in of conditional capital)	1 875						1 875
Stamp tax on 2003 capital increase			–1 640				–1 640
Reserve for own equity securities				–2 093	2 093		–
Allocation to reserves for general banking risks				80 000			80 000
Profit/loss for the year						316 169	316 169
Status at December 31, 2004	**532 380**	**849 185**	**758 537**	**327 907**	**2 093**	**316 169**	**2 786 271**

7. LOANS TO MEMBERS OF GOVERNING BODIES (in CHF thousands)

	31/12/04	31/12/03
Loans used	10 116	7 190
Contingent liabilities	–	155

Up to and including 2002, loans to members of governing bodies were granted on standard terms that were below market rates and identical to those granted to all BCV employees. Some former members of the Board of Directors still have loans with preferential terms obtained when they were in office.

The Board of Directors decided on December 18, 2002 that its members would no longer be given loans on preferential terms.

8. RECEIVABLES AND COMMITMENTS IN RESPECT OF AFFILIATED COMPANIES (in CHF thousands)

	31/12/04	31/12/03
Receivables	**75 178**	**88 567**
Loans and advances to customers	48 748	56 065
Contingent liabilities	18 401	24 530
Financial investments	8 029	7 972
Commitments	**312 207**	**244 978**
Customer savings and investment accounts	2 231	5 460
Due to customers, other	309 976	239 518

Transactions with affiliated companies are conducted on market terms.

9. SPECIAL “CAISSE D’ÉPARGNE CANTONALE VAUDOISE” ACCOUNT (in CHF thousands)

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

	2004	2003
Capital on deposit at January 1	**1 251 483**	**1 378 711**
registered the following movements:		
net payment surplus during the financial year	–113 493	–130 056
capitalization of net interest at December 31	1 931	2 828
representing a net change of	–111 562	–127 228
Total capital on deposit at December 31	**1 139 921**	**1 251 483**
of which guaranteed by Vaud Canton	*895 541*	*981 056*

Breakdown by type of service	31/12/04	31/12/03	Change
Registered savings books and accounts	544 808	578 053	–33 245
Senior citizens’ savings books and accounts	232 345	275 009	–42 664
Bearer savings books	329 696	359 604	–29 908
Youth savings books and accounts	33 072	38 817	–5 745
Total	**1 139 921**	**1 251 483**	**–111 562**

Notes to the Income Statement

10. NET TRADING INCOME BY SECTOR (in CHF thousands)

	2004	2003
Foreign currency	33 103	44 701
Banknotes and precious metals	10 065	10 403
Securities and derivatives	37 586	46 427
Total	**80 754**	**101 531**

Proposals of the Board of Directors

The Board of Directors will recommend to the General Meeting of Shareholders, to be held on May 12, 2005, appropriation of available earnings of CHF 316,168,476.34 as follows:

Payment of a preference dividend of CHF 2.69 per bearer participation certificate	13 586 956 certificates	CHF	36 548 911.64
Payment of an ordinary dividend of CHF 3.00 per registered share	8 518 080 shares	CHF	25 554 240.00
Allocation to other reserves		CHF	254 065 324.70
		CHF	**316 168 476.34**

If this resolution is adopted, the dividends will be payable, after deduction of Swiss withholding tax, at the Bank’s head office and branches from May 18, 2005 onwards.

Report of the Statutory Auditors to the General Meeting of Banque Cantonale Vaudoise, Lausanne

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes, pages 88 to 96) of Banque Cantonale Vaudoise for the year ended December 31, 2004.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with Swiss law and the company's Articles of Incorporation.

We recommend that the financial statements submitted to you be approved.

KPMG Fides Peat

Raphaël Jaquet	Olivier Gauderon
Swiss Certified Accountant	Swiss Certified Accountant
Auditor in Charge	

Geneva, March 11, 2005

Confirmation of the Statutory Auditors to the Board of Directors Share Capital Increase Report

Confirmation of the statutory auditors in respect of conditional capital increase of

Banque Cantonale Vaudoise, Lausanne

As statutory auditors of Banque Cantonale Vaudoise, Lausanne, we have audited the issue of new shares, in accordance with the provisions of Swiss law, during the period between January 1, 2004 and May 3, 2004 in accordance with the decisions of the general meetings of May 14, 1997, October 30, 2002 and February 5, 2003.

The issue of new shares in accordance with the provisions of the company's articles of association is the responsibility of the Board of Directors. Our responsibility is to express an opinion on whether the issue of new shares is in accordance with the provisions of Swiss law and the company's articles of association. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the issue of new shares is free of material misstatement. We have performed the procedures deemed necessary under the circumstances. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the issue of 30,000 registered shares of a nominal value of CHF 62.50 is in accordance with the provisions of Swiss law and the company's articles of association.

KPMG Fides Peat

Raphaël Jaquet	Olivier Gauderon
Swiss Certified Accountant	Swiss Certified Accountant

Geneva, May 3, 2004

We are open to new ideas.

CORPORATE GOVERNANCE – CONTENTS

CORPORATE GOVERNANCE

GENERAL PRINCIPLES

BCV is aware of its responsibilities and meets recommended corporate-governance guidelines. In particular, it is committed to the following goals:

- Complying with the principal standards of corporate governance. BCV complies with the recommendations contained in the Swiss Code of Best Practice for Corporate Governance[1], insofar as they are compatible with its status as a *société anonyme de droit public* (i.e., a corporation organized under public law).
- Carrying out regular reviews of its organization with regard to the Bank's present needs and future development, and ensuring that all members of management are involved in operations.
- Communicating transparently. The information provided in this chapter complies with the guidelines on information relating to corporate governance introduced by the SWX Swiss Exchange on July 1, 2002[2].
- Materially improving the information it publishes, for example, in its Annual Report.

This chapter explains how the Bank puts these principles into practice. Additional information can be found in the Articles of Incorporation, the BCV Statement of Core Values and the Cantonal Act of June 20, 1995 governing the organization of Banque Cantonale Vaudoise, all of which are available on the Internet at www.bcv.ch (French-language site).

[1] An English translation of this text, by Prof. Peter Böckli, may be found on the website www.economiesuisse.ch by simply entering the keyword "best practice" into the site's search function.

[2] See the full English translation of this text at SWX's site. Full direct link: http://www.swx.com/download/admission/regulation/guidelines/swx_guideline_20020701-1_en.pdf

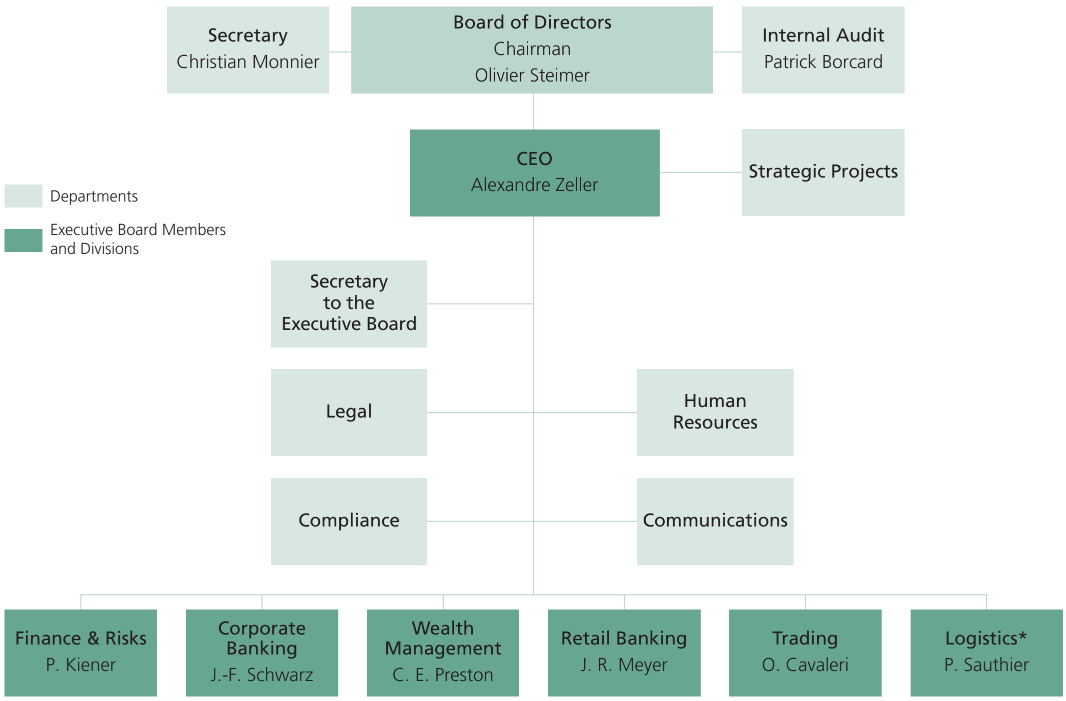
1. GROUP STRUCTURE AND SHAREHOLDER BASE

BCV is a corporation organized under public law *(société anonyme de droit public),* established on December 19, 1845 by Council Decree of the Vaud Cantonal Parliament (i.e., the *Grand Conseil vaudois*), and listed in the Vaud Trade Register. Its legal status is defined in the Act of June 20, 1995 as amended on June 25, 2002. Its registered office is at Place Saint-François 14, 1003 Lausanne, Switzerland.

1.1 Group Structure

Details of all BCV Group companies are shown on pages 66 and 67 under "Scope of Consolidation" in the notes to the Consolidated Financial Statements. Apart from the parent company, none of the Group companies is listed on a stock exchange.

1.1.1 Operational Structure (as of December 31, 2004)



1.1.2 Listed Companies Included in the Scope of Consolidation (as of December 31, 2004)

BCV is the only listed company included in the Group's scope of consolidation.

Corporate Name and Registered Office

The registered office is at Place Saint-François 14, 1003 Lausanne, Switzerland.

Stock Exchange Listing

BCV shares are listed on the SWX Swiss Exchange.

Market capitalization

As of December 31, 2004, the value of BCV's listed shares was CHF 1,741,947,360.

