2007 ANNUAL REPORT

BCV

Life is full of achievements, large and small. Some concern our careers, while others are more personal. The photos that illustrate this annual report provide a glimpse into a few small success stories that we consider exemplary. We feel that these photos reflect our philosophy – at BCV, we take banking personally and build our business one client at a time.

Cover photo:
Winning the tournament.

BCV at a glance

Key figures (in CHF millions)

	2007	2006	Change as %
Total assets	35 337	33 031	7%
Total income	1 088	1 101	– 1%
Gross profit	529	536	– 1%
Net profit	477	534	– 11%
Assets under management	84 349	80 775	4%
Ratios			
Cost / income ratio [1]	59%	59%	
ROE	14%	16%	
BIS capital adequacy ratios			
Tier 1 capital ratio	16.3%	18.3%	
Total capital ratio	16.3%	18.5%	

[1] Excluding goodwill amortization and write-downs

Highlights in 2007

BCV posted very good financials:

- Revenues were stable at CHF 1.1bn (-1%) despite the transfer of Unicible's assets and operations.
- Gross profit was CHF 529m (-1%).
- Net profit stood at CHF 477m.

Our strong financial position allowed us to buy back the remaining participation-certificate capital.

Moody's assigned us a credit rating of A1, and Standard & Poor's raised our rating from A (stable) to A+ (stable).

BCV's sights are now firmly set on the future:

- Our business trends are back on track thanks to our CroisSens growth project.
- We entered into a strategic IT and back-office partnership with Zurich Cantonal Bank.
- We transferred the assets and operations of our former IT subsidiary to IBM (Suisse) SA.
- Our image on the local market has improved significantly.

Key figures – 5-year overview

in CHF millions	2003	2004	2005	2006	2007
Balance sheet at 31 December					
Total assets [1]	33 972	31 783	32 233	33 031	35 337
Advances to customers	23 208	22 112	21 685	22 059	22 479
Customer deposits and bonds	25 683	24 566	24 638	25 120	27 490
Shareholders' equity	2 563	2 920	3 229	3 419	3 225
Assets under management	60 248	64 071	71 751	80 775	84 349
Key income-statement data					
Total income	943	944	1 038	1 101	1 088
Operating expenses	554	546	552	565	559
Gross profit	389	399	486	536	529
Depreciation and write-offs	151	86	91	91	85
Value adjustments, provisions and losses	78	40	16	8	10
Net profit	157	337	457	534	477
Headcount					
Full-time equivalents	2 483	2 423	2 349	2 390	2 045
Ratios					
Shareholders' equity / total assets	7.5%	9.2%	10.0%	10.3%	9.1%
SFBC capital adequacy ratio	156%	185%	196%	199%	179%
BIS Tier 1 capital ratio	13.4%	16.5%	17.8%	18.3%	16.3%
BIS total capital ratio	15.1%	17.4%	18.5%	18.5%	16.3%
BIS risk-weighted assets at 31 December (in CHF millions)	18 464	17 224	17 612	18 140	18 962
Gross profit / average shareholders' equity	15.2%	13.7%	15.0%	15.9%	15.5%
Cost / income ratio [2]	71.3%	66.5%	61.8%	59.4%	59.0%
Gross profit per employee (in CHF thousands)	156.6	164.7	206.8	225.8	244.7
ROE	6.5%	12.4%	14.9%	16.0%	14.3%
Credit ratings					
Standard & Poor's (S&P)	A-/negative / A-2	A-/stable / A-2	A-/stable / A-2	A / stable / A-1	A+/stable / A-1
Moody's					A1/Prime-1 stable

[1] Following changes to accounting principles applied in preparing the 2007 financial statements, the corresponding line items from 2003 to 2006 were adjusted.
[2] Excluding goodwill amortization and write-downs

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The period between 2003 and 2006 was an eventful one for BCV. We dealt with a crisis, worked hard to get back on track, and were rewarded with record earnings in 2006. We kept up the momentum in 2007, posting strong financial results. In addition, BCV's mission as a cornerstone of the local economy was clarified. With all this in place, our dedicated and talented staff can now focus on the future.

Strong momentum

For BCV, the global business environment remained positive in 2007, and we continued to improve our operational and financial positions. Volumes grew and revenues were either stable or up in all core businesses except Trading. Our diversified revenue streams, strong risk management and cost control translated into very good results for BCV Group. Continued growth in earnings, facilitated by strategic divestments and provision releases, has strengthened our capital base, which remained at a comfortable level in 2007 even after the buyback of the remaining participation certificates. We also met the impaired-loan reduction objective set in 2003.

Overall, our financial strategy and the initiatives we have undertaken to boost top-line growth have paid off: Moody's awarded us an A1 as its first-ever rating of BCV, while Standard & Poor's upgraded us to A+. More generally, our strong operational and financial momentum over the past several years has enabled us to successfully contribute to every area of the Canton's economy.

Alexandre Zeller
CEO

Olivier Steimer
Chairman of the Board of Directors

LETTER FROM THE CHAIRMAN AND THE CEO

Clarifying our role

Over the past year, three other developments clarified our position within our home region, the Canton of Vaud.

First, the Cantonal Parliament approved a new law governing BCV, which took effect in the spring. While confirming our long-standing mission to contribute to the development of Vaud's economy, the amended legislation stipulates that the principles of sustainable development shall now play a guiding role in our strategy.

Second, in July 2007 we repurchased from the Canton of Vaud the last of the participation certificates issued in 2003. The buyback was completed more quickly than expected thanks to buoyant economic trends, and shows that BCV is now back on track. We would like to thank the Canton, our majority shareholder, for its support during the 2003 recapitalization, which was crucial to the reorganization that was the basis of our current success.

Finally, in early 2008, the Vaud Cantonal Government proposed reducing its stake in BCV's share capital back to its 2001 level of 50.12%. Such a reduction, which the Cantonal Government has long favored, would give minority shareholders a larger stake in the Bank's capital while still ensuring stability over the long term.

Our renewed mission statement and role as well as our streamlined capital structure mean that the Bank is well positioned to face the challenges to come.

Focus on the future

In 2007, our staff was actively laying the foundations for BCV's future success. Our CroisSens growth project is in full implementation, providing fresh impetus to the Bank's Vaud-based activities.

We also made a major choice regarding our IT strategy. After careful consideration, we decided to team up with Zurich Cantonal Bank to create a shared IT and back-office platform. It is scheduled to be fully operational by 2011. At the same time, we transfered the assets and operations of our IT subsidiary Unicible to IBM (Switzerland), thus securing the jobs of Unicible's employees and ensuring that a major skills base in banking IT remains in the Canton of Vaud. This strategic initiative will help us sharpen our focus on our core areas of expertise, which is one of the keys to generating sustainable growth in the fiercely contested financial services market.

With the buyback of the participation certificates complete, we have decided to optimize the Group's capital base. Given our sharply reduced risk profile, particularly with respect to impaired loans, and the fact that we have now achieved sustainable profitability, we are now in a position to reduce equity capital and return cash to our shareholders. We have also set new financial objectives for the Group.

To sum up, in 2007 we maintained our momentum, positioning ourselves favorably among peers and in the local and national economy. Our financial results show that the growth enhancement initiatives that we have been implementing for the past two years are paying off. As a concrete sign of our success, the Board will recommend an increase in the dividend from CHF 7 to CHF 14 per share and a CHF 32.50 par value repayment, thus placing a total of CHF 400 million in the hands of our shareholders.

Olivier Steimer and Alexandre Zeller

Alexandre Zeller
CEO

Pascal Kiener
CFO, Head of Finance & Risks

Jacques R. Meyer
Head of Retail Banking

Olivier Cavaleri
Head of Trading

EXECUTIVE BOARD

Jean-François Schwarz
Head of Corporate Banking

Aimé Achard
Head of Business Support

Christopher E. Preston
Head of Wealth Management

Our foundations

Banque Cantonale Vaudoise (BCV) was founded on 19 December 1845 by the Vaud Cantonal Parliament (Grand Conseil vaudois) as a société anonyme de droit public (i.e., a corporation organized under public law). The Canton of Vaud is BCV's majority shareholder, with 67% of the share capital. BCV is listed in the Vaud Commercial Register and is subject to all applicable legislation. BCV's legal status is defined in the Cantonal Act Governing the Organization of Banque Cantonale Vaudoise (LBCV) of 20 June 1995, as amended 25 June 2002 and 30 January 2007. BCV's commitments are not underwritten by the Canton, although a limited cantonal guarantee applies to deposits with Caisse d'Epargne Cantonale Vaudoise, a savings institution managed by the Bank.

Our core businesses

With revenues close to CHF 1.1bn in 2007 and total assets of CHF 35bn, we rank among Switzerland's top five banks by assets. BCV is the country's second-largest cantonal bank, employing 2,045 people. Our four core business areas are: retail banking, with a network of 69 staffed outlets throughout the Canton of Vaud; wealth management for both private and institutional clients; corporate banking; and trading. We offer a comprehensive range of financial services to all client segments. BCV Group comprises three main subsidiaries: two fund management/administration firms and a boutique private bank. In 2007, the Group transfered the assets and operations of Unicible SA to IBM (Switzerland) and reached an agreement to dispose of its holding in subsidiary A&G SA.

Our missions

Pursuant to Article 4 of the LBCV, as amended 1 April 2007, BCV's corporate mandate is to offer a comprehensive range of banking services to the local community and to contribute to the development of all sectors of the Vaud economy and to the financing of the Canton's public-sector institutions and entities. Also, as part of our community focus, we provide mortgage financing in Vaud. The amended law also stipulates that BCV is to be guided by the principles of economically, environmentally and socially sustainable development. More generally, our missions are to create value for our shareholders and clients, to be a benchmark employer, and to be a good corporate citizen.

Our recent history

Since the Bank was founded in 1845, it has considerably expanded its business in the Canton, mainly through organic growth. In the 1990s, however, the banking industry in Vaud underwent major consolidation. BCV acquired Banque Vaudoise de Crédit in 1993 and merged with Crédit Foncier Vaudois in 1995. From 1996 to 2000, we moved to diversify our operations, particularly in international trade finance, offshore wealth management, and trading. The result was a rise in total assets from approximately CHF 15bn at the beginning of the 1990s to over CHF 35bn in 2007. In addition, BCV Group's total assets under management have grown from CHF 28bn in 1996 to over CHF 84bn today.

In 2001 and 2002, substantial credit-risk provisions had to be created following an in-depth assessment of loan-book quality. This resulted in significant bottom-line losses in each of those two years, as well as a substantial decline in equity capital. Two recapitalizations, in 2002 and early 2003, were necessary to strengthen the Group's capital base. The Canton provided most of the funds raised on both occasions. In 2007, the Bank closed this chapter of its history by repurchasing the final tranche of participation-certificate capital.

BCV completed the repurchase of its participation-certificate capital in 2007

Our strategy

At the end of 2002, Management defined a two-phase strategy for BCV, consisting of a strategic realignment on core businesses followed by a growth phase.

Beginning in 2003, we successfully refocused operations on our core business and our home market, while remaining active in selected niche activities offering strong potential in terms of both growth and profitability. We are currently improving productivity by reducing operating expenses, streamlining business processes and optimizing our long-term refinancing structure, with the goal of growing our business while managing risk in line with best industry practice.

In 2005, we initiated the second phase of our strategy, the CroisSens growth project, which was launched in 2006. (The term "CroisSens" is a play on words in French combining growth, vision, meaning, belief, and a clear sense of direction.) This project aims to maximize the Bank's growth potential by taking advantage of our unrivaled presence in our local market, the Canton of Vaud. We have reorganized our local distribution structure into nine different regions in order to strengthen ties with customers, and we are modernizing our network. Our retail footprint is set to rise from 69 to 75 branches; employee training has been stepped up; and our range of services has been tailored to provide optimal solutions for all client segments. In 2007, these efforts paid off for the Group in terms of renewed business growth and an improved image. Finally, BCV initiated a strategic project with Zurich Cantonal Bank aimed at pooling the two banks' IT and back-office activities.