Security Number and ISIN Code

Security Number: 1.525.171
ISIN: CH 00015251710

* Effective from January 1, 2005 the Logistics Division was renamed "Business Support Division." The Legal, Compliance and Communications departments were transferred to Business Support on the same date.

1.1.3 Unlisted Companies Included in the Scope of Consolidation (as of December 31, 2004)

At the operational level, each of the principal subsidiaries reports to a BCV division according to its type of business (see below):

Corporate Banking Division	Wealth Management Division	Retail Banking Division	Logistics Division*
Initiative Capital SA, Lausanne, Switzerland	Banque Piguet & Cie SA, Yverdon-les-Bains, Switzerland	Caisse d'Epargne et de Prévoyance d'Yverdon-les-Bains SA, Yverdon-les-Bains, Switzerland	Unicible, Prilly, Switzerland
	Gérifonds SA, Lausanne, Switzerland		Société pour la gestion de placements collectifs GEP SA, Lausanne, Switzerland
	BCV Investment Asia (Singapore) Pte Ltd, Singapore		Sogirom société de gestion immobilière, Lausanne, Switzerland
	BCV Investment Asia (Hong Kong) Ltd, Hong Kong		
	Asesores y Gestores Financieros SA, Madrid		

In principle, the Head of a Division also sits on the Board of Directors of each subsidiary attached to his or her division.

Until December 31, 2003, fees received by Bank representatives sitting on the boards of subsidiaries had to be remitted to the Bank if they exceeded CHF 3,000 a year for a directorship and CHF 5,000 for a chairmanship. Since January 1, 2004, any fee or other consideration received for such offices must be remitted to the Bank.

The share capital of BCV's main subsidiaries and the holdings of the parent company are shown under "Scope of Consolidation" in the Notes to the Consolidated Financial Statements (pp. 66-67). In addition to its operational subsidiaries, the Group has subsidiaries that are purely legal entities and have no staff of their own. They serve to separate operations which, from a legal point of view, are outside the sphere of BCV's core business areas (details on these entities are also provided on pp. 66-67). A case in point is Initiative Capital SA, whose business is acquiring holdings in start-up companies, mostly in the Lake Geneva area.

1.2 Major Shareholdings

As of January 1, 2005, Vaud Canton held 67.65% of the Bank's share capital. No other shareholder is known to hold an interest of 5% or more of either the voting rights or the share capital.

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.

* Renamed Business Support Division as of January 1, 2005.

2. CAPITAL STRUCTURE

2.1 Share Capital

Information on the Bank's share capital and changes in 2002, 2003 and 2004 may be found in notes 5 and 6 of the parent company's financial statements (pp. 92-93).

As of December 31, 2004, the Bank's share capital stood at CHF 532,380,000 and consisted of 8,518,080 registered shares with a par value of CHF 62.50.

2.2 Conditional Capital

The conditional capital is designed to encourage employee share ownership. In 2004, it was used to offer 30,000 shares, representing an amount of CHF 1,875,000, at a preferential price to all BCV employees. The operation resulted in an increase in the share capital, bringing it to CHF 532,380,000. As of December 31, 2004, the conditional capital consisted of 66,000 shares representing an amount of CHF 4,125,000.

2.3 Changes in Capital Structure in the 2002, 2003 and 2004 Fiscal Years

On June 25, 2002, the Vaud Cantonal Government said that it was prepared to subscribe to the entirety of the CHF 600 million recapitalization. The Board of Directors' proposal regarding the increase was approved by the shareholders at their Annual Meeting. Subscriptions took place between July 18 and July 30, 2002. At the end of the subscription period, individual investors had subscribed 9.4% of the new shares on offer. Honoring its commitment, Vaud Canton subscribed 3,595,692 shares for a total amount of CHF 611.3 million, raising its holding to 67.89% of the share capital.

Amendments to the Articles of Incorporation, submitted to the Special Shareholders' Meeting of October 30, 2002, included a proposal to replace bearer shares with registered shares in order to achieve more transparency regarding the composition of the Bank's individual shareholders. That proposal was approved, and the share exchange was completed in December 2002. In January 2004, approximately 22.5% of the capital was held by registered shareholders other than Vaud Canton.

The Special Shareholders' Meeting of February 5, 2003 adopted a proposal to reduce the share capital from CHF 1.061 billion to CHF 530.5 million by reducing the par value of registered shares from CHF 125.00 to CHF 62.50.

Following up on the announcement made at the Annual Meeting of Shareholders on April 28, 2004, BCV and the Vaud Cantonal Government agreed upon a proposal put forward by the Bank for the future of the participation certificates issued in 2003. Under that proposal, BCV would gradually buy back the participation certificates, with the buyback rate depending on BCV's financial resources. The buyback would be carried out in several tranches, with no commitment by BCV as to the volume of each tranche or the timetable for its repurchase. The buyback price would consist of the issue price of CHF 92.00 per participation certificate, plus an annual risk premium of 2%. That arrangement was set out in an agreement between BCV and Vaud Canton, signed on December 17, 2004.

2.4 Participation-Certificate Capital

The Special Shareholders' Meeting of February 5, 2003 approved the proposal to create a participation-certificate capital of 13,586,956 certificates with a par value of CHF 62.50, to be issued at a price of CHF 92.00. The Cantonal government owns 99.8% of that participation-certificate capital.

Each participation certificate entitles the holder to a preferential dividend, provided that the Shareholders' Meeting approves a dividend payment and that earnings are sufficient. The preferential dividend will be paid on participation certificates before any payment is made on common shares. Participation certificates do not carry voting rights or any other related rights, in particular the right to request the convening of a Shareholders' Meeting, to attend a Shareholders' Meeting, to obtain information, to consult documents or to put forward motions.

2.5 Gratification Certificates *(bons de jouissance)*

BCV has not issued any gratification certificates. Gratification certificates are a type of no-par, non-voting equity security with no preferred dividend.

2.6 Restrictions on Transfers of Registered Shares

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

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 Stock Exchange and Securities Trading Act (SESTA) [...] 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 federal law.

Under Article 16 of the BCV's Articles of Incorporation governing the convening of a Shareholders' Meeting, 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 1 (one) million 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 must be submitted to the Chairman of the Board of Directors in writing at least 45 days prior to the Shareholders' Meeting.

2.6.2 Exemptions Agreed to During the Fiscal Year

No exemptions were agreed to during the fiscal year.

2.6.3 Registration of Nominees

The Board of Directors may refuse the registration of a buyer as a shareholder with voting rights unless the shareholder declares, upon request, that he or she has purchased the shares in his or her name and for his or her 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, as provided in Article 11 paragraphs 3 and 4 of the Cantonal Act of June 20, 1995 Organizing the Banque Cantonale Vaudoise, in compliance with the rules applicable to any resolution of the Shareholders' Meeting.

2.7 Convertible and Warrant Bonds

No bonds or warrants convertible into BCV common stock were outstanding as of December 31, 2004.

3. BOARD OF DIRECTORS

3.1 Members of the Board of Directors

As of December 31, 2004, the Board of Directors was made up as follows:

Olivier Steimer became Chairman of the Board of Directors on October 30, 2002. He was born in 1955, is a Swiss citizen, and holds a law degree from Lausanne University. After completing his university studies and a number of banking and finance internships, he joined Credit Suisse, where from 1983 onward he was appointed to progressively increasing levels of responsibility, as Head of the Nyon branch office and then Head of Investment Advisory Services in Lausanne. He held several positions in Los Angeles, New York and Zurich, and worked in the fields of wealth management and credit and financing services for both Swiss and foreign clients. In 1995, Mr. Steimer was given overall responsibility for Credit Suisse's Geneva region and was appointed member of the Executive Board of Credit Suisse Private Banking at the Zurich headquarters in 1997. In 2001, he was named CEO of the Private Banking International Division and joined the Executive Board of Credit Suisse Financial Services. The following year, he was appointed member of the Credit Suisse Group Executive Board.

Paul Hasenfratz was appointed Vice-Chairman of the Board of Directors in February 2003. He was born in 1942, is a Swiss citizen, and holds a Swiss Federal Banking Diploma. His long banking career has included several internships with U.S. banks and brokerages, and he has attended various management courses for business leaders. From 1961 until joining BCV, Mr. Hasenfratz spent his career at Zurich Cantonal Bank (ZKB). In 1987, he was put in charge of the ZKB Securities Department and appointed Deputy to the Head of the Commercial Division. He was appointed Head of the Investment Department (Private and Institutional Clients) and member of the Executive Board in 1989, and was made CEO in 1992.

Beth Krasna was born in 1953 and has dual Swiss and American citizenship. She holds a degree in chemical engineering from the Federal Institute of Technology in Zurich, and a Masters in Management from the Sloan School of the Massachusetts Institute of Technology. After several years at Philip Morris, she joined Comtech SA in Vevey in 1983, where she was responsible for the development and sale of a venture-capital project. Beginning in 1986, Ms. Krasna spent five years as a partner and shareholder of several venture-capital firms and worked as a consultant in the areas of mergers and acquisitions, venture capital, technology transfer and licensing. From 1992 to 1996, she ran Valtronic Group, guiding that local company specialized in electronic miniaturization through a major structural realignment. In 1996, she became President and CEO of Symalit AG, a plastics extrusion company located in Lenzburg, and Associate Partner at Triventus AG, the management company of Quadrant Holding, the first listed Swiss private-equity company. From 1998 to the end of 2000, she was Managing Director at Sécheron SA in Geneva, and from 2001 to 2003 she was CEO of the Lausanne-based software company Albert-Inc. SA, which specializes in intuitive information-access software. Since 2004, she has been an independent non-executive director for various companies.

André Pugin was born in 1947 and is a Swiss citizen. He holds a degree in civil engineering from the Federal Institute of Technology in Lausanne and a diploma from INSEAD in Paris. He first worked as a project engineer and was responsible for setting up a turnkey production unit in the United States before becoming Head of the Sales Department at Vevey Engineering Works Ltd and then Director of the Technology and Mechanical Engineering Division. In 1993, Mr. Pugin became President of APCO Technologies in Vevey, which he founded. He maintains normal business relations with the companies in the BCV Group as well as with the Bank, which has been APCO Technologies' banking partner since the company was established in 1992.

Luc Recordon was born in 1955 and is a Swiss citizen. He holds a doctorate in law from Lausanne University and is a member of the Bar of Vaud Canton. In addition, he has a degree in physical engineering and a certificate in business management, both from the Federal Institute of Technology in Lausanne. He worked as a lawyer for the Federal Office for Spatial Planning in 1980-1981 and spent the next two years as a sales engineer with Granit SA in Lausanne before setting up his own legal and technical consultancy. Mr. Recordon was admitted to the Bar in 1989 after two years as a trainee lawyer and was subsequently made a partner in a Lausanne law firm.

Paul-André Sanglard was born in 1950 and is a Swiss citizen. He holds a PhD in economics with a specialization in political economy from the University of Geneva. In 1978 and 1979, he was a research fellow at Stanford University and the Massachusetts Institute of Technology. After working as an assistant in the Department of Political Economics of Geneva University, he worked as an economist in the Swiss Federal Office of External Economic Affairs from 1977 to 1978. In 1979, he was appointed Head of Jura Canton's public revenue office. In 1982, he became a lecturer on public finance at the University of Geneva, and between 1984 and 1989 he was a member of the World Economic Forum Executive Committee. He has been a freelance economist since 1989.

Jean-Luc Strohm, born in 1941, is a Swiss citizen who holds degrees in law and economics from the University of Lausanne. After completing his studies, he began a long and varied banking career with UBS. He worked as a financial and credit-risk analyst in Zurich from 1966 to 1970 and managed a portfolio of commercial loans in Lausanne from 1970 to 1977. In 1978, Mr. Strohm was sent to Los Angeles to set up the UBS branch there, which he headed until 1982. He was then called back to Lausanne to set up and head the International Banking Department of UBS Lausanne. In 1985, he was promoted Head of the Corporate Banking Department of UBS Lausanne. He was appointed senior advisor at UBS Lausanne in 1992. Mr. Strohm left UBS in 1993 to become Director of the Vaud Canton Chamber of Commerce and Industry, which is based in Lausanne.

3.2 Other Activities and Business Relations

The Chairman and members of the Board of Directors perform no other functions within BCV Group and have not done so during the past three years. They maintain normal business relations with BCV and Group companies.

In addition:
Olivier Steimer has been a member of the Board of Directors of the Swiss railway system (SBB) since June 2003.

Paul Hasenfratz is Vice-President of the Swiss Banking Ombudsman Foundation and a member of the boards of the Hasler Foundation in Bern and the Max Bircher Foundation in Zurich. In March 2004, he was also appointed to the board of Siska Heuberger Holding AG in Winterthur, and is also a board member of "Die Werke Versorgung Wallisellen AG." Until the spring of 2002, he was Vice-President of the Swiss Bankers' Association and of the Union of the Swiss Cantonal Banks. At the end of 2003, he became Chairman of the "Cercle d'Etude Capital et Economie" research group.

Beth Krasna is a member of the Board of Governors of Switzerland's Federal Institutes of Technology and of the Swiss Academy of Engineering Sciences. She is also a member of the Vaud Canton Economic Council and of the Geneva Canton Strategic Economic Development Council, and sits on the Board of Directors of Raymond Weil SA, Geneva.

André Pugin is a board member of CVE Romande Energie in Morges, the Vevey District Savings Bank, and TSA in Lausanne. He is also President of the Swiss Association for the Space Industry and a member of the Federal Commission for Space Affairs, the Swiss Natural Science Association (Committee for Space Affairs), and the Swiss Academy of Technical Sciences.

Luc Recordon is a committee-member (and former president) of the Lausanne Section of the Swiss Tenants' Association (ASLOCA) and of the Vaud Transportation and Environment Association (ATE – VD), a local councillor for Jouxtens-Mézery, a member of the Swiss Parliament's lower house and a member of the Vaud Green Party Committee. He also sits on the boards of the following companies: SEG Swiss Education Group SA, Lausanne; Hotel Institute Montreux SA (HIM), Montreux; Hôtel de l'Europe SA, Montreux; School of Swiss Hotel Management SA (SHMS), Montreux; SLC Cours de Langues SA, Montreux; SLC Immobilier SA, Montreux; SMU SA, Leysin; IAMI SA, Montreux; CSS SA, Montreux; and International Hotel and Tourism Training Institutes SA (IHTTI), Neuchâtel.

Paul-André Sanglard is a member of the Board of Directors of the Vaudoise Assurances insurance company and is Chairman of its pension funds. He is also Chairman of the Board of Directors of Banque Cantonale du Jura in Porrentruy, Chairman of Ophthalmology Network Organization in Geneva and a member of the Board of Directors of British American Tobacco Switzerland SA in Boncourt.

Jean-Luc Strohm has been President of the Swiss Chambers of Commerce and Industry since 2000 and Chairman of the Board of Renaissance PME, a Swiss investment foundation in Lausanne, since 1998.

3.3 Interdependencies

None of the members of the Board of Directors holds cross-directorships on the boards of other listed companies.

3.4 Date of First Election and Terms of Office

3.4.1 General 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 *(Conseil d'Etat vaudois).* The remaining members are elected by shareholders at Shareholders' Meetings, with the Cantonal Government abstaining from voting.

The Chairman and other members of the Board are appointed for a period of four years. They are eligible for re-appointment/re-election, but their total term of office 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.

3.4.2 First Election and Term of Office

The table below shows the terms of office of the current members of the Board.

Members of the Board of Directors	Year of Birth	Date of First Election	Ultimate Expiration of Term of Office	Appointed/Elected by
Mr. Olivier Steimer (Chairman)	1955	October 30, 2002	2018	Vaud Government*
Mr. Paul Hasenfratz (Vice-Chairman)	1942	April 1, 2002	2012	Vaud Government*
Ms. Beth Krasna	1953	October 30, 2002	2018	Shareholders**
Mr. André Pugin	1947	October 30, 2002	2017	Shareholders**
Mr. Luc Recordon	1955	February 1, 2002	2018	Vaud Government*
Mr. Paul-André Sanglard	1950	October 30, 2002	2018	Vaud Government*
Mr. Jean-Luc Strohm	1941	October 30, 2002	2011	Shareholders**

* Current term expires on December 31, 2005
** Current term expires at 2006 Shareholders' Meeting

3.5 Internal Organization

3.5.1 Allocation of Positions

The Board of Directors is made up of Olivier Steimer (Chairman), Paul Hasenfratz (Vice-Chairman), Beth Krasna, André Pugin, Luc Recordon, Paul-André Sanglard and Jean-Luc Strohm.

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 two committees in this way: an Audit Committee and a Promotions, Appointments and Compensation Committee. Neither of them has decision-making powers. Their remit is to prepare Board resolutions and submit opinions. The Board of Directors may create other special committees to deal with matters that are to be submitted to the Board.

3.5.2 Committees: Composition and Terms of Reference

AUDIT COMMITTEE

The Audit Committee is made up of Paul Hasenfratz (Chairman), André Pugin, Paul-André Sanglard and Jean-Luc Strohm.

It regularly reviews the Bank's financial data as well as reports submitted by the Chief Risk Officer and the Chief Compliance Officer.

It supervises the work of both the internal and external auditors. Together with the external auditors' representative, the Committee examines the external auditors' recommendations concerning BCV's organization as well as their opinion on the qualifications of the internal auditors and on the cooperation of Bank units in Audit procedures. The Committee also receives briefings from the Head of Internal Audit regarding BCV's organization and operations. Furthermore, it gives its own appraisal of the Internal Audit and reviews the reports of the Chief Compliance Officer as well as the status of litigation involving BCV.

The Audit Committee meets for at least one full day every quarter to accomplish the above duties (which are detailed in the Bank's By-Laws and the new Audit Committee Charter) and to review other matters related to its duties. A further half-day meeting is also devoted to closing the parent company's annual accounts.

The Head of Internal Audit attends all Audit Committee meetings, with the exception of those devoted to a few particular topics. Depending on the agenda, representatives of the external auditors, members of the Executive Board, the Chief Financial Officer, the Chief Risk Officer, the Chief Compliance Officer and other members of senior management may also attend the meetings.

The main task of the Audit 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. The Committee is also 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 subsidiary companies as part of a consolidated review. It then ensures implementation of the auditors' recommendations by means of an itemized follow-up, and also submits the Audit plans to the Board of Directors for approval.

Besides its regular duties, the Audit Committee was kept informed in 2004 about the real-estate portfolio appraisal method, the Credit Recovery Management Department's strategy regarding impaired loans and how it was operating, and the Internal Audit Department's approach and strategy.

PROMOTIONS, APPOINTMENTS AND COMPENSATION COMMITTEE
The Promotions, Appointments and Compensation Committee consists of Olivier Steimer (Chairman), Beth Krasna and Luc Recordon. The CEO takes part in an advisory capacity.

The Committee 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 proposals for the selection and hiring of the Bank's senior executives and reviews the fee policy for members of the Board of Directors. It also prepares Board decisions concerning the compensation of members of the Executive Board and the Head of Internal Audit, as well as the Bank's overall compensation level.

In addition, it assesses the performance of the CEO and reviews the CEO's assessment report on members of the Executive Board.

Finally, it makes recommendations on executive appointments and promotions.

OTHER COMMITTEES
The Board of Directors may set up other temporary committees, appoint members, determine how they are to operate and define their terms of reference. The temporary committee appointed by the Board in 2003 to handle all ongoing legal proceedings involving BCV's former governing bodies continued to sit in 2004.

3.5.3 Operation of the Board of Directors and Board Committees
The Board of Directors held 14 plenary meetings, each generally lasting a full day, and took part in two conference calls last year. It also went on two 2-day retreats, part of which took place together with the Executive Board. Finally, the entire Board of Directors met with the Vaud Cantonal Government twice in 2004.