Our vision for BCV is informed by two core values: close ties to our customers and professionalism of our staff. These values guide us in the pursuit of our ultimate goal of creating value for clients, shareholders and employees.

BCV takes corporate social responsibility seriously. We are – and intend to remain – a cornerstone of our home region's economy. Our aim is to meet customers' needs, create lasting value for shareholders, be a benchmark employer and play an active role in the community

CORPORATE RESPONSIBILITY: BCV'S MISSIONS

In accordance with the Cantonal Act Governing the Organization of Banque Cantonale Vaudoise (LBCV) and as a modern company mindful of its duties and obligations, BCV has defined a series of objectives in the area of corporate social responsibility (CSR):

1. Contributing to the development of all sectors of the economy of our home region, the Canton of Vaud, and to the financing of public-sector entities, and helping to meet demand for mortgage lending in the Canton.

2. Meeting our clients' needs.

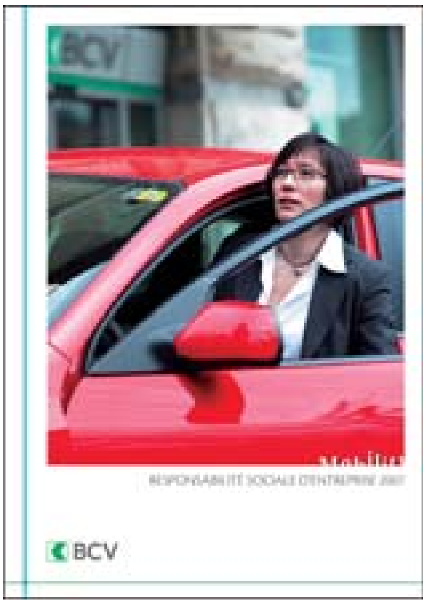
3. Creating lasting value for our shareholders.

4. Being a benchmark employer.

5. Playing an active role in the community.

CSR at BCV

BCV has been a member of Philias, Switzerland's network of socially responsible businesses, since 2006. This year, we are publishing our first social responsibility report, as a separate document from our annual report. Readers can refer to the new CSR report for more detailed information on specific aspects of social responsibility policies. It is available (currently in French only) on the BCV website at www.bcv.ch.



1. Contributing to the economic development of the Canton of Vaud

Customer relations — close ties and high professional standards

Article 4 of the LBCV requires the Bank to contribute to the development of all areas of the private-sector economy, to the financing of public-sector entities and to mortgage lending within the Canton.

The amended Act that took effect on 1 April 2007 extends the scope of Article 4, which stipulates that BCV shall offer the full range of financial products and services and that the Bank must have a particular concern for the development of the Canton's economy, in keeping with the principles of economically, environmentally, and socially sustainable development.

It is important to us to make this legal framework an everyday reality, which is reflected in our impressive local market share in terms of both individual and corporate clients. More information on our presence in the Vaud banking market is provided in the charts below.

BCV's market penetration

	Market penetration	
	Individual customers	Corporate customers
2006	48%	55%
2007	50%	54%

Source: BCV

Note: market penetration refers to the percentage of BCV client relationships relative to the population surveyed.

Levels of satisfaction among both individual and corporate clients have risen steadily over recent years and are now at their highest point since 2001. Despite increasingly aggressive competition, BCV is once again generally perceived as solid, reliable and competent. This perception is confirmed by rising penetration rates in various parts of the Canton, in particular urban areas such as Lausanne, Nyon, and the Riviera and Broye regions.

BCV's market penetration for individuals and corporate clients, by region

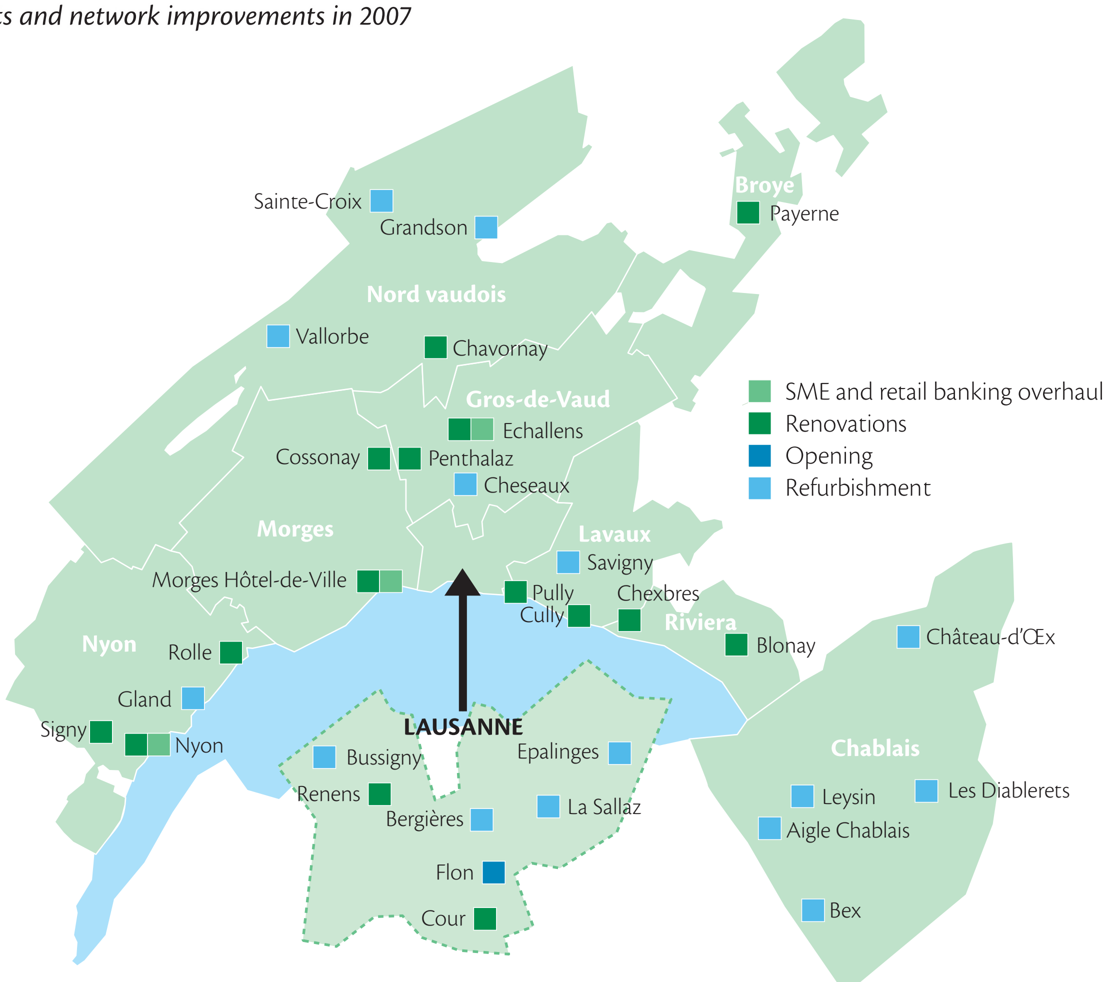
	Market penetration	
	Individual customers	**Corporate customers**
Broye	63%	51%
Chablais	51%	58%
Gros-de-Vaud	50%	48%
Lausanne	50%	57%
Lavaux	55%	53%
Morges	47%	52%
Nord vaudois	59%	64%
Nyon	40%	41%
Riviera	49%	54%

Source: BCV 2007 customer survey
Note: market penetration refers to the percentage of individuals or businesses in the sample that bank with BCV.

These results also reflect the impact of CroisSens, the program we launched early in 2006 to stimulate qualitative growth in our businesses. Our close ties to individual and corporate customers in our home region are underpinned by a dense retail network, with 69 staffed outlets and 17 automated banking centers throughout the Canton. This on-the-ground presence ensures that we are never far away from our customers. We further optimized our local footprint in 2007 via the following projects:

- the inauguration of a new branch in the fast-growing Flon quarter of Lausanne
- the complete refurbishment of five of the Bank's main branches (in Echallens, Nyon, Morges, Pully and Payerne)
- the renovation of 15 other outlets
- a refurbishment project for the historic entrance hall of BCV headquarters on Place Saint-François in central Lausanne.

New outlets and network improvements in 2007



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

	Broye	Lavaux	Nord vaudois	Nyon	Morges	Riviera	Chablais	Gros-de-Vaud	Lausanne
Mortgages	4%	11%	15%	16%	11%	11%	8%	7%	17%
Other loans	5%	8%	14%	19%	11%	12%	8%	8%	15%
Workforce distribution (secondary and tertiary sectors)	3%	5%	10%	8.5%	8%	9.5%	5%	5%	46%

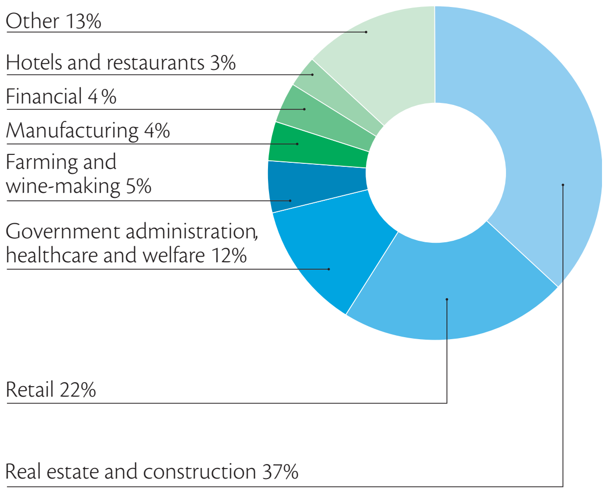
Sources: BCV, SCRIS
Mortgages: real estate lending excluding fixed-term loans secured by mortgage
Workforce distribution: 2005 nationwide census data

BCV has made continuing improvement in customer service a constant priority, which means keeping in step with changing lifestyles. To this end, 16 branches are now open throughout the day and later in the evening, while the head office is also open on Saturday morning. Initiatives like these clearly show that we offer local customers better access to banking services than any of our competitors.

Where our service and product offering is concerned, we aim to cover the full range of banking needs for both individual and business customers. This is reflected in a generally high level of satisfaction among private and institutional clients.

In 2007, in keeping with our mission, 44% of the loans we granted went to individuals in Vaud and 56% to businesses involved in all sectors of the Canton's economy. The dedication of our staff enabled us to maintain our market share despite increasingly fierce competition amid stronger demand on the commercial lending front in the Canton and Switzerland generally. Large corporates and international trading firms based in the Canton accounted for 14.5% of our lending volume and Vaud public-sector entities for 4%.

Business loans by sector:
a breakdown reflecting the needs of Vaud's economy



Source: BCV

Working with clients in difficulty

We aim to continue our relationship for as long as possible with individuals and businesses when they run into difficulties, which may happen for any number of reasons. Specialized staff advise clients in difficulty on debt management strategies, basing solutions on an individualized analysis of the situation.

Naturally, continuing the business relationship is only possible if the business or individual can be reasonably expected to return to a sustainably sound financial position. A team of some 30 specialists is responsible for this service, which is carried out in accordance with clearly defined rules based on strict ethical standards.

Getting back to work.

Since the end of 2002, we have actively pursued a strategy to bring impaired loans down to a level comparable with that at other banks. The target set in 2003 was to gradually bring these loans down to below CHF 800m. This target has now been reached, and we will continue our efforts to reduce the amount even further.

Almost half of our impaired loans involve customers that have been in difficulty for over five years. We have demonstrated our ability to continue reducing the volume of impaired loans through a combination of patience and rigorous management, working proactively on a case-by-case basis.

2. Meeting our clients' needs

Implementation of our CroisSens growth program continued apace in 2007. For customers, this meant marked improvements in our distribution network, our service quality and our products and services.

In 2007, we continued to improve our retail network as well as our range of products and services

Service quality

We have been able to generate an increase in client-facing time for our advisors, which has driven a significant rise in levels of satisfaction and other key indicators of the quality of banking relationships at the local level. These indicators show increasing appreciation for the helpfulness of our advisers, the terms offered, the quality and speed of the service and advice, and the high professional standards of our staff.