The Board Committees meet whenever required by the business at hand. In 2004, the Audit Committee held six meetings, while the Promotions, Appointments and Compensation Committee met six times and took part in two conference calls.

Board members receive all of the minutes of the Committee meetings. The Chairman of each Committee informs the members of major issues at Board meetings and answers any questions of Board members. With regard to how the committees operate, see under 3.5.2.

The CEO attends all regularly scheduled Board meetings and retreats. Executive Board members attend Board of Directors meetings whenever issues relating to their divisions are on the agenda.

3.6 Areas of Responsibility

The Board of Directors establishes the Bank's general policy. It manages the business of the Bank at the highest level and issues the necessary instructions. It also supervises the management of the Bank and those responsible for managing the Bank, and approves the financial plan and budget. In addition, it verifies the accomplishment of BCV's corporate mandate, as specified in Article 4 of the Cantonal Act of June 20, 1995 governing BCV. And finally, it organizes shareholders' meetings.

The Executive Board is responsible for the management and direct supervision of the Bank's business. Within its remit, it defines the terms and procedures of operations specified in Article 4 of the Articles of Incorporation that are governed by Article 4 of the above-mentioned Act.

3.7. Monitoring the Executive Board

The Board of Directors supervises the Executive Board with the support of the Internal Audit Department, which regularly monitors the operations of the Bank and the Group. The Board of Directors is also supported in this task by the external auditors. The Board receives regular reports from the Executive Board, in particular on budget monitoring, risk management and compliance.

The Board of Directors does not have any executive members, meaning that none of its members belongs to the Executive Board or exercises any management function whatsoever at the Bank or its subsidiaries, in compliance with the principle of independence stipulated in Article 8, Paragraph 2 of the Swiss Federal Implementing Ordinance on Banks and Savings Banks.

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 of the operations of the Bank and has an unlimited right to access information for that purpose. Its organization, sphere of operations, procedures and cooperation with the external auditors are defined in its regulations. Those regulations specify that it is independent of the Executive Board. The Department's remit extends to all entities directly or indirectly controlled by the Bank that operate in banking and finance.

4. EXECUTIVE BOARD

4.1 Members of the Executive Board

The Executive Board currently consists of the following members, all of whom were appointed by the Vaud Cantonal Government:

Alexandre Zeller was appointed CEO on November 1, 2002. A Swiss citizen, he was born in 1961 and graduated from the University of Lausanne with a degree in economics in 1982. He joined Nestlé in 1984 as an operational auditor and worked there for three years prior to moving to Credit Suisse. He was with Credit Suisse from 1987 to the autumn of 2002 and held a variety of positions with that bank, providing him with wide-ranging experience in branch-office management, lending, and private banking for both Swiss and foreign clients. Between 1999 and 2002, he was a member of the Executive Board of Credit Suisse Financial Services and CEO of Credit Suisse Private Banking Switzerland.

Olivier Cavaleri runs the Trading Division. A Swiss citizen, he was born in 1962 and took a degree in electrical engineering from the Swiss Federal Institute of Technology (EPFL) in Lausanne in 1985. He was in charge of IT and economic evaluation at Bernische Kraftwerke AG (a local electric utility) from 1986 to 1990, and obtained an MBA from the University of Lausanne in 1989. In 1990, he joined UBS in Zurich to work on new financial derivative instruments. From 1992 to 1997, he was head of fixed-income derivatives and was then put in charge of Swiss trading in foreign-currency bonds. He joined BCV in 1998 as Head of the Fixed-Income Department and obtained a diploma from the Swiss Banking School in 1999. He took over the Trading Division as a member of the Executive Board on July 1, 2001.

Pascal Kiener was appointed Chief Financial Officer and member of the Executive Board with responsibility for the Finance and Risks Division on June 1, 2003. He is a Swiss citizen, was born in 1962, and holds a mechanical engineering degree from the Swiss Federal Institute of Technology in Lausanne (1985) as well as an MBA from INSEAD in Fontainebleau (1992). Between 1985 and 1991, he worked as an engineer for companies such as 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. Mr. Kiener has acquired experience in financial services, and in banking in particular, over the last few years as an advisor for leading financial institutions in Switzerland and the EU. He has managed large projects involving strategy, risk management, controlling, and business process re-engineering.

Jacques R. Meyer took charge of the Retail Banking Division on November 15, 2002, when he became a member of the Executive Board. A Swiss citizen, Mr. Meyer was born in 1955 and earned a Swiss Federal Banking Diploma in 1982 as well as diplomas from the Swiss Banking School in 1993 and 2000. He worked for UBS from 1974 to 1989, beginning his banking career as an intern at the main branch and various branch offices of UBS Fribourg. He then moved to Zurich to work in the documentary credit department. He returned to Fribourg in 1979 as a management assistant, and headed the Payerne branch from 1983 to 1989. That year, he joined BCV and was appointed Regional Head in charge of the Nyon area. He became Head of BCV West Region when the regional network was restructured in 1998.

Christopher E. Preston was appointed Head of the Wealth Management Division and a member of the Executive Board on January 1, 2004. He was born in 1954, and is a British citizen. He graduated in law from the University of Southampton (U.K.) in 1975 and obtained an MBA from Cranfield School of Management and INSEAD in 1980. He began his career in 1976 at Camper & Nicholson Ltd, working in the U.K. and Monaco, before joining Bank of America in 1980. From 1980 to 1987, he worked in London in the areas of lending, capital markets and trading. In 1988, he was appointed General Manager of BA Finance (Suisse) SA before becoming Country Manager for Switzerland in 1989. He was *Geschäftsleiter* and Country Treasurer for Germany between 1992 and 1993. In 1994, he joined the Executive Board of Rothschild Bank AG, Zurich, initially as Chief Financial Officer and subsequently as Head of the Private Banking Division. He joined Citigroup Private Bank in 2001, where he held the posts of Chairman of Citigroup Suisse SA and Head of the Wealth Management Division for Europe and the Middle East.

Philippe Sauthier, who runs the Business Support Division, was born in 1964, and is a Swiss citizen. He took a degree in social science at the University of Lausanne in 1986. After an internship at Credit Suisse in Lausanne in 1988, he became project manager at MIS Trend, a market-research company specializing in customer surveys, the following year. He joined BCV in 1992 after completing an MBA at Lausanne University, and was marketing manager at the Bank until 1997, when he took charge of the Trading Back-Office Department. He was appointed a member of the Executive Board and Head of the Logistics Division (now the Business Support Division) on July 1, 2001.

Jean-François Schwarz was appointed member of the Executive Board and Head of Corporate Banking on February 25, 2003 and took up his post on March 5, 2003. A Swiss citizen, he was born in 1955 and graduated in 1976 with a degree in economics (with a major in business administration) from the Economics and Business Administration Faculty of Lausanne University. In the same year, he joined BCV's Commercial Division. He subsequently became assistant to the Head of that Division and later on client advisor for business loans and trade and export financing. From 1986 onward, he worked for Credit Suisse in Lausanne, New York, Zurich, Geneva and Sion. Before returning to BCV in 2003, he was in charge of five regions for Credit Suisse as Head of Corporate Clients for French-speaking Switzerland.

4.2 Other activities and business relations

Executive Board members also hold the following positions:

Alexandre Zeller is a member of the Board of Directors and the Board Committee of the Swiss Bankers Association (SBA), Vice-Chairman of the Board of Directors and Board Committee of the Union of Swiss Cantonal Banks (UBCS), and a member of the Board of Directors and the Steering Committee of the Vaud Canton Chamber of Commerce and Industry (CVCI). He also sits on the Boards of Directors of Banque Piguet & Cie SA and Renault Finance SA. He is Chairman of the BCV Early-Retirement Benefit Plan. He is a member of the Boards of Trustees of BCV Foundation and FAME (an international center for Financial Asset Management and Engineering). He is also a member of the Board of Trustees of the Geneva Financial Center Foundation.

Olivier Cavaleri is Chairman of the Swiss Cantonal Bank Issuing Committee. He is also a committee member of the Association for the Development of Banking Expertise in Geneva, the Board of Directors of the Swiss Cantonal Banks' Central Mortgage Bond Institution in Zurich and the Executive Board of BCV's Guernsey branch. He is Chairman of the Board of the BCV Executive Pension Plan, Vice-Chairman of the Board of the BCV Early-Retirement Benefit Plan, and a member of the Board of Trustees of the Banque Cantonale Vaudoise Pension Plan.

Pascal Kiener is a member of the Board of Directors of Unicible and a member of the Board of Trustees of the BCV Early-Retirement Benefit Plan.

Jacques R. Meyer is a member of the Board of Directors of Swissca Holding SA, Bern. He is Chairman of the Board of Directors of the Caisse d'Epargne et de Prévoyance d'Yverdon-les-Bains in

Yverdon-les-Bains, and a member of the Board of Directors of Beaulieu Exploitation SA, Lausanne. He is a committee member of the Office for the Occupational Integration of Handicapped People in French-speaking Switzerland (in Vevey), the Vaud Canton Banking Association, and the Vaud Canton Banking Training Foundation. He also sits on the Board of Directors of Domaine du Mont-d'Or SA, Pont-de-la-Morge, and is a member of the Board of Trustees of the BCV Executive Pension Plan.

Christopher E. Preston is Chairman of the Board of Directors of Gérifonds S.A., Lausanne, Vice-President of Banque Piguet & Cie SA in Yverdon-les-Bains, Geneva and Lugano, and a member of the Board of Asesores y Gestores SA, Spain.

Philippe Sauthier is Chairman of the Boards of Directors of GEP SA, Lausanne and of Sogirom SA, Lausanne. He is a member of the Boards of Directors of Odyssey Asset Management Systems SA (OAMS) in Luxembourg, Unicible in Lausanne, and Viseca Issuing AG in Glattbrugg. He is also a member of the Investment Committee of the IFCA/Swissca Fund in Bern.

Jean-François Schwarz is a member of the Boards of Directors of Défi Développement-Finance Holding SA, Lausanne, and Defi Gestion SA, Lausanne.

Former Member of the Executive Board

Ralph Ziegler vacated his post as a member of the Executive Board on January 30, 2003. Revocation proceedings, which had been resumed following the Federal Court's decision of August 7, 2003, terminated on August 11, 2004 with a new decision by virtue of which the Vaud Cantonal Government revoked Mr. Ziegler's position of member of the Executive Board of BCV. However, that decision has since been appealed to both the Vaud Cantonal Court and the Federal Court. Both cases are still pending.

Internal Organization of the Executive Board

Under applicable laws, Swiss Bankers Association agreements, circulars of the Swiss Federal Banking Commission and of other supervisory authorities, as well as guidelines of the Board of Directors, the Executive Board may delegate its powers and duties, with the exception of certain non-transferable and inalienable powers as provided in the Organization Regulations.

In particular, the Board may appoint committees to prepare and implement its decisions, make independent decisions and supervise various matters.

Several committees have been set up within the Executive Board, including the Risk Management Committee, the Credit Committee, the Asset and Liability Management Committee, the Information Technology Committee and the Investment Committee. Each consists of a Chairman and members appointed for an indefinite period by the Executive Board and drawn from its own ranks or among senior executives.

The **Risk Management Committee,** chaired by CFO Pascal Kiener and made up of CEO Alexandre Zeller, Olivier Cavaleri, Jean-François Schwarz and CRO Thomas Paulsen, submits risk-management policy proposals to the Executive Board, for approval by the Board of Directors. It puts forward proposals concerning the Bank's risk-taking strategy and the principles governing the Bank's risk-management procedures to the Executive Board, for approval by the Board of Directors. It validates all proposals regarding the implementation of the risk-management policy – in terms of methodology, procedures and organization – previously approved by the CRO. It closely monitors the Bank's risk exposure and risk profile based on the CRO's monthly risk reports and also monitors all BCV risk-management projects.

The **Credit Committee,** chaired by Jean-François Schwarz, makes decisions regarding the extension of loans, within the limits of its area of responsibility, and informs the Executive Board of its decisions. Other members of the Committee are CEO Alexandre Zeller, Jacques R. Meyer, Eric Schneider and Patrick Nosten.

The **Asset and Liability Management Committee,** chaired by CFO Pascal Kiener, actively manages the Bank's position on interest-rate risks, in terms of its balance-sheet structure and expected interest-rate trends. It submits various policy recommendations (concerning the future development and structure of the balance sheet, financing, and hedging foreign-exchange risk on financial investments and holdings) to the Board of Directors and the Executive Board. Other members of the Committee are Olivier Cavaleri, Fernando Martins da Silva, Michel Aubry, Eric Allemann and Hans-Rudolf Luescher.

The **Information Technology Committee,** chaired by Philippe Sauthier, monitors the Bank's principal IT projects. Other members of the Committee are CEO Alexandre Zeller, CFO Pascal Kiener and Sylvaine Simms.

The **Investment Committee,** chaired by Fernando Martins da Silva, who is head of BCV's investment policy, defines asset-allocation planning and strategy for the Bank's global investment agreements. Other members of the Committee are René-Pierre Giavina and Max Roth.

4.3 Management contracts

The Bank has not entered into any management contracts.

5. COMPENSATION, SHAREHOLDINGS AND LOANS

5.1. Compensation System

After a phase-in period of two years, a new managerial model, known as CAP (taken from the French phrase "de la **C**ompétence **A** la **P**erformance"), has been operational since January 1, 2004.

The model redefines the company's principal managerial processes. In particular, it aims to encourage the development of employee skills and promote individual and team performance.

In terms of compensation, the CAP model covers the base salary, the bonus, employee share ownership, and the long-term variable salary.

The model provides that the compensation of senior management is set by the Board of Directors, based on proposals submitted to it by the Compensation Committee (see 3.5.2).

Base Salary

The base salary is set for each employee according to his or her job description and in line with current market practice. Salary increases depend on the extent to which skill-development objectives have been achieved.

Bonus

Each employee is eligible to receive a bonus, which is awarded depending on the extent to which the employee has achieved his or her quantative and qualitative performance objectives. It is also influenced by the Bank's profit and by the collective performance of the division and department in which the employee works. The bonus calculated on that basis was paid for the first time in March 2005, for the 2004 fiscal year. As in the past, employees could elect to receive part of it in

BCV shares, which are subject to a lock-up period. The shares, which have a par value of CHF 62.50, were allocated at their average market price in the last week of February. Members of the Executive Board receive their bonus in shares.

Employee Share Ownership

The Bank considers employee share ownership to be an essential element in employee loyalty and corporate identity. A share-subscription program was therefore introduced in 1987. Until 1995, the program entitled all BCV employees to subscribe to participation certificates, which were converted into voting shares after the merger with Crédit Foncier Vaudois.

Share-purchase entitlements are determined by the level of responsibility inherent in an employee's position. The subscription price is normally set at half the market price on March 31 of the year in which the shares are subscribed. With the aim of promoting shareholder loyalty, the shares are subject to a three-year lock-up period from the date of subscription.

Members of the Bank's Board of Directors have no preferential rights in subscribing BCV shares.

Allocation of free shares decided in 2003

In 2003, under the employee share-ownership program, it was decided to offer one free share for every share subscribed, provided that the market price of the shares was at least CHF 110.00 for five consecutive months before the end of the lock-up period, i.e., May 31, 2006.

The Board of Directors and the Executive Board are pleased to announce that these conditions were fulfilled on April 4, 2004 and that the free shares will be allocated to employees on May 31, 2006.

At the beginning of the program, 30,319 shares were subscribed. Given that only employees who have not terminated their employment by May 31, 2006 will still be eligible, there are currently 25,637 shares available for allocation.

Long-Term Variable Salary

A new long-term compensation plan was introduced at the start of 2004, called the "long-term variable salary."

Its purpose is to encourage the Bank's long-term development by providing an extra incentive to key people whose strategic input has a long-term impact on BCV.

The system is based on plans beginning every year based on three-year strategic objectives. The long-term variable salary is totally or partially paid in BCV shares at the end of each plan, depending on the extent to which the objectives have been achieved.

A supply of 12,740 shares was created for the 2004-2006 plan. Since the full cost of this operation was booked in the 2004 fiscal year, there will be no further impact on the income statement until the end of the plan. At that time, any difference between the number of shares distributed to participants and the supply of shares created for the purpose will be paid-up and booked under income from the sale of financial investments.

Note on the variable compensation paid in March 2004 for the 2003 fiscal year

As the new CAP model was implemented on January 1, 2004, variable compensation paid in March 2004 for the 2003 fiscal year was based on the previous system, which provided for a variable salary and a bonus. Whereas all Bank employees were eligible for the variable salary, the bonus was awarded only to some 20% of employees, to reward exceptional performance during the previous year. They were given the choice of receiving the bonus entirely in cash, or, for amounts of CHF 20,000 or more, half in cash and half in BCV shares. The share component of the bonus was increased by 30% to take account of the lock-up period for the shares.

5.2 Compensation of Members of the Board of Directors and the Executive Board

5.2.1 Total Compensation

The SWX advocates that compensation disclosed apply to the fiscal year under review.

During 2004, 14 members of BCV's two Boards received total compensation of CHF 7,216,692, including performance bonuses of CHF 2,806,000 paid in cash in March 2005. The total compensation of those members included extra contributions to the Executive Pension Plan.

For purposes of comparison, fiscal 2003 gross compensation of members in office as of December 31, 2003 was CHF 6,295,654, including performance bonuses of CHF 2,618,000 paid in cash in March 2004. That amount was paid to 14 members of the two Boards, including three members of the Executive Board who joined BCV during 2003.

5.2.2 Compensation Breakdown

Executive Board

The seven members of the Executive Board received gross compensation of CHF 5,497,686 for fiscal 2004, including performance bonuses of CHF 2,381,000 paid in cash in March 2005.

For purposes of comparison, gross compensation of members of the Executive Board in office as of December 31, 2003 was CHF 4,252,850 for fiscal 2003, including performance bonuses of CHF 2,001,500 paid in cash in March 2004. Three of the Board members joined BCV during 2003.

Board of Directors

For fiscal 2004, the seven members of the Board of Directors received gross compensation of CHF 1,719,006, including a performance bonus of CHF 425,000 paid in cash in March 2005 to the Chairman.

The average compensation of Board members, excluding the Chairman, was CHF 128,583, including fees and expenses.

For purposes of comparison, the seven members of the Board of Directors in office as of December 31, 2003 received gross compensation for fiscal 2003 of CHF 2,042,804, including a performance bonus of CHF 616,500 paid in cash in March 2004 to the Chairman.

Since November 1, 2002, the serving members of the Board of Directors have not had any preferential terms regarding banking services.

5.3 Compensation of Former Members of the Board of Directors and the Executive Board

No compensation was paid to former members of either board in 2004.

5.4 Allocation of Shares in Fiscal 2004

No BCV shares were allocated to parties closely linked to members of the Board of Directors or the Executive Board during fiscal 2004.

Executive Board
For fiscal 2004, members of the Executive Board received 5,567 locked-up BCV shares within the framework of the performance bonus plan. In addition, under the share-ownership program, the members of the Executive Board subscribed 1,150 locked-up shares.

For fiscal 2003, the members of the Executive Board received 6,009 locked-up shares within the framework of the performance bonus plan. In addition, under the share-ownership program the members of the Executive Board subscribed 1,100 locked-up shares.

Board of Directors
For fiscal 2004, the Chairman of the Board received 1,632 locked-up BCV shares within the framework of the performance bonus plan. For fiscal 2003, the Chairman of the Board received 1,850 locked-up BCV shares within the framework of the performance bonus plan.

5.5 Ownership of Shares

Executive Board
As of December 31, 2004, the members of the Executive Board and closely-linked parties held a total of 12,362 BCV shares.

Board of Directors
Under a resolution adopted by the Board of Directors on October 7, 2002, Directors are required to own a minimum of 100 BCV shares. As of December 31, 2004, Directors and closely-linked parties together owned 11,330 BCV shares.