Direct banking services are growing steadily, with some 100,000 customers making regular use of the BCV call center. Manned by a team of banking advisors, this center handles nearly 325,000 calls a year (or 1,300 per day). These interactions often involve more complex queries, particularly those relating to BCV products. The center also prospects customers, offering products tailored to their needs. In 2007, around 8,000 customers were contacted in this way and an average of 40% signed a contract. The business banking hotline set up in 2006 met its first targets last year, responding to over 21,500 calls and initiating nearly 5,200 contacts.

Distribution over the internet continued to gain ground throughout the banking industry. At BCV, 24% of customers are regular users of online services and seven out of ten make payments by internet. The Bank is aiming for a further increase in the proportion of customers using internet-based banking services.

Products and services

Continuing our efforts to provide effective responses to changing customer needs, we expanded our range of products and services for both individual and corporate clients in 2007.

In Retail Banking, we launched a direct savings account managed entirely over the internet. This is an effective tool for customers seeking to optimize their budget management and savings by separating short- and medium-term purchases from their daily expenses. A special version of this account, yielding an attractive rate of interest, is also available for customers aged 18 to 25. This product has attracted client segments that would not normally use the traditional time-deposit facilities offered at BCV and elsewhere.

Turning to Wealth Management, the funds launched to round out our offering of specialized financial products put in a strong performance with robust trends in volumes. Finally, our Trading sector had a very busy year, with exceptionally strong issuance activity in structured products and derivatives, a field where BCV is the market leader in French-speaking Switzerland.

More information about our business sectors can be found on pages 36 to 49.

3. Creating lasting value for shareholders

At BCV, we are committed to creating lasting value for our shareholders. This commitment is borne out by our financial performance in recent years. Revenues have risen by an average of 5% per year over the past six years, while growth in costs has been held to 1% on a weighted annualized basis. Gross profit has therefore increased on average by 11%, and we have moved from a net loss of CHF 1.2bn in 2002 to a net profit of CHF 477m in 2007.

In early 2008, the Group set new financial targets for the next three to five years. These targets – rooted in BCV's threefold commitment to fulfilling its legal mandate, creating lasting value for shareholders and maintaining its leading position among cantonal banks – include a 13-14% average return on equity and a cost/income ratio of 57-59%. In addition, we have decided to gradually reduce our Swiss Federal Banking Commission (SFBC) capital adequacy ratio to 145% for the Group as a whole.

In light of our strong financials and the continued robustness of economic activity, the Bank's management asked shareholders to approve the repurchase of the outstanding participation certificates that were issued in 2003, representing a total amount of CHF 734m. The operation was finalized in July 2007.

We are committed to building and maintaining close relationships with our shareholders and the investing community as a whole, based on open and transparent financial communication.

All these factors won recognition from the rating agencies in 2007, when Standard & Poor's upgraded our rating from A- to A, then to A+ with a stable outlook, underscoring the progress of the past four years and confirming our sound financial position. Similarly, Moody's decided to rate BCV, and assigned us an A1 rating with stable outlook for our long-term debt and Prime-1 rating for short-term debt. These ratings reflect the improvement in our finances and our market positions in Vaud, and also take account of our status as a cantonal bank.

4. Being a benchmark employer

BCV is the fifth-largest employer in the Canton of Vaud, behind the government itself and three locally-based firms. We see human resource management as crucial to both our mission and our strategy. This is why we have put in place human resource policies that focus on training and skills development – factors which themselves are essential to our success. In the same spirit, our management philosophy centers on the values of entrepreneurship, personal responsibility, performance and teamwork. This approach is aimed at attracting the very best talent in all areas of banking business. Staff training is a major priority at BCV, as it underscores our commitment to motivating staff and managing knowledge. The issue of women in the workforce is also a focus.

Finally, we seek to promote a healthy balance between work and leisure activities by supporting our employees' direct involvement in the various associations and organizations that make up the fabric of Vaud society, at the cantonal, regional and community levels.

Staff

BCV Group is one of the Canton's leading employers, with 2,045 employees on a full-time equivalent (FTE) basis at the end of December 2007, or 345 fewer than at the end of the previous year. The decline in staff numbers was due to the sale of our IT subsidiary Unicible's business and assets to IBM (Switzerland) in June; this led to the transfer of some 330 Unicible employees to IBM, while the rest took up positions with BCV. There were no layoffs as a result of this operation, which was implemented as part of BCV's strategic alliance with Zurich Cantonal Bank in the field of information systems.

The parent company accounts for the largest share of the workforce, with 2,019 employees or 1,823 FTEs. While this figure is 11 FTEs lower than a year earlier, BCV remains the Canton's top employer in banking, insurance and financial services, providing nearly 15% of all jobs in the sector.

Against a background of generally buoyant economic trends and high business volumes on financial markets, BCV was again active in the labor market in 2007, recruiting 283 new staff and making 67 interdivisional transfers to compensate for natural attrition and retirements. As a result of these trends, average staff turnover was up from 11.8% in 2006 to 12.8% in 2007. Recruitment and transfers took place in all areas.

Over half of all branch managers and six out of ten staff members live less than ten kilometers from their workplace, a factor that strengthens the local ties central to our identity.

Staff survey

BCV commissions a third-party polling service to conduct anonymous surveys of all staff members. They are asked for their opinions on working conditions, workplace relations, satisfaction with supervisors and, more generally, ways in which their work environment could be improved. In 2007, as in 2006, the survey focused on staff members' views of the process of transformation under way within BCV Group. As in the previous year, an average of eight out of ten employees participated in the survey.

Overall, the survey shows that levels of staff motivation and commitment at BCV are good, and are improving. Assessments of management efficiency were considerably more favorable than in 2006, and the team spirit was much in evidence among staff members. However, respondents also feel that the quality of the tools and resources they work with could be better, and that compensation could be improved. They nevertheless expressed more positive views about the fairness of wage scales and the attractiveness of staff benefits.

Women at BCV

The parent company had 866 female employees (43% of the workforce) on its staff at the end of 2007, 15 more than one year earlier. Women accounted for 19% of supervisory staff, with 171 in this category, while 13 were in management positions (representing 5% of all managers). BCV facilitates part-time employment for women, and there were 338 women (39% of all female employees) working part-time at the end of the year.

Focus on training

In 2007, BCV provided training for 96 young people, including 64 apprentices, 21 students in their final year of high school, and 11 university interns. Ten women participated in our Rejoignez-nous program, and eight more joined in 2007-2008. BCV is one of the Canton's three main providers of professional training, alongside government institutions and a private-sector corporation. We have our own training center with a full-time teaching staff of seven instructors, who are assisted by around 90 instructors from within the Bank and 32 outside specialists.

The training center had a very busy year in 2007, organizing a total of 332 courses (327 in 2006). BCV employees received an average of 2.6 days of training. Management training was a priority area, with numerous workshops designed for those who lead teams at the Bank.

Staff pension fund

BCV Group, i.e., the BCV parent company and its subsidiaries, provides its employees with comprehensive pension cover well in excess of the minimum legal requirements. The staff pension fund is treated as a defined-contribution plan for purposes of retirement benefits, and as a defined-benefit plan for purposes of death and disability benefits.

On the basis of data available at the end of 2007, pension fund members included 2,066 active employees, 1,911 of whom were working at the parent company, and another 1,166 recipients of pensions, including 877 retirees.

Employee health

BCV takes several kinds of action in the interest of employees' health, either within the framework of Swiss government programs or on its own initiative.

For example, we have adopted a plan to ensure continuity of operations in the event of a bird flu epidemic breaking out in Switzerland, and we regularly participate in a cantonal campaign to promote influenza vaccination. We have also taken vigorous action to discourage smoking, which is banned in nearly all Bank premises, whether for general or individual use.

Environmental standards

BCV acts to protect the environment in the areas where it can do so effectively.

An example of this is our policy of encouraging employees to use public transportation, thus contributing to the Canton of Vaud's campaign to increase awareness – and use – of public transportation. The Bank also offers employees subscriptions to the Mobility Car Sharing service. Finally, we operate a centralized collection and sorting system to deal with waste from our offices, including paper, cardboard and batteries.

5. Playing an active role in the community

Our local community is important to us, and we take our responsibilities as a corporate citizen in the Canton of Vaud seriously. In addition to the economic aspects of our mission, we provide support for cultural and sporting activities as well as outreach initiatives.

More specifically, we regularly organize programs allowing staff members to take part in humanitarian and environmental initiatives in association with non-governmental organizations. In 2007, we worked together with the humanitarian organization "Terre des Hommes" on this front.

The Bank's sponsorship policy is part and parcel of our close community ties. Accordingly, we prefer to support non-profit activities which are of public interest in Vaud, focusing on the fields of culture, training and teaching, sports, the environment and research.

Examples of sponsorship in 2007 include:

- **Culture:** Paleo Music Festival, Rock Oz'Arènes and the Nuit des Musées museum openhouse
- **Outreach:** "Festival 1.2.3... Soleil", the Société Vaudoise d'Utilité Publique and Fondation Lavigny
- **Training and teaching:** Prize presentations at schools in the Canton and support for Lausanne's Centre Sports-Etudes for school-age athletes
- **Sport:** Lausanne 20K foot race, the BCV Villars 24H ski race and the Christmas Midnight Run
- **Other:** Forum économique vaudois and the International Hot Air Balloon Festival in Château d'Oex

BCV also supports its employees' involvement in the community, thereby contributing to their personal development in accordance with our Statement of Core Values. In 2007, 254 staff members were actively involved in a variety of societies, associations and other organizations of a social, political, cultural or sporting nature.

More detailed information about the Bank's contributions to our community can be found in the BCV Social Responsibility Report, which is published as a separate document (currently available in French only).

We analyze the global economy and identify trends that are likely to have an impact on the business environment in our home region.

ECONOMIC ENVIRONMENT

Slower growth worldwide

After expanding very strongly in 2006, the world economy continued to grow in 2007, but at a somewhat slower pace. Global growth fell from around 5% in 2006 to 4% in 2007. GDP growth in the OECD countries slowed from 3.0% in 2006 to 2.7%, according to the latest estimates of the economic research institute KOF in Zurich.

Overall, the US economy was a negative factor in 2007. GDP growth slowed to 2.2% from 2.9% in 2006. The crisis in the US real-estate and mortgage market, along with its direct and indirect impact on other areas of lending, hurt residential construction and consumer spending. The damage was partly offset by strong foreign demand for US products, prompted by continuing dollar weakness. However, the risk of a sustained slowdown in the world's largest economy increased steadily in the second half of the year, and experts are talking about a recession in 2008.

On a global level, inflation remained under control. The business environment was excellent in 2007, labor markets were strong, and Asian economies maintained their momentum. These favorable factors helped to offset some of the financial turbulence that swept through the leading stockmarkets. The good overall state of the world economy softened the effect of rate hikes by various central banks in 2007, as well as the negative impact of constantly rising oil prices.

The Swiss economy expanded in 2007 for the fifth year running

Swiss economy's fifth consecutive year of growth

In 2007, Switzerland's economy expanded for the fifth consecutive year.

Having been mainly export-driven in previous years, Swiss economic growth was boosted by a sharp upturn in public and consumer spending in 2007. Investment in construction, machinery and equipment also remained very firm. Business levels jumped to such an extent that some sectors ran out of spare production capacity.

According to the KOF, Swiss GDP growth was 2.9% in 2007, similar to that of the Eurozone. After a strong first half, growth slowed in the second, with increasing uncertainty about the impact of the US slowdown on world economic performance. Indicators gradually started to show signs of flagging, although they remained at high levels. Business and consumer confidence remained very strong, supported by a buoyant labor market.