5.6 Options

BCV does not have a system of employee stock options.

5.7 Other Fees and Compensation

Members of the Bank's Board of Directors and Executive Board received no fees or gratuities other than those included in the above compensation. Moreover, since January 1, 2004, all fees and other consideration received by Executive Board members representing the Bank on other boards of directors have to be remitted to the Bank.

5.8 Loans to Members of the Board of Directors and Executive Board

Current members of the Board of Directors have no preferential terms on the loans extended to them. For members of the Executive Board, as well as for all employees, the rate on floating-rate first mortgages was 2% as of December 31, 2004. The rate on fixed-rate loans was 42 basis points higher than the base rate.

As of December 31, 2004, total credit lines extended to members of the Board of Directors and of the Executive Board, as well as to companies in which they have a controlling interest, amounted to CHF 15,586,000, CHF 9,671,000 of which had been drawn down.

That amount includes guarantees issued by the Bank to ten members. Over 62% of the loans are secured by mortgages and securities.

Executive Board
As of December 31, 2004, total credit lines extended to members of the Executive Board amounted to CHF 8,258,000, CHF 7,943,000 of which had been drawn down.

That amount includes guarantees issued by the Bank to seven members. Over 95% of the loans are secured by mortgages and securities.

Board of Directors
As of December 31, 2004, total credit lines extended to members of the Board of Directors as well as to companies in which they are dominant amounted to CHF 7,328,000, CHF 1,728,000 of which had been drawn down.

That amount includes guarantees issued by the Bank to three members. 25% of the loans are secured by mortgages and securities.

5.9 Highest Compensation
The highest overall compensation, as specified in 5.2 above, received by a member of the Board of Directors for fiscal 2004 was CHF 947,506, including a performance bonus of CHF 425,000 paid in cash in March 2005. Within the framework of the performance bonus plan, the Chairman also received 1,632 locked-up BCV shares, as provided in 5.4 above. No options were allocated.

By comparison, the highest overall compensation received by a member of the Board of Directors for fiscal 2003 was CHF 1,184,804, including a performance bonus of CHF 616,500 paid in cash in March 2004. Within the framework of the performance bonus plan, the Chairman also received 1,850 locked-up BCV shares, as provided in 5.4 above. No options were allocated.

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 Swiss Federal Stock Exchange and Securities Trading Act (SESTA) [...] 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 Federal law.

Under Article 16 (convening a Shareholders' Meeting – see Section **6.3** 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 1 (one) million Swiss francs may request that an item of business be entered on the agenda. The convening of a Shareholders' Meeting and 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 45 days prior to the Meeting.

Resolutions on the removal of any clause relating to restrictions on the transfer of registered shares put to the vote of a Shareholders' Meeting shall be decided by an absolute majority of votes attached to the shares represented. Each share entitles the holder to one vote (Article 11, paragraphs 3 and 4 of the Act of June 20, 1995 Organizing the Banque Cantonale Vaudoise), in compliance with the rules applicable to any resolution of a Shareholders' Meeting.

6.1.2 Departures from Restrictions
During the 2004 fiscal 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 ones of which are shown below.

6.2 Quorum Provisions
Provisions for quorums are set out in Article 19 of the Articles of Incorporation.

ARTICLE 19 – QUORUM & 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 equality, 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 fiscal 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 1 (one) million francs may request that an item of business be entered on the agenda. The convening 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 the 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 45 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. Consequently, BCV is not required to appoint an independent proxy.

7. TAKEOVERS AND DEFENSES

7.1 Obligation to Make a Bid

The Articles of Incorporation do not contain an opting-out or opting-up clause based on Article 22 of the Swiss Federal Stock-Exchange and Securities Trading Act (SESTA).

7.2 Takeover Clauses

There are no agreements or programs that would benefit members of the Board of Directors and/or the Executive Board or other BCV executives in the event of a takeover.

8. EXTERNAL AUDITORS

8.1 Term of Audit and Length of Service of Auditor

Since fiscal 2002, KPGM Fides Peat has been the Bank's external auditor as provided in the Swiss Federal Code of Obligations and in compliance with Article 24, paragraph *e* of the Articles of Incorporation. Since fiscal 2002, KPGM Fides Peat has also been the Bank's external auditor of its consolidated financial statements and its external banking auditor as provided in the Federal Banks and Savings Banks Act. Mr. Raphaël Jaquet, a Partner of KPMG Fides Peat, has been the Head Auditor since his firm was appointed as external auditor by the shareholders at the Meeting of June 26, 2002.

8.2 Audit Fees

Total fees invoiced by KPMG Fides Peat for its audits of the parent company and consolidated financial statements, as well as the statutory audit pursuant to the provisions of the Federal Act on Banks and Savings Banks and the Federal Stock-Exchange and Securities Trading Act, in addition to the audit of BCV as a mutual-fund custodian bank and a special audit of compliance with the new money-laundering ordinance, amounted to CHF 1,749,000 for the 2004 reporting period.

Total fees invoiced by KPMG in Switzerland and abroad for financial and statutory audits of BCV Group companies (other than the parent company) for the 2004 fiscal year were CHF 611,000.

Total fees invoiced by KPMG for all audit services supplied to the various companies which together make up BCV Group therefore amounted to CHF 2,360,000.

8.3 Additional Fees

Fees invoiced by companies within the KPMG Group for services related to audits, in particular fees for certificates required contractually or by local law, totaled CHF 240,000 for the parent company and CHF 172,000 for the other companies within the Group. Consulting fees, including but not limited to fees for due diligence, legal and tax matters, amounted to CHF 198,000 for the parent company and CHF 84,000 for the other companies within the Group.

Total additional fees for the 2004 reporting period invoiced by KPMG in Switzerland and abroad for all companies of the BCV Group therefore amounted to CHF 694,000.

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

8.4 Monitoring of the External Auditor

The Audit Committee monitors 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 regarding the proposal put forward to the shareholders as to whether they should continue to be the Banks' auditors.

The Audit Committee approves 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, how risks should be evaluated and how the internal and external audits should be coordinated. Non-Audit work requires the prior approval of the Audit Committee, which, together with the external auditors, verifies compliance with the rules of independence.

The Audit Committee is given copies of all of the external auditors' reports, certifications and recommendations. The external auditors are regularly invited to attend Audit Committee meetings to report on their work, make recommendations on internal audit procedures and be informed of reports of other persons attending the meetings. The external auditors attend meetings of the Board of Directors at least twice a year.

The Chairman of the Board of Directors and the Chairman of the Audit Committee hold regular discussions with the auditors performing the audit to see whether their work is proceeding as planned and to be rapidly informed of their main observations. A summary report is then submitted to the Board of Directors, the Audit Committee and the Executive Board.

9. DISCLOSURE POLICY

Transparency

At their meeting on April 28, 2004, the BCV shareholders added the following paragraph to Article 24 of the Bank's Articles of Incorporation concerning the duties of the Board of Directors:

"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 secrecy and securities laws. In particular, it shall reach an agreement governing disclosure of information to Vaud Canton."

Information-Exchange Agreement

The afore-mentioned decision was implemented on September 13, 2004 when BCV and Vaud Canton signed an information-exchange agreement under which the parties undertake to increase transparency.

The agreement:
- sets out the content and frequency of information exchanges and the procedures for providing information;
- defines confidentiality rules governing these exchanges;
- appoints the persons who are to provide and receive information on behalf of the Bank and the Canton;
- prohibits each party from exploiting the information received and provided for its own purposes;
- specifies the legal principles which shall apply, in particular the obligation to make public any information which may affect the price of BCV shares.

Other Information

Regular publications intended for shareholders are the Annual Report (issued in April) and the interim financial statements as of June 30 (issued in September). Printed versions of both are available, either on request or by subscription, from the following address: BCV, Communications Department, Post Office Box 300, CH-1001 Lausanne, Switzerland.

Information is provided to the public shortly after the consolidated financial statements are approved by the Board of Directors, by means of a media release and press conference for the annual and the semi-annual reports, and a media release for quarterly reports.

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

The Annual Report, interim financial statements and media releases are all posted on the BCV website (www.bcv.ch). The Annual Report and interim statements are published in French and English, while the media releases are normally available in French, German and English.

Data of specific interest to investors may also be consulted in the "Investor Relations" section on the BCV website.

In 2003, the Bank also began publishing quarterly consolidated financial statements for the first and third quarters (in addition to its first-half and annual results).

CONTACTS

Investor Relations:

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Upcoming Events:

May 12, 2005	Annual Shareholders' Meeting
May 24, 2005	Press release with first-quarter results
August 23, 2005	First-half results (press release, press conference, shareholders' letter)
November 29, 2005	Press release with third-quarter results