Switzerland's growth was well above the average seen in previous years and was not accompanied by rising inflation, which was good news for the job market. The unemployment rate fell steadily in all regions, from 3.3% in 2006 to a national average of around 2.8%. Analysts predict that unemployment could drop further, to 2.3% in 2008. Demand for labor was so strong in 2007 that for the first time this decade manufacturers cited labor shortages in certain sectors as a serious limiting factor on their production capacity.

The Swiss National Bank, in response to strong though not excessive economic growth, acted to head off inflationary pressures by raising its target Libor rate by a quarter-point in the spring. This was the SNB's sixth rate hike since 2005. It was also its last in 2007, since signs of a slowdown in economic activity emerged late in the year, while inflation remained in check.

Vaud Canton in figures

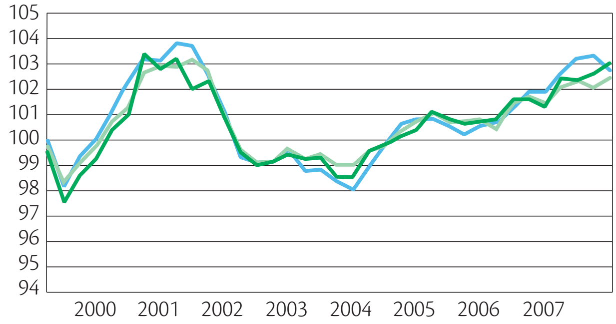
Area	3,212km²
Population	658,659 (end-2006)
Population density	205 inhabitants/km²
Active population	359,482 (end-2006)
Number of companies	35,640
Number of jobs	311,930
Primary sector	5.6%
Secondary sector	19.7%
Tertiary sector	74.7%
Unemployment rate	4%
Vaud Canton revenues	CHF 33.788bn (2004)
Exports	CHF 10.1bn
Cantonal budget	CHF 6.6bn (2007 budget)
Public debt	CHF 5.9bn (2007 budget)

Sources: Scris, Sagefi, OFS

Vaud's economy on a sustained uptrend

According to Créa (Lausanne University's institute of applied macroeconomics), the Vaud economy broke a series of records in 2007. In the latter part of the year, Créa's composite leading index (Figure 1) remained on a strong upward trend.

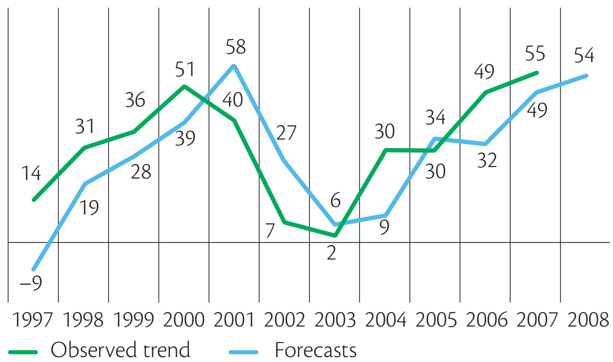
Figure 1
Créa composite leading index at end-2007



Source: Créa/Unil

The current vitality of Vaud Canton's economy can also be seen in the very positive responses by business leaders in the Vaud Chamber of Commerce and Industry's traditional autumn economic survey. Of the companies polled, 61% thought that business levels were good or very good (Figure 2) and 59% of companies had the same outlook for 2008. Investment remained high on the agenda. In 2007, 44% of Vaud businesses carried out investments or made plans to invest, and 43% of them intend to do so in 2008.

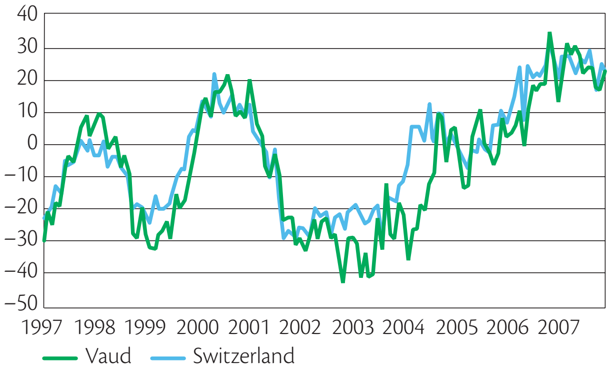
Figure 2
Business climate in the Canton of Vaud



Source: CVCI survey, autumn 2007
Note: net positive responses

The composite index of business sentiment remained strong throughout 2007 (Figure 3). This suggests that the Canton's companies were operating at or beyond full capacity.

Figure 3
Composite index of business sentiment in industry



Source: CCV
Note : net positive responses

This exceptionally buoyant economic situation had a very positive impact on the Vaud labor market. Although unemployment was still higher than the Swiss average of 2.8%, it remained on a firm downward trend. At the end of the year, unemployment was 4%, down from 4.6% a year earlier. The situation varied significantly from one part of the Canton to another, with unemployment highest at 5.2% In Lausanne, but much less severe in Nyon (2.8%) and Gros-de-Vaud (2.6%).

The unemployment rate is at its highest in the tertiary sector, particularly in business services, hotels and catering (10.5% of job seekers), retail (15%) and administration, education, healthcare and social services (12%). The tertiary sector thus accounts for almost 40% of people registered as unemployed in Vaud.

Stronger economic growth had some surprising consequences in 2007. In the secondary sector, a shortage of qualified workers meant that several manufacturing industries such as watch-making and mechanical engineering could not keep up with demand. To cope with this situation, some companies coaxed former staff out of retirement.

The renewed vigor of the Vaud economy, together with the budgetary discipline of the Cantonal Government, also had a positive impact on public finances. Vaud had a budget surplus for the second consecutive year, enabling it to reduce debt levels further.

Employment trend by sector

	2007	2008
Primary	~	↘
Secondary	→	↗
Tertiary	→	↗

Source: BCV

Primary sector

Farming and wine-making: unstable weather

There are around 4,800 farms and vineyards in the Canton of Vaud, which account for 6% of the Canton's jobs. This sector again had to contend with some unwelcome surprises on the weather front in 2007.

Grain, fruit and vegetable growers were hit by dry conditions followed by rain in the spring, and a very wet summer. This caused serious damage in most of the Canton's farming regions. Overall, harvests were down around 30% in volume terms. Tobacco growers had another tough year. The Canton is an important tobacco-growing area in Switzerland with 750 hectares (1,900 acres) devoted to the crop, three quarters of this in the Broye area. In addition to changes in consumer habits, which are prompting a reduction in acreage and limiting yields, poor weather conditions led to a 30% drop in production in 2007.

For wine-makers, meanwhile, a very good autumn made up for the wet summer. As a result, the 2007 harvest was excellent. The 2007 vintage is balanced and of good quality, and volumes were up on 2006. Overall, new wine volumes totaled 30.8m liters, an increase of 13% over 2006.

Export-driven sectors of the Vaud economy had an exceptional year

Secondary sector

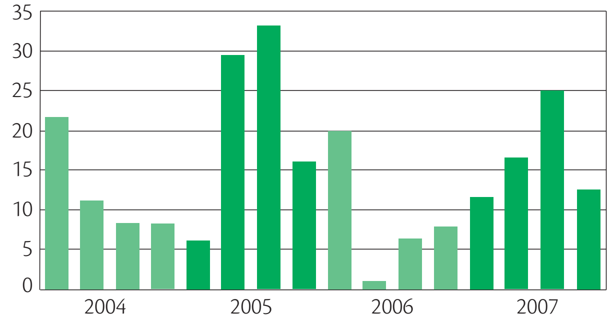
Manufacturing in excellent shape

The composite index of Vaud business sentiment was identical to its overall Swiss counterpart, and ended 2007 well above the previous peaks in 1997 and 2000 (Figure 3). The slight dip at the end of the year may be seen as the result of certain obstacles faced by companies in 2007. In metals and metalworking, for instance, labor shortages put a serious drag on production.

Overall, however, manufacturing activity in the Canton remained very strong. Growth was particularly robust in electronics, optics, precision instruments and metals. Export industries such as luxury watch-making performed exceptionally well. Vaud goods exports totaled CHF 11.7bn in the fourth quarter of 2007. This represents year-on-year growth of 13%, beating the figure for Swiss exports in general. On the other hand, chemicals and food companies had a quieter year, due to the weakening competitive position of Swiss companies in domestic and EU markets.

Capacity utilization rose above normal levels in 2007, moving from 85% in 2006 to a near-record 88%. Order backlogs amounted to the equivalent of 4.4 months of production, one of the highest figures in years. With all indicators pointing upwards, almost half of Vaud's manufacturers (43%) reported an increase in their order backlogs in 2007.

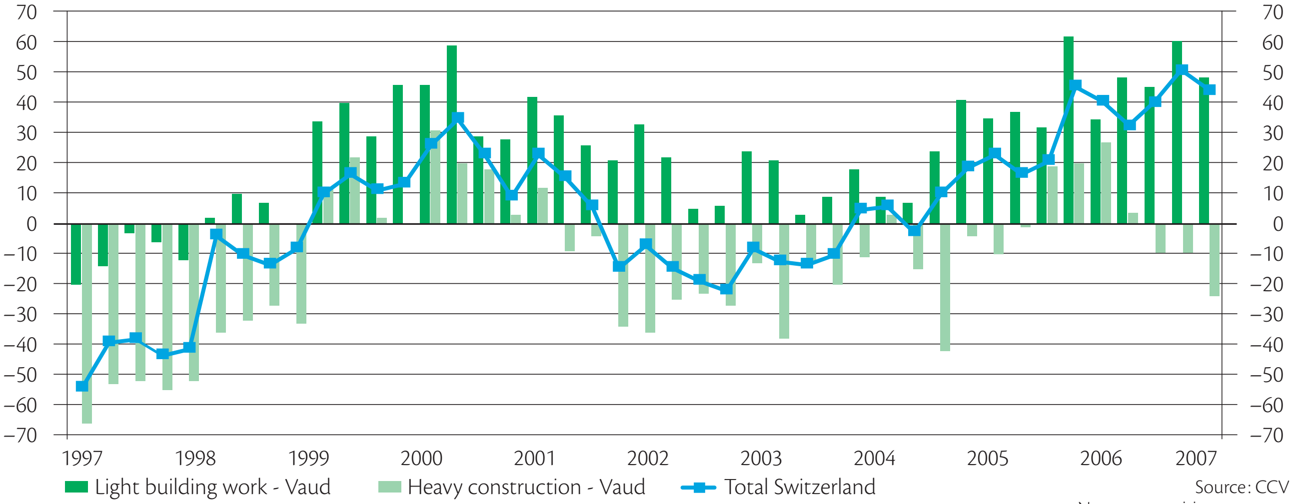
Figure 4
Vaud Canton's exports over four years



Change in value of exports compared with the same quarter of the previous year (as %) since 2004

Source : SCRIS
Note: Q407 data is provisional

Figure 5
Index of business sentiment in the construction industry



Source: CCV
Note: net positive responses

Robust trends in construction

The latest business sentiment survey by CCV (Commission Conjoncture Vaudoise) shows that the Canton's construction industry maintained the firm trends seen in 2006. This industry, which accounts for 7.5% of non-farm employment according to the most recent nationwide business census, saw a divergence between light building work, where activity remained firm all year, and heavy construction, where indicators began to flag in mid-2007. Sentiment deteriorated around this period as revenues started to weaken and orders in hand stabilized.

The level of orders in hand can be gauged via building permit applications, which fell by 3% in 2007. However, planned construction work amounted to CHF 4.2bn at end-2007, its highest level since 2000 and almost 8% higher than during the previous year. In residential construction, overall activity was stable at CHF 2.7bn, with only collective housing seeing an increase (up 1.3% at CHF 342m). In the commercial and industrial segment, the number of projects increased by 17%, representing a total amount of CHF 1.04bn, up 74% year-on-year.

Despite strong residential construction in recent years, new building has not yet had any material impact on the vacancy rate in the Vaud housing market, which was stable at 0.6%. Although this low level conceals marked differences from one region to another, it contributes to the upward pressure on rents. In recent years, construction volumes have been boosted by greater numbers of people wanting to buy their own homes, but have started to slow due to the scarcity of building land in various areas of the Canton.

Tertiary sector

The Canton's economy is dominated by the tertiary sector (i.e., hospitality and other services), which accounts for nearly 75% of the 311,930 jobs in Vaud. As the table below shows, the past ten years have seen changes in the sector. According to the latest nationwide business census, this sector now accounts for 79% of total non-farm employment following a net increase of nearly 20,000 new jobs between 1995 and 2005. This compares with a loss of 3,000 jobs in the secondary sector during the same period.

Employment trends in the tertiary sector

Tertiary sector employment (Vaud)	1995	2005
Services	26%	29%
Administration, education and health	31%	35%
Transport and communications	9%	7%
Hotels and catering	8%	7%
Retailing	26%	22%

Source: Scris/OFS – 2005 nationwide business census

Services

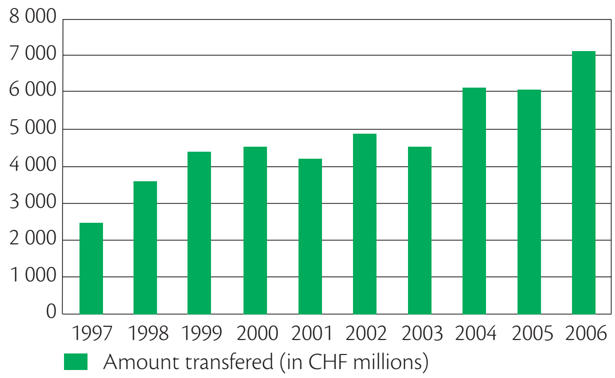
Services, accounting for 29% of tertiary-sector jobs, had an excellent year in 2007. According to the most recent survey by the Vaud Chamber of Commerce and Industry, over half of the businesses in this category consider trends to be satisfactory or good.

Nearly four out of ten respondents made capital investments in the course of 2007. These totaled CHF 716m, most of which (CHF 417m) were made within the Canton. Survey findings suggest that the propensity to invest should be a little higher in 2008 and total outlays should reach CHF 771m, including CHF 505m within Vaud.

Real estate

The Canton's real-estate market had another very good year in 2007 (see figure 6), benefiting from consistently high demand and shortages of rental property in the more attractive areas. In the near future, the increasing scarcity of building land in these areas may push prices up further.

Figure 6
Value of real-estate transactions in Vaud Canton



Source: Cantonal tax administration

Administration, healthcare and social services

In recent years, stringent budgetary measures have been adopted to gradually eliminate the Canton's operating deficit and reduce accumulated debt. These efforts paid off in 2007, and a further boost was provided by strong tax revenues resulting from the excellent economic situation.

The Vaud Cantonal Government achieved a substantial budget surplus in 2007 and expected another surplus in 2008 for the third consecutive year.

Financial services

Banking and other financial services account for 5.5% of tertiary employment in Vaud, with a total workforce of around 13,000. They carry significant economic weight as the largest contributors to the cantonal budget, providing 11% of revenues. Business in the sector was particularly good in 2007, benefiting from strong demand for mortgages and an excellent performance in wealth management. Vaud is the third-largest regional wealth-management market in Switzerland, with assets under management estimated at between CHF 300bn and CHF 400bn.

Vaud ranks third among Swiss cantons in wealth management

Hospitality services

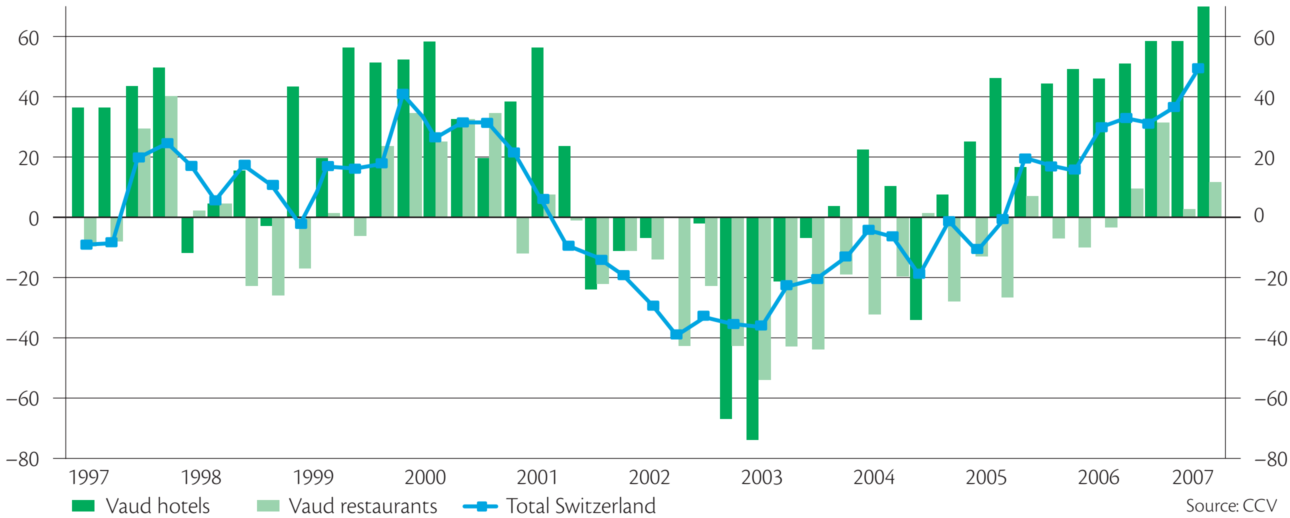
Tourism is a mainstay of the Canton's economy, bringing in around CHF 5bn every year, including CHF 2bn in Lausanne alone. It is particularly important in the Alps, where it provides almost 20% of all jobs. According to a study commissioned by SELT, the government department responsible for tourism in the Canton, hospitality directly accounts for 7.2% of Vaud's revenues and directly or indirectly for nearly 9% of employment.

Following several very sluggish years, Vaud's hotels and restaurants generally saw business volumes return to reasonable levels in 2006, with a 5% increase in overnight stays. As Figure 7 shows, trends were much more mixed in 2007. Due to erratic weather in the early part of the year, ski resorts in the Alps and the Jura posted significantly lower results than in 2006. Revenues were down by more than 16% in these two regions in the first half of 2007.

On the other hand, tourist areas around Lake Geneva saw business levels similar to 2006, with some hotels reporting a marked increase in revenues throughout the first half of 2007. In these regions, industry estimates suggest that eight out of ten hotels recorded an increase in overnight stays, benefiting – like the country as a whole – from the decline in the Swiss franc against the euro.

Figure 7 also shows that business levels and prospects improved substantially in 2007 for most restaurants in the Canton of Vaud.

Figure 7
Business trends for hotels and tourism in Vaud



Source: CCV
Note: net positive responses

Vaud's regions in 2007

BROYE. The Canton's northernmost region was marked by signs of an economic resurgence in 2007. The new A1 highway is having a major positive impact by attracting new residents – providing a boost for the real-estate and construction markets – as well as manufacturing firms. Performance in farming was less impressive, as a result of poor weather conditions.

NORD VAUDOIS. This northern region of the Canton benefited from record results in the watch-making industry, which has a strong presence in the Vallée de Joux, together with a good showing in real estate and construction. Unemployment remained in line with the Vaud average of 3.9%. As in other areas, weather conditions adversely affected the primary sector.

NYON. This region's wine-makers and fruit and vegetable farmers did not suffer from unsettled weather, and so the primary sector was stable. Nyon is seeing firm growth thanks to its location between two main population centers and economic hubs, i.e., Geneva and Morges-Lausanne. In 2007, some indicators showed growth leveling off, due in particular to a shortage of building land.

MORGES. This region, located just west of Greater Lausanne, saw firm growth in all business sectors.

LAUSANNE. The Canton's capital city is experiencing a period of dynamic renewal, resulting from excellent economic conditions combined with numerous industrial, real-estate and commercial projects. In addition to the M2 metro line, which will come into service in 2008, further major transportation projects are expected as part of the master development plan for the Morges-Lausanne region.

GROS-DE-VAUD. This region, the center for grain farming in the Canton, was hit by bad weather in 2007. In the secondary and tertiary sector, growth remained firm among local SMEs. Gros-de-Vaud has more scope for construction than most regions, and the real-estate market remained buoyant.

LAVAUX. Activity was stable in farming and wine-making, and there was a good grape harvest. The construction boom continued in 2007.

RIVIERA. This region enjoyed an impressive grape harvest, a surge in construction activity, further strong growth in real-estate activity and an upturn in tourism.

CHABLAIS. Not only was this region badly hurt by the poor summer weather, its ski resorts also suffered from unpredictable winter conditions. However, construction activity remained brisk.

Regional trends

BCV's regions	Primary sector	Secondary sector	Tertiary sector
Broye	↘	↗	↗
Nord vaudois	↘	↗	↗
Nyon	~	↗	↗
Morges	↗	↗	↗
Lausanne	na	↗	↗
Gros-de-Vaud	↘	↗	↗
Lavaux	↗	↗	↗
Riviera	↗	↗	↗
Chablais	~	↗	~

Source: BCV

Outlook still positive

In 2008, barring negative fallout from the US subprime crisis on activity in Switzerland and the world at large, BCV expects moderate GDP growth, rising loan demand, further strong momentum in the real-estate sector and good performance in financial markets. On this basis, the Bank forecasts a 2% growth rate for Vaud's economy this year.

Given the Canton's robust, dynamic and highly diversified economy, we expect an expansion in our business volumes in 2008.

Sources: OECD, SECO (State Secretariat for Economic Affairs), Swiss National Bank, KOF (Zurich University center for economic research), CREA (Lausanne University Institute of Applied Macroeconomics), SCRIS (Vaud Canton statistics bureau), Observatoire Cantonal du Logement (agency monitoring the Vaud Canton housing market), SELT (economy, housing and tourism department of the Vaud Canton government), BCV's property-market research team, Colliers International, CVCI (Vaud Chamber of Commerce and Industry), the Commission Conjoncture Vaudoise, BCV's regional and local managers and BCV's Observatoire économique vaudois (which monitors the local economy).

BCV strengthened its balance sheet and achieved strong financial results in 2007. We also made strategic progress, sealing a partnership with Zurich Cantonal Bank to share IT and back-office services.

We strengthened our balance sheet and achieved strong financial results thanks to sound strategic progress and the favorable economic environment. While continuing to implement major projects such as CroisSens and Basel II, we embarked on a new strategic initiative involving our IT and back-office systems by sealing a partnership with Zurich Cantonal Bank.

Markets and business volumes

In 2007, the Lake Geneva area once again enjoyed strong economic growth. Despite the turmoil in financial markets resulting from the US real-estate crisis, the region's banks performed well, achieving a firm expansion in business volumes.

Growth in the mortgage market continued on the back of renewed domestic demand and favorable conditions in the local real-estate market. Given the selective approach to volume growth that we adopted in order to ensure asset quality, our mortgage book grew slightly less than that of the Swiss market as a whole (up 2% to CHF 16.8bn).

Revenues rose 4% on a like-for-like basis

Commercial lending volumes in Switzerland maintained the acceleration that began in 2006, with the country's major international banks being the main beneficiaries. At BCV, commercial loans outstanding increased by 2% to CHF 5.7bn.

Customer deposits continued to grow for most banks in Switzerland. Although traditional savings declined further at the national level, they fell less sharply at BCV, ending the year down 4% at CHF 8.1bn. In other types of customer deposit, our volume growth was higher than the broad market figure.

Despite volatile financial markets, the Swiss wealth management industry achieved higher business volumes and revenues than in 2006. BCV raised assets under management by 4% to CHF 84.3bn, primarily as a result of our strong investment performance in asset management mandates. Net new money totaled CHF 2.8bn.

Trading sector volumes were up overall, benefiting from robust issuance of certificates and structured products, which increased by CHF 228m.