ORGANIZATION CHART

AS OF MARCH 1, 2005

Divisions, Executive Board Members

Departments, Department Heads

- **CEO** Alexandre Zeller
  - **Corporate Secretary** Philippe Dieffenbacher
  - **Special Assistant to the CEO** Yves Claude Aubert
  - **Human Resources** Eric Muller
  - **Finance & Risks** Pascal Kiener
    - **Risk Management** Thomas Paulsen
    - **Strategic Projects & Planning** Geoffroy de Ridder
    - **Controlling** Bo Edvard Dahlgren
    - **Financial Accounting** Manuel Guerra
    - **Asset and Liability Management** Hans-Rudolf Luescher
    - **Credit Recovery Management** Bertrand Sager
  - **Corporate Banking** Jean-François Schwarz
    - **SMEs** Pierre-Alfred Palley
    - **Large Corporations** Patrick Nosten
    - **Trade Finance** Christian Vez
    - **Correspondent Banking** Vincent Perrier
    - **Corporate Banking Marketing** Eric Allemann
    - **Chief Credit Officer** Serge Meyer
      - **Credit Management** for SMEs, R-E and Retail Eric Schneider
      - **Credit Management** for Corporate and T-F Laurent Michel
  - **Wealth Management** Christopher E. Preston
    - **Private Banking** Michel Schwitzguébel
    - **Asset Management** Michel Aubry
    - **External Asset Management** Dominique Blanchard
    - **Investment Policy** Fernando Martins da Silva
    - **Financial Protection and Planning** Fabrice Welsch
    - **Wealth Management Marketing** François Matthey
  - **Retail Banking** Jacques R. Meyer
    - **West Region** Steve Magnenat
    - **Lausanne-City Region** Didier Python
    - **Center Region** Serge Reichen
    - **North Region** Jean-Luc Raymondaz
    - **East Region** Pierre-Alain Favre
    - **Retail Banking Marketing** Elena Lederrey
    - **Alt. Channels** Ueli Strueby
  - **Trading** Olivier Cavaleri
    - **Foreign Exchange** Eric Vauthey
    - **Equities & Fixed Income** Vincent Servan
    - **Trading Marketing** François Spicher
  - **Business Support** Philippe Sauthier
    - **Information Systems Management** a.i. Sylvaine Simms
    - **Infrastructure** Michel Laurin
    - **Back-Office Trading** Laurent Oudin
    - **Back-Office Payments** Olivier Steffen
    - **Communications** Valérie Bastardoz
    - **Legal** Christian Pella
    - **Compliance** Yvan Gillard

COMPLIANCE

DEFINITION AND MISSION

The Compliance Department works to ensure that the Bank's operations comply with the law, regulations and internal guidelines. In doing so, it aims to preserve the Bank's reputation by offering assistance with prevention, advice, support and supervision. It has no decision-making powers, as they are the sole province of line management and the Bank's governing bodies.

ORGANIZATION

The Compliance Department at BCV is composed of two teams. The first team handles compliance-related issues specific to the particular divisions in which its members operate, and the other is responsible for issues affecting all divisions and for major compliance initiatives.

The Department also coordinates compliance at the Group level. It supports the Bank's subsidiaries, issues guidelines regarding the areas under its responsibility and receives regular reports.

STRONG POINTS IN 2004 AND CHALLENGES IN 2005

In 2004 the Compliance Department carried out a comprehensive data-collection and analysis project that will enable the Bank to better manage the regulatory and reputation-related risks associated with money-laundering. In 2005, the Department will once again focus its efforts on money-laundering through an important anti-money-laundering suspicious-transaction detection initiative currently in development. Various internal guidelines on identifying and managing conflicts of interest will also take effect during the year ahead.

Information + Analysis = Added Value.

RISK MANAGEMENT

1. GLOBAL RISK MANAGEMENT

Keeping risk under control is a strategic priority for BCV. The Bank launched a program in 2002 to enhance its risk management, in line with national and international best practices, and continued to invest in this program in 2004.

The goals of the program are to:
- promote a high standard of risk management in all lines of business;
- ensure complete transparency, so that BCV does not take on or retain any risk exposures it does not manage effectively;
- ensure that BCV's risk profile is consistent with its level of equity capital and future cash flows.

To achieve these goals, the Bank's approach to risk management is based on four pillars, which are explained hereafter:

1.1 Pillar One: Risk Policy and Strategy

BCV's risk policy and strategy, approved by the Board of Directors, sets overall limits on risk exposure and basic principles for managing risk. In 2004 the Bank formalized its strategy for credit risk, market risk, and operational risk. The intent is to evolve toward integrated risk management based on concepts that are consistent throughout the Bank and applied systematically, so that exposure to risk can be measured and managed at the aggregate level.

1.2 Pillar Two: Governance and Organization of Risk Management

To ensure that the same risk management principles are applied systematically throughout the Bank, **the governance and organization of risk management** at BCV were refined in 2004.

The responsibilities of the main participants in the risk-management process have been defined more precisely:
- The Board of Directors approves BCV's risk policy and strategy. It is responsible for monitoring the Bank's overall risk profile. To this end, the Board receives a comprehensive monthly report on risk exposure.
- The Executive Board is responsible for the execution of risk-management policy and strategy. To this end, the Executive Board Risk Committee was set up in 2003. The role of this committee is to propose a risk policy and strategy to the Board, to supervise the Bank's risk profile, and to steer all developments and enhancements of risk management. The committee is composed of the CEO, the Chief Financial Officer (CFO), the head of the Trading Division, the head of the Corporate Banking Division, and the Chief Risk Officer (CRO). It is chaired by the CFO.
- The CRO, who is head of the Risk Management Department within the Finance and Risks Division, prepares the Bank's risk policy and strategy and proposes it to the Executive Board Risk Committee. He monitors compliance with the aggregate risk limits and develops the Bank's risk-management methods and models. He is responsible for the Bank's risk reporting. In preparation for the move toward integrated risk management, the CRO's responsibilities were broadened in 2004 to cover all risks (except compliance).

As part of their business policies, the customer-facing divisions – i.e., Corporate Banking, Retail Banking, Trading, and Wealth Management – are responsible for risk taking and risk monitoring in their respective operations. In all divisions, business development and execution are systematically separated from the analysis and operational control of risk.

1.3 Pillar Three: Risk-Management Methods

BCV uses modern methods of risk management. The Bank's risk-management methods are closely based on the recommendations of the Basel Committee and the Swiss Bankers Association (SBA), and comply with Swiss regulatory requirements in this area. Under the direction of the Executive Board Risk Committee, BCV is investing in advanced risk-management techniques that are based on new developments in this field.

1.4 Pillar Four: Risk Reporting

BCV's risk reporting allows the Bank to monitor all of its risks. Monthly risk reports are prepared by the CRO for the Executive Board Risk Committee, and the report is distributed to the other members of the Executive Board, the members of the Board of Directors, and the Internal Audit. The risk-reporting model approved by the Board of Directors evolves in line with the methods of risk management.

2. MANAGING CREDIT RISK

Credit risk arises from the possibility that a counterparty might default on its financial obligations to the Bank. Credit risk includes settlement risk and country risk. All forms of credit commitments, on or off the balance sheet, to non-bank clients, other banks or organized markets, entail credit risk for the Bank.

2.1 Separation of Sales and Credit Analysis / Approval

In 2004 BCV completed a major project to improve its credit management processes and organization. In the specific area of credit-risk management, this project instituted strict separation between sales, on the one hand, and credit analysis and approval functions, on the other. For all credit activities, analysis and approval are now under the responsibility of the Chief Credit Officer of the Corporate Banking Division. Approval limits have been redefined to take credit commitments and expected losses into account. For loans above a defined level of exposure, credit-approval decisions are made by either the Executive Board Credit Committee or by the Board of Directors.

2.2 Credit-Risk Analysis

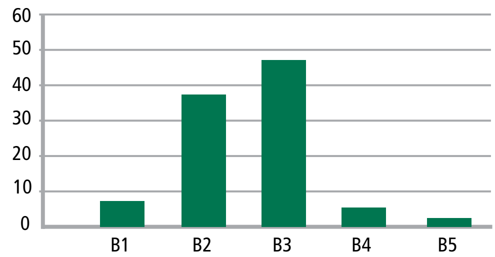
Each credit commitment is analyzed when it is made or renewed, when new requests are made, or whenever certain events occur, e.g., when a limit is exceeded.

The counterparty's credit rating is the cornerstone of credit-risk analysis. The rating process consists of assigning a rating category to each counterparty. Each rating category indicates a certain probability of default. Rating categories are assigned on the basis of internal models tailored to the characteristics of the various types of counterparties. These models differ in the variables that they include (financial and / or qualitative) and in the techniques used to develop them. They were developed to meet the requirements of the Basel II agreements for Internal Rating Based (IRB) approaches.

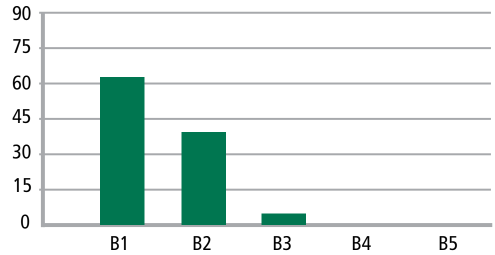
The rating models are used to assign each counterparty to one of seven rating categories (B1 to B7, which are further divided into 17 sub-categories). The categories are defined consistently across all divisions of the Bank. Rating categories B1 to B5 refer to non-impaired counterparties. Currently, more than three quarters of the assets in the Bank's credit portfolio have been assigned to a risk category.

Risk Categories by Percentage of Total Outstanding Loans Extended by the Parent Company (December 31, 2004)

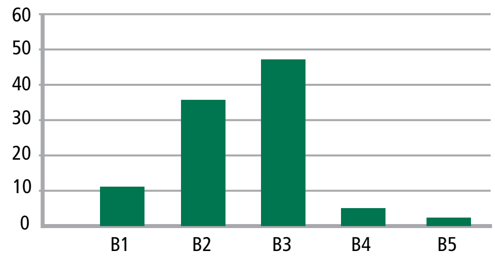
Non-impaired loans and advances to individuals



Non-impaired loans to corporations organized under public law



Non-impaired loans to businesses



In late 2004 BCV finalized its credit-rating model for real-estate developers and investors, providing the Bank with a reference tool for determining the rating category of borrowers in this customer segment.

Another major component of credit risk analysis is the analysis of risk mitigants (financial guarantees and third-party guarantees). In 2004 BCV introduced a new method of valuing real-estate assets. In line with the SBA's new recommendations, this method determines the resale value under current market conditions for each item of real estate. The method applies different valuation models for different types of real estate.

2.3 Credit-Risk Monitoring

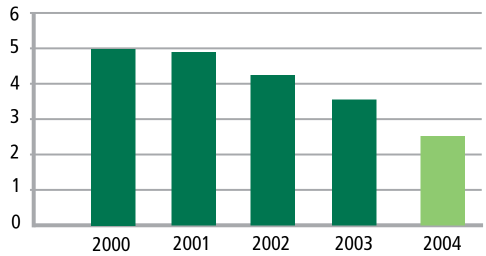
Monitoring of credit risk is based on an "internal renewal" system, with periodic review of case files on outstanding credits, and on a system for identifying increased risks. For each of the various types of credit, the internal renewal system sets a maximum time interval between credit-risk analyses. In 2004 the internal renewal system was revised in order to differentiate processes as a function of different levels of credit risk.