Financial results

In 2007, BCV Group's revenues remained stable at CHF 1.088bn (-1%) despite the downward impact of the transfer of Unicible's activities to IBM (Switzerland). On a like-for-like basis (i.e., without the Unicible transfer), revenues would have been up 4%. Interest income increased by 5% to CHF 505m. In spite of uncertainty and upheavals in financial markets, fee and commission income grew by 5% to CHF 385m, driven mainly by the wealth management business. Tough financial-market conditions caused trading revenues to fall by 22% to CHF 73m. Other ordinary income dropped by 22% to CHF 124m, mainly as a result of the Unicible transfer.

Operating expenses fell by 1% to CHF 559m. The transfer of Unicible's activities to IBM (Switzerland) had a major impact on personnel costs, which declined by 8% to CHF 348m. Other operating expenses were up 13% to CHF 211m, as a result of higher business volumes, strategic project expenses and the Unicible transfer. On a like-for-like basis, the increase would have been limited to 5%; it was mainly caused by strategic IT-related initiatives and the CroisSens project.

Gross profit was almost unchanged, falling 1% to CHF 529m. Absent the Unicible transfer, gross profit would have risen by 3%.

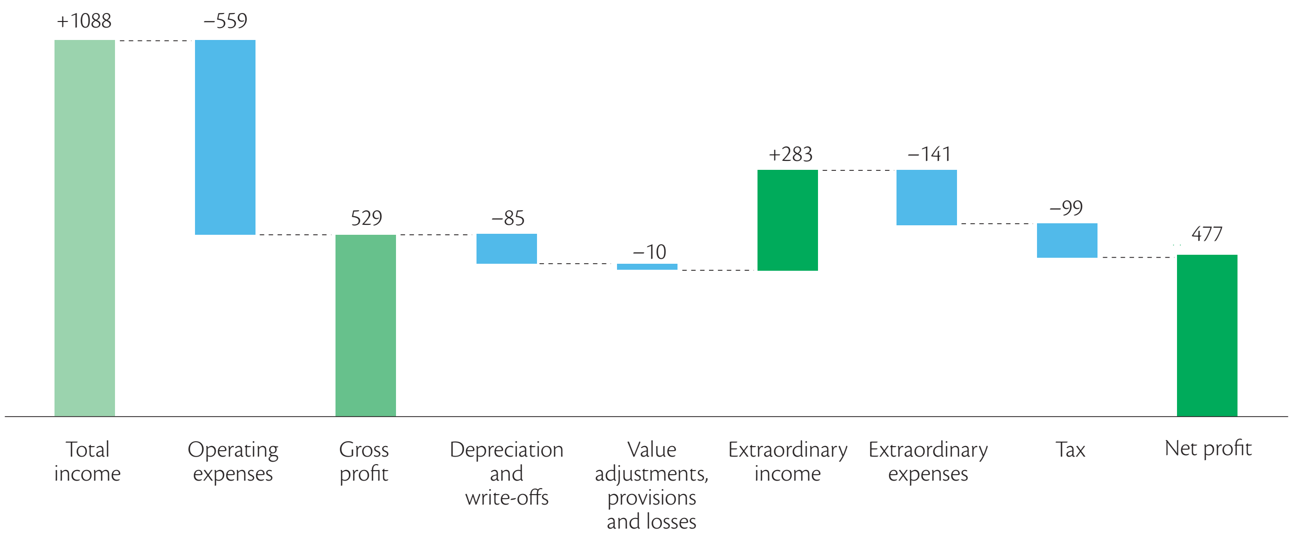
As in 2006, the combination of good economic conditions in Switzerland and rising home prices allowed for significant impaired-loan recoveries. The resulting provision releases account for most of the CHF 283m in extraordinary income on our 2007 income statement. In line with our policy in recent years, we again opted to strengthen reserves for general banking risks through an allocation of CHF 140m, or roughly half the level of extraordinary income. The tax charge amounted to CHF 99m, as our tax credit has now been used up. Net profit fell by 11% to CHF 477m. The cost/income ratio was unchanged at 59%. The net interest margin remained high at 1.53% despite the CHF 734m participation-certificate repurchase in July. Return on equity (before the allocation to reserves for general banking risks) was 18.5%, and the Swiss Federal Banking Commission (SFBC) capital adequacy ratio was 179%, despite the aforementioned repurchase.

Business sector overview

Retail Banking

BCV's retail banking business achieved satisfactory growth in 2007. We focused firmly on asset quality rather than simple volume growth, and loans outstanding rose by 2% to CHF 5.7bn. Customer deposits also grew substantially, by 3% to CHF 5.2bn. Revenues were stable at CHF 194m, and gross profit dipped 6% to CHF 92m. Part of Retail Banking's task within the Group is to detect potential customer business and refer these customers to other business units. In 2007, the net amount of business referred to other sectors totaled CHF 171m. Organizational changes as part of the CroisSens growth project had a positive impact on operational efficiency. The reorganization of our branch network is well underway, and is on schedule.

BCV's 2007 results: from total income to net profit – CHF millions



Corporate Banking

Despite relentless competition, the Corporate Banking sector increased lending volumes by 5% to CHF 11.2bn, mainly as a result of commodity-trade financing. Corporate Banking suffered in general from strong pressure on margins. This pressure, which has been observed for the past few reporting periods, put a drag on interest income in 2007. However, this was partly offset by robust growth in customer deposits, which rose by 32% to CHF 5.6bn. Taking into account growth in fee and commission income and non-recurrent gains, Corporate Banking increased revenues by 2% to CHF 249m. Gross profit was stable at CHF 168m. Tight risk control led to a very low level of new impaired-loan provisions (less than CHF 10m or 5bp of loan volumes). In 2007, BCV expanded and enhanced its range of products for SMEs, and launched Compte Libor Entreprises, a new online cash management account accessible from the BCV-net internet banking platform.

Wealth Management

The Wealth Management sector achieved its fifth consecutive year of growth in 2007. Assets under management rose by 3% to CHF 64bn. Revenues were also up 3%, while gross profit was unchanged. The BCV parent company registered an increase in net new money from both institutional and private clients. These two client segments benefited from the excellent performance of our asset management mandates, an area in which BCV is an acknowledged top-tier provider. In terms of managing risk, we also strengthened our institutional asset management skills in January 2007 by teaming up with Gottex, one of Europe's leading specialists in alternative investment solutions. The CroisSens project helped us increase business volumes; in addition, it bolstered our client acquisition efforts by making our vast array of wealth management services more readily available through the Group's extensive branch network. As regards BCV's wealth-management subsidiaries, Banque Piguet & Cie SA reported further growth in assets under management (up 4% at CHF 6bn), revenues (up 13% at CHF 64m) and net profit (up 35% at CHF 20m). We sold our stake in Asesores y Gestores Financieros SA in 2008.

Our innovative new IT strategy aims to generate substantial cost synergies

Trading

In 2007, volatility in the Swiss equity, fixed-income and foreign-exchange markets was high, as it was in all world markets. The Trading sector saw revenues decline by 9% and gross profit by 19%, mainly as a result of difficult financial-market conditions. The sector's risk profile remains moderate, with VaR under CHF 4m. In structured products, volumes increased strongly (by CHF 228m) and the range was expanded with the introduction of new investment vehicles. We also broadened our offering in forex trading to include new currency-risk hedging products.

Highlights of the year

Repurchase of the remaining participation certificates

In accordance with the decisions approved by the Annual Shareholders' Meeting on 26 April 2007, BCV repurchased the final tranche of participation certificates in July 2007 for CHF 734m. Overall, BCV has paid back CHF 1.335bn to the Vaud Cantonal Government, which originally invested CHF 1.248bn. The CHF 87m gain made by the Canton represents an annual risk premium of 2%. In addition, the Canton's financing costs were borne entirely by BCV through its preference dividend. Consequently, the Canton did not incur any costs in respect of this transaction.

New IT strategy

After a detailed review of various options, we adopted an innovative IT strategy that is financially attractive and minimizes implementation risk. The strategy has two main planks: the creation of a new IT and back-office center in collaboration with Zurich Cantonal Bank (ZKB), and the transfer of our IT subsidiary Unicible's assets and staff to IBM. Thanks to the joint venture with ZKB, we will avoid having to invest several hundred million francs and will reduce our recurrent IT costs by CHF 30m per year. In addition, it will provide us with a new and improved IT solution in 2011. The transfer of Unicible's assets and staff to IBM has led to the creation of a new centre of expertise in banking IT, located in Lausanne. IBM took over Unicible's staff, activities and contracts on 1 June 2007. This move did not give rise to any layoffs, and it ensures the Bank's future migration to ZKB's new platform.

CroisSens

We launched the CroisSens project in 2006 as part of our plans to stimulate growth in core business areas. CroisSens focuses mainly on our business activities in Vaud, targeting both individuals and SMEs. The project is intended to win back market share in key segments by emphasizing what makes BCV different – our close ties with clients and our professionalism across a full range of products and services. The new organization allows front-office staff to focus more on their specific skills and also enhances cross-selling between sectors.

Implementation is now at an advanced stage, and the project has remained within budget. In 2007, 52 of BCV's 69 branches were upgraded or renovated, one was closed and another one opened. Opening hours were adjusted to better meet customer needs. The cross-selling aspect of CroisSens generated a sharp increase in business referrals between sectors. We also pressed ahead with our staff training efforts, providing 3,654 participant-days of training sessions. Independent market research shows that CroisSens has helped improve BCV's public image in Vaud Canton. In terms of business volumes, although mortgage lending grew in line with the market, additional efforts are required in the crucial affluent segment.

First credit rating from Moody's and an upgrade from Standard & Poor's

Like a number of other Swiss banks, BCV now has credit ratings from two world-renowned rating agencies. Moody's rated BCV for the first time on 25 July 2007. It assigned us A1 and Prime-1 ratings, reflecting our successful efforts to improve our financial position and balance-sheet quality in recent years. Standard & Poor's has rated BCV since 2001, and on 5 October 2007 announced its decision to raise its long-term rating from A to A+ with stable outlook, as well as confirming its A-1 short-term rating. Given the uncertainties affecting the financial markets, BCV is particularly pleased with this upgrade, which recognizes the in-depth work we have accomplished over the last four years.

Key projects and investments

BCV and Zurich Cantonal Bank (ZKB) join forces to create a new IT and back-office center

The new center will provide banking IT and back-office services to both BCV and ZKB. The main aim of this project is to offer the two banks high-quality services at lower cost, through shared use of ZKB's IT platform and a transaction-handling system based on broadly similar products and processes. This initiative is intended to generate substantial cost synergies, and will also help both banks to optimize their future IT investments. BCV and ZKB are already working intensively on the project.

Basel II

We continued our efforts to enhance risk management. More specifically, we moved ahead on gaining approval for an IRB foundation approach. In 2008, BCV will continue to apply Basel I rules. The Basel II project is progressing well, and we intend to gain approval for our Basel II approach in early 2009.

Investments

In each of the past three years, we have invested between CHF 70m and CHF 90m in infrastructure, equipment, maintenance and IT development. We have allocated CHF 50m for the CroisSens growth project between 2006 and 2009. In addition, we plan to invest between CHF 120m and CHF 150m in the new IT and back-office project in order to cover the cost of migrating to the new IT platform in 2011. Investments last year totaled CHF 85m, of which CHF 16m related to CroisSens. These sizeable outlays will eventually help us to attain our strategic objective of optimizing core-business profitability.

Strategy and outlook

The first stage in BCV Group's strategic realignment lasted from 2003 to 2005. It involved strengthening the financial base, refocusing on core businesses, simplifying our capital structure, transforming our internal procedures and culture, and adopting modern corporate governance standards. These internally-driven initiatives were completed ahead of schedule.

Since 2006, we have pursued the second phase of our business plan, defining the following objectives:

1. Strengthen growth in established business segments
2. Enhance profitability in business lines
3. Continue to reduce the impaired-loan portfolio
4. Further improve management processes

Financial targets

We are aiming for steady revenue growth in core businesses while maintaining tight risk control, as part of a broader commitment to generating shareholder value. Key targets include a 13-14% average return on equity and a cost/income ratio of 57-59%. In addition, we decided to gradually reduce our Swiss Federal Banking Commission (SFBC) capital adequacy ratio to 145% for the Group as a whole. In terms of dividend policy, our target payout ratio is 60-80%.

Management has set new financial targets and defined a new dividend policy

Business trends at the main subsidiaries

Banque Piguet & Cie SA

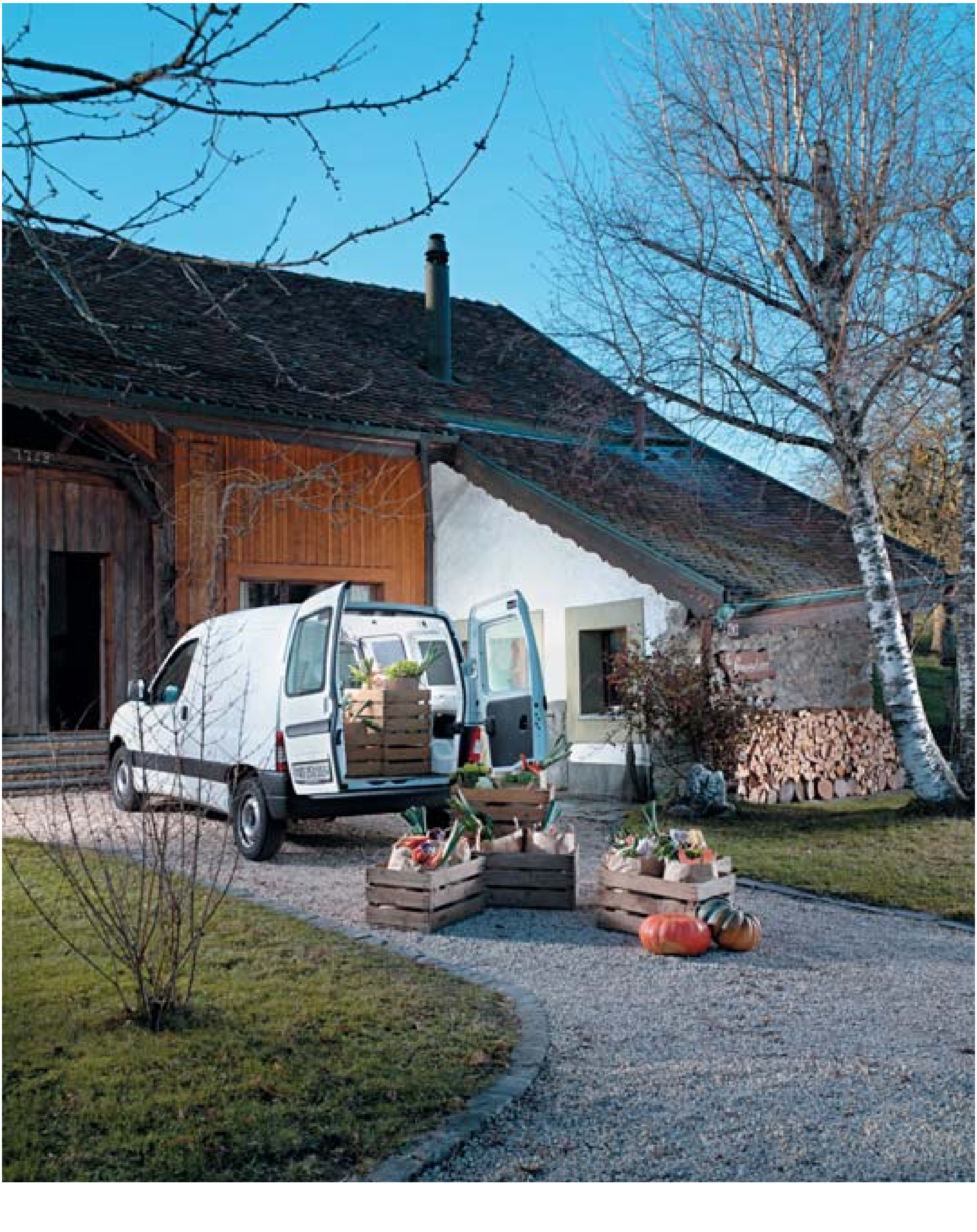
Assets under management rose by 4% to CHF 6bn, mainly as a result of strong performance in wealth management and client acquisition efforts. Revenues rose by 13% to CHF 64m, and net profit came to CHF 20m. Banque Piguet expects firm growth in 2008.

Asesores y Gestores Financieros SA

Asesores y Gestores Financieros SA (A&G), a 50% BCV subsidiary founded in 1987, specializes in private wealth management and institutional asset management for the onshore market in Spain. In 2007, revenues rose by 24% to CHF 18.8m, and net profit totaled CHF 2.4m. BCV has agreed to sell its stake in A&G.

Gérifonds

In 2007, total assets of the 90 Swiss-registered funds administered by Gérifonds fell by 3% to CHF 18bn. Total assets of the 59 Swiss- and Luxembourg-registered funds managed by the company remained stable at CHF 7bn.



Making my first home delivery.

BCV Group has four core businesses: retail banking, corporate banking, wealth management and trading.

Retail Banking

Highlights

BCV's retail banking business showed very satisfactory growth in 2007. Lending rose by 2% to CHF 5.7bn. Savings and investment volumes remained steady, despite a decline of almost 6% in the overall Swiss market.

Revenues were virtually unchanged at CHF 194m, reflecting heavy pressure on margins. Gross profit fell by 6% to CHF 92m.

Part of Retail Banking's role within the Group is to detect potential customer business and refer these customers to other business units. Reflecting these continued efforts, the net volume of business transfered to other sectors was more than CHF 171m.

This performance was driven by ongoing moves to increase efficiency among our advisors and to upgrade our branch network.

Business and strategy

The sector's staff of 425 serves the banking needs of individuals with less than CHF 150,000 in income or assets. In addition to the usual current and savings accounts and payment cards, we offer a full range of products for retail customers including mortgages, investment funds and consumer loans. To keep up with the changing habits and banking preferences of our customers, we also offer a range of structured products on a selective basis. For retail customers, our online brokerage service e-Sider.com is an ideal complement to our product and service range.

Many of BCV's customers first come to the Bank for retail banking services. We have a comprehensive range of distribution channels. Our customers can conduct their banking transactions via 69 staffed retail locations, a network of 150 ATMs, a high-performance call center and an internet banking platform that is used by more than 100,000 clients. BCV's impressive retail footprint in Vaud is an integral part of our image as the bank of choice for the local community. Our dense branch network is strategically located throughout the Canton, helping Retail Banking play a business development role for BCV Group's Wealth Management and Corporate sectors. Last but not least, we are strongly committed to continuous staff training to enable our employees to maintain and enhance their professional skills.

Market environment

Trends in 2007 were very similar to those observed in 2006, with strong demand in most retail banking segments. Business volumes in mortgages, savings and investments increased considerably in our home market.

A number of fundamental factors, such as the shortage of housing (0.5% vacancy rate in Vaud) and additional demand resulting from foreign companies moving into the area, continued to stimulate the market for real estate and mortgage loans. There were, however, some regional disparities within the Canton. Our traditional clients are finding it harder to buy residential property due to high prices in the Lake Geneva area. As a result, they are increasingly buying homes further away from the Lake. Although interest rates are still low, they did move up in 2007, and this dampened demand. The residential property market grew more slowly than in 2006 and remains hotly contested, resulting in pressure on margins. In addition, regional banks that were traditionally confined to rural areas of Switzerland have now established themselves in the suburbs and are moving into town centers. Customer deposit volumes increased, reflecting the growing appeal of products that pay higher interest rates, such as term deposits.

Large food retailers started offering credit cards in 2006, stimulating demand for cards. The fact that these retailers now accept credit-card payments has also boosted our fee income.

According to a recent study, BCV has increased its market penetration rate (number of banking relationships divided by number of survey respondents) from 48% to 50%. In all, 38% of Vaud residents still have their main banking relationship with BCV, and their satisfaction levels increased in 2007. These gains are one of the results of our CroisSens program, which was launched in 2006.

2007: Business report

Total business volumes increased by CHF 268m last year. Mortgage loans and other lendings were up CHF 115m, while savings and other investments rose by CHF 153m. There was a CHF 25m decline in consumer finance, mainly due to stricter approval criteria. Retail Banking transfered potential business worth CHF 171m to our other sectors, in particular Wealth Management.

Revenues fell by 1% to CHF 194m and gross profit declined by 6% to CHF 92m. This reflects the tough competitive environment and narrower margins, particularly in mortgage lending, together with costs arising from the new IT strategy. Overall, the interest margin was relatively stable, since pressure on mortgage margins was offset by higher margins in savings, investments and deposits. Performance was also buoyed by commissions from sales of structured products and insurance.

In 2007, the Retail Banking sector continued to implement the CroisSens program. Special attention was paid to increasing our advisors' customer-facing time, and advisors working in the branch network received special training on planning and making appointments. Telephone banking advisors carried out several targeted marketing campaigns with encouraging results. Within BCV, Retail Banking has the task of training staff and providing a pool of talent for the other business sectors. To replace the staff who leave the sector in this way, Retail Banking offers opportunities for women to return to working life.

We are also continuing to upgrade our branch network. New branches were opened in the growing Flon and Cugy districts of Greater Lausanne. Thirty branches were renovated, in line with BCV's new brand image.

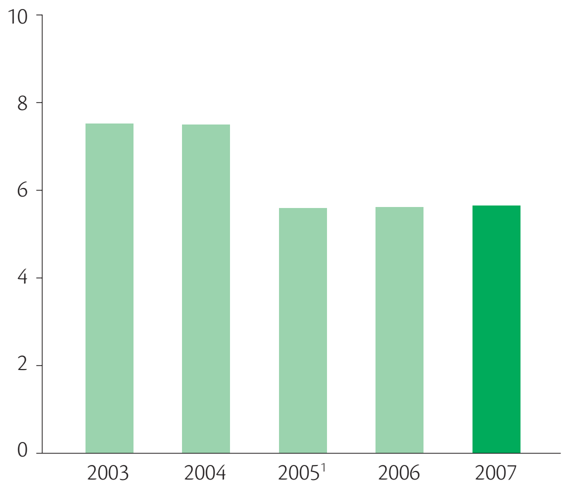
BCV has decided to sell its consumer finance business to Swiss One Finance SA, part of the Aduno Group. We will now become a distributor of this company's products. In strategic terms, this move enables us to strengthen our links with a long-standing partner and broaden our product range by adding services such as leasing.

2008: Objectives and outlook

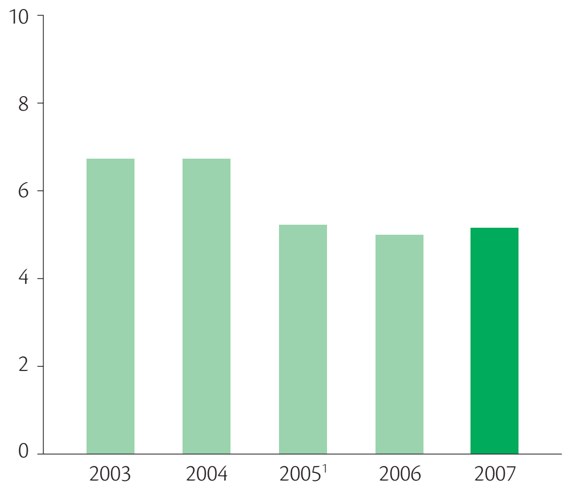
Retail Banking's service-oriented mission within BCV will be strengthened further, and cost containment will take on growing importance. In 2008, we will continue to enhance our customer care and overall service quality by using the knowledge gained from detailed surveys carried out in late 2006. We intend to achieve our volume growth objectives by increasing our staff's customer-facing time. We will further improve and streamline our processes, especially those for routine customer transactions. At the same time, branch office renovations will continue until end-2008.