A system for detecting impaired loans enables advisors and analysts to identify increased-risk creditors. A key element of the system is strict monitoring of overdrafts and drawdowns that exceed the agreed limits.

2.4 Credit-Risk Provisioning

The Bank establishes specific provisions for each impaired loan (see detailed definitions in points 2.3 and 2.4 of the Risk Evaluation Principles section of the Accounting Principles, p. 62).

Impaired loans, parent company (CHF billion)



The need for specific provisions is determined on the basis of an analysis of each impaired loan. In this analysis, risk mitigants are considered at their estimated liquidation value. This is the net amount that the Bank could expect to obtain by liquidating the risk mitigants at current market conditions, after deducting the expenses of realizing the transaction and any costs of holding the assets. Provisioning needs are reviewed at least once a year for each provisioned loan. A software tool has been implemented to manage this information; in 2004 the external auditors confirmed that it is operating properly.

2.5 Analyzing the Credit Portfolio

In 2004 BCV made considerable progress in terms of credit portfolio analysis. A prototype model was developed for analyzing expected loss and calculating capital adequacy in accordance with the IRB approach of the Basel II agreements. It brings into play the probability of default, the expected exposure at default, and the loss-given-default specific to each credit exposure.

This prototype represents an intermediate step. In 2004 BCV commissioned a supplier to install a professional software application for credit portfolio risk analyses, provision management and credit-risk reporting. This application is a key element in the Bank's preparation to fulfill the Basel II requirements. It is scheduled for implementation in early 2006.

2.6 Collateral Management

Collateral management enables BCV to significantly reduce its exposure to credit risk arising from trading activities. After preparing its first agreements in 2003, the Bank entered into collateral management agreements with five banks in 2004.

3. MANAGING MARKET RISK

Market risk arises from the possibility of losses on the Bank's trading book or on its banking book as a result of changes in market parameters, in particular the quoted price (or appraised value, in less liquid markets) and price volatility of the underlying asset.

3.1 Market Risk on the Trading Book

BCV has two distinct trading portfolios: one comprises the trading positions of the Trading Division, which follows very-short-term strategies, and the other comprises the investment positions of the Wealth Management Division, which follows medium-term strategies.

Analysis and control of market risk on these two portfolios is performed by the Trading Back-Office Department. That department is part of the Business Support Division and thus independent of the two divisions responsible for the trading-book-related risk-taking. Modern techniques of risk measurement are used to analyze and control market risk. These techniques include Value-at-Risk (VaR), stress analyses of potential losses, and sensitivity tests. Aggregate VaR limits and stress loss limits are set for each of the two trading portfolios. For the portfolio of the Trading Division, VaR limits and sensitivity limits are used for the various groups of underlyings.

3.2 Market Risk on the Banking Book

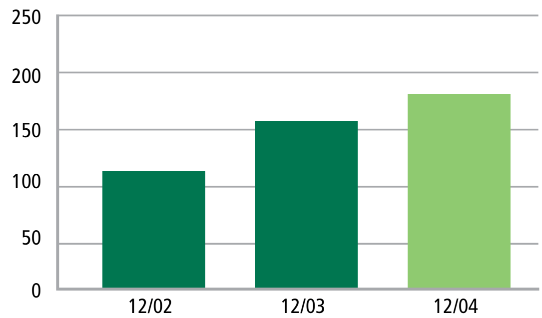
The main market risk on the banking book is interest-rate risk. Interest-rate risk arises from the possibility of a decline in the interest margin and/or the value of capital resulting from movements in the yield curve. Exposure to interest-rate risk on the banking book arises from imbalances between the size and terms (maturity of fixed rates) of assets and liabilities. These imbalances are expressed in terms of interest-rate risk gaps by maturity.

The Asset and Liability Management (ALM) Department within the Finance and Risks Division is responsible for operational management of interest-rate risk. The ALM Committee of the Executive Board sets the ALM strategy and limits for interest-rate risk in line with BCV's financial strategy. Interest-rate risk on the banking book is measured using modern ALM techniques: Value-at-Risk (VaR), yield-curve sensitivity of capital, duration and loss of interest margin in case of stress. The Bank manages interest-rate risk prudently. A moderate rise in interest rates such as that currently expected by the markets would not have a material impact on the Bank's financial results.

3.3 Liquidity Risk

Liquidity risk arises from the possibility that a liquid asset will not be available and/or that access to refinancing will be insufficient or difficult. Exposure to liquidity risk is expressed in terms of liquidity gaps by residual maturity.

Coverage of SFBC total liquidity *(liquidité 2)* requirements, parent company (as %)



The Trading Division's Treasury Department is responsible for operational management of liquidity and short-term financing. This department carries out prudent management of the liquidity ratios specified in Articles 15 to 20 of the Implementing Ordinance of the Swiss Federal Act on Banks and Savings Institutions (Ordonnance sur les Banques et les Caisses d'Epargne). To this end, the Treasury Department makes short-term investments (repurchase agreements, short-term Swiss Government bills and money-market instruments) and short-term borrowings from banks. BCV's liquidity ratios are currently quite satisfactory: its SFBC total liquidity ratio, for example, stands at 183% of the required minimum.

4. MANAGING OPERATIONAL RISK

As defined by the Basel Committee, operational risk arises from inadequacies or failures relating to internal processes, people and systems or from events external to the Bank. Operational risks include legal risk, in particular the risk of having to pay damages or fines as a result of a malfunction.

Operational risk is not something that the Bank actively seeks with the objective of earning a return. Rather, it is incurred as a result of the Bank's operations.

A BCV directive on managing operational risk issued in 2004 ensures that risks of this kind are identified and systematically monitored whenever a loss becomes likely or has occurred. Increased or realized operational risks which have not yet had a financial impact are provisioned according to a well-defined procedure.

The "four eyes" principle is a key factor in reducing operational risk. As part of the re-engineering of business processes in the credit area, this principle is applied systematically to activities that represent significant operational risk.

Data-processing systems are a potential source of major operational risks. In 2004, BCV continued to improve its control of this type of risk by enhancing data-security procedures.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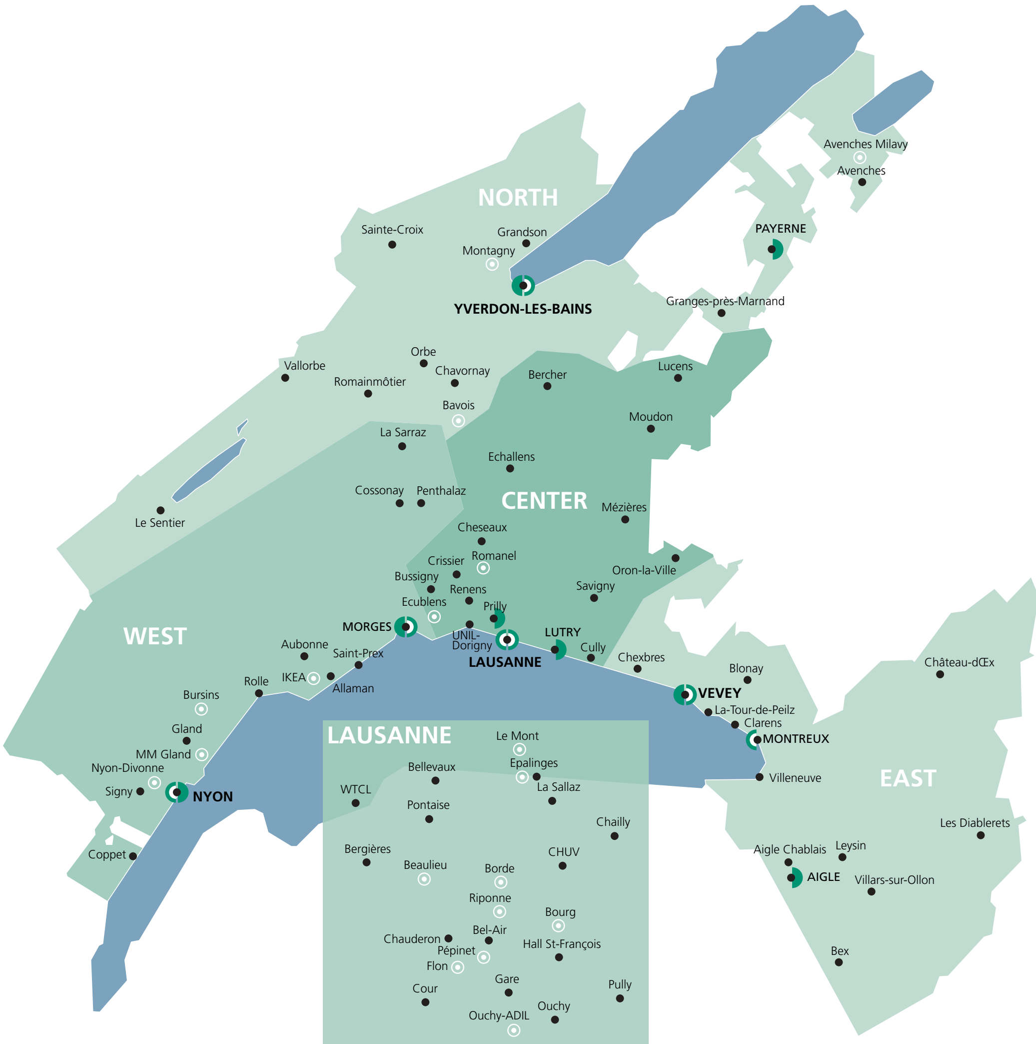
RETAIL NETWORK



69 BCV physical outlets

- Retail outlets
- Automated services
- Specialized individual-client advisory center, with a Regional Market Head
- Specialized individual-client advisory center
- "SME" specialized advisory center, with a Regional Market Head
- "SME" specialized advisory center

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