2003 – 2007 financial data

Mortgages and other loans and advances to customers – CHF billions



Customer deposits – CHF billions



Key figures

	2007	2006
Total revenues (CHF millions)	193.9	195.5
Gross profit (CHF millions)	91.8	97.8
Cost / income ratio (excluding goodwill amortization and write-downs)	83%	80%
ROE (based on gross profit after depreciation and write-downs)	13.2%	15.6%
Headcount	425	425

[1)] The decline in volume observed in 2005 reflects business sector reallocations related to the CroisSens project.

Corporate Banking

Highlights

Even though competition remained fierce, the Corporate Banking sector increased lending volumes by 5% to CHF 11.2bn. Growth was driven mainly by trade-finance activities in commodities, while business volumes were stable among SME and corporate clients. Lending margins remained under serious pressure, putting a drag on interest income.

Customer deposits rose significantly across our three segments, showing an overall rise of 32% to CHF 5.6bn. This partly offset the fall in interest income. There was also an increase in fee and commission income and in non-recurrent gains, which pushed up overall revenues by 2% to CHF 249m. Gross profit was stable at CHF 168m.

As in 2006, tight risk control helped keep the loan book healthy; this was reflected in the very low level of new provisions (less than CHF 10m).

In 2007, we developed a standardized loan for SMEs borrowing up to CHF 100,000. We also launched Compte Libor Entreprises, a new online cash management account accessible from the BCV-net internet banking platform.

Business and strategy

Corporate Banking's 345 employees serve three client segments: SMEs, corporates and trade-finance clients. In 2006, SMEs (small and medium-sized enterprises) accounted for 61% of revenues, corporates for 15% and trade-finance clients for 24%. We offer a broad range of products to cover working capital financing, capital expenditure financing, construction financing, international trade finance and hedging (for example, interest-rate and currency risks).

BCV is continuing to expand its SME customer base in order to deepen its already strong presence in the local economy. Currently, 54% of the Canton's SMEs and real-estate professionals bank with BCV.

Corporate Banking has business relationships with two-thirds of Vaud's leading companies. We also offer an extensive range of services in adjoining cantons, as well as in German-speaking areas of Switzerland on a very selective basis.

BCV is an established trade-finance player, active in metals and softs. Our strategy in this segment is to know a few key markets well and individually monitor all transactions that we finance. The trade-finance unit handles transaction financing requests from trading companies based mainly in Switzerland and operating in Eastern Europe, the Middle East, the Mediterranean region, North America and certain countries in South America.

Market environment

Competition in the corporate lending sector remained tough in 2007, resulting in continuing pressure on margins for customers with the best risk profiles, particularly real-estate and public-sector entities.

SMEs remain cautious about using their credit facilities, which they reserve mainly for financing capital goods purchases. To a large extent, SMEs' working capital levels enable them to finance themselves. The real estate market is still buoyant, and some large-scale projects are underway. Our lending to SMEs and real-estate investors held steady relative to 2006. This was despite substantial loan redemptions in response to our pricing policy, which complies with our profitability criteria. On the other hand, customer deposits rose sharply in the year under review.

Corporate clients continue to show strong liquidity. In 2007, this led to flat short-term lending volumes and serious pressure on margins for the least risky companies. These clients did not significantly increase their investments in 2007. In French-speaking Switzerland, the economy is much more geared towards services and construction than it is in the German-speaking part of the country. As a result, capital expenditure in industry is lower and financing structures are very different. We managed to maintain lending volumes in the face of stiff competition from both Swiss and foreign banks, although our margins came under serious pressure. Margins on customer deposits also suffered, as large sums of money were shifted into lower-margin products.

In the trade-finance segment, competition is intense in the Lake Geneva region. Our trade-finance unit has chosen to concentrate on specific segments and geographical areas. In metals and softs, business volumes were boosted by active prospecting, high commodity prices and strong credit demand. The weak US dollar had a negative impact on trade-finance revenues, which are stated in Swiss francs.

2007: Business report

Revenues grew by 2% to CHF 249m on the back of an increase in trade-finance business, very strong growth in fee and commission income and non-recurrent gains. On the downside, there was a rise in operating expenses, particularly in IT, causing gross profit to come in flat at CHF 168m.

The trade-finance segment benefited from buoyant market conditions and continued to develop its business portfolio. It maintained the very strong performance that began in 2005, with lending volumes up 34% at CHF 1.7bn and off-balance sheet commitments up 39% at CHF 1.1bn. It also underwent a strategic review in 2007, and new growth avenues will be explored in the next three years.

Corporate Banking continued its efforts to cross-sell the products and services of other BCV business sectors, in particular occupational pension plans, forex, derivatives and wealth management services. These cross-selling initiatives will be maintained in 2008.

A standardized SME loan with a streamlined application process was developed in 2007 for companies with smaller financing requirements. The strategy for managing customer deposits was also reviewed, resulting in the new Compte Libor Entreprises account, which combines easy access and flexibility with returns that reflect market conditions.

2008: Objectives and outlook

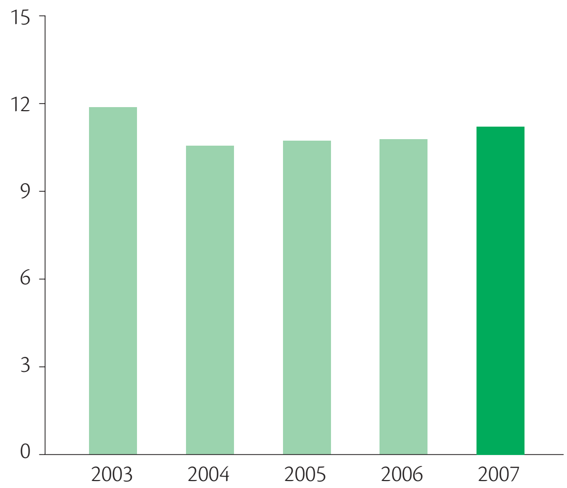
Between 2008 and 2010, we aim to increase lending volumes in selected areas, while maintaining or regaining margins and keeping risks firmly under control.

We will make greater use of our corporate contact platform to manage non-borrowing relationships with small companies and self-employed professionals, which will increase client-facing time and improve customer satisfaction.

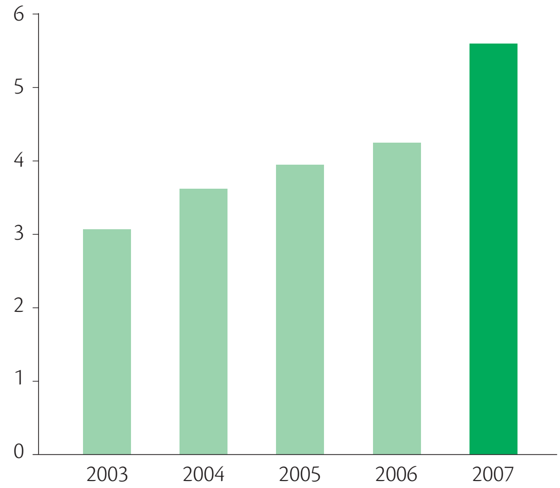
We will expand our large corporates client base by means of selective account development, in line with the strategy defined in 2006, and seek further cross-selling opportunities.

2003 – 2007 financial data

Loans outstanding – CHF billions



Customer deposits – CHF billions



Key figures

	2007	2006
Total revenues (CHF millions)	248.7	244.7
Gross profit (CHF millions)	167.7	168.1
Cost / income ratio (excluding goodwill amortization and write-downs)	48%	48%
ROE (based on gross profit after depreciation and write-downs)	20.1%	21.4%
Headcount	345	341

Wealth Management

Highlights

The Wealth Management sector achieved its fifth consecutive year of growth in 2007. Assets under management for this sector rose by 3% to CHF 64bn, while revenues were also up by 3%. Gross profit was unchanged.

Net new money from private and institutional clients was strong at CHF 753m.

Our investment policy resulted in an excellent performance relative to our rivals, due in particular to our lack of exposure to subprimes and the CDO/CLO markets.

We sealed a partnership with hedge-fund strategy specialist Gottex Fund Management, reinforcing our capabilities in alternative asset management.

Our wealth-management subsidiaries Banque Piguet & Cie SA and Asesores y Gestores Financieros SA (A&G) both improved their performance, and we reached an agreement to dispose of our holding in A&G.

Business and strategy

BCV takes an integrated approach to wealth management, while our Gérifonds SA and Banque Piguet & Cie SA subsidiaries operate in specific niches.

The parent company employs 360 wealth management specialists and has a major presence in onshore and offshore private banking. We are the Canton of Vaud's leading institutional asset manager. Backed by a highly regarded investment team, we also work with independent asset managers, providing them with financial planning and pension-fund services. This integrated approach allows us to offer a comprehensive range of financial solutions in response to our clients' needs, including a wide array of innovative products.

BCV operates in all areas of banking. This means that the investment strategies we offer private clients can be coordinated with our other business sectors, creating valuable synergies. For example, our private banking business benefits from a steady stream of clients identified by the Retail Banking sector, whose client base includes a large number of individuals in the Canton of Vaud. Our asset-management specialists also work closely with the Corporate Banking sector, providing investment solutions to occupational pension institutions. This team approach is reinforced by a regional strategy that encourages managers in each business sector to share information and carry out joint marketing activities.

Gérifonds SA is a wholly owned subsidiary of BCV. It has 27 employees and provides fund administration services, complementing BCV's asset management activities. Gérifonds' expertise has enabled it to build a solid portfolio of clients outside BCV Group, and it leads the investment fund market in French-speaking Switzerland.

Banque Piguet & Cie SA has 115 staff and four branches in Geneva, Yverdon, Lausanne and Lugano. It is 85%-owned by BCV, and is run as an independently managed boutique private bank. Banque Piguet is particularly focused on international clients, and recently opened representative offices in Hong Kong and Dubai.

Market environment

The wealth-management market became tougher in 2007. Financial markets were extremely volatile and performance differed significantly across markets. In addition, there was increased competition in all client segments.

The year was also a difficult one for stockmarkets. Returns on Swiss equities and bonds, which are the preferred investment choices of BCV's clients, were barely positive. However, there were good opportunities in emerging markets, particularly Asia, and in commodities, which generated double-digit returns. Performance also benefited from our exposure to hedge funds and to the euro, although the weak dollar was a negative factor. Unlike many major international banks, domestic wealth managers avoided any exposure to structured credit products such as CDOs and US subprime mortgages.

Demographic trends in Switzerland continued to drive inflows into pension funds, and institutional assets under management posted solid growth in 2007. Institutional portfolios are increasingly taking a "core/satellite" approach, and this remains a source of opportunities for asset managers that offer high-value-added satellite products.

The private banking segment saw increased competition, both for clients and client relationship managers. All segments of the Swiss banking industry – private banks, major banks, cantonal banks and regional banks – are now targeting the onshore market.

In November 2007, BCV's Financial Research Department published the first detailed report on the Canton's wealth-management market. The report estimates the size of this market at between CHF 350bn and CHF 400bn, putting it third in Switzerland behind Geneva and Zurich. BCV's share of the Vaud market is 15-20% across the various segments.

2007: Business report

Business volumes rose in all areas of wealth management in 2007. Assets under management at BCV and its subsidiaries grew by 3% to CHF 64bn, supported by gains in financial markets (up 2%) and net new money (CHF 0.7bn, up 2%). In mortgages and other lending, volumes rose by 7% to CHF 4.6bn. Growth was particularly strong at Asesores y Gestores Financieros SA (A&G), institutional asset management attracted substantial amounts of net new money, and inflows into the parent company's onshore private banking business grew at a much faster rate than in 2006. Sales of structured products were robust, and mortgage volumes increased in line with the Group's strategy, which is to offer a complete range of asset and liability solutions in all client segments.

In the Wealth Management sector as a whole, revenues rose by 3% to CHF 415m. However, expenses increased by 10% to CHF 153m, due in particular to higher IT costs. Other reasons behind this increase were the general rise in personnel costs in the banking sector, staff recruitment for Banque Piguet & Cie SA's two new representative offices and A&G SA's continuing development in both its product range and regional presence.

This increased cost pressure acted as a brake on gross profit, which was unchanged at CHF 262m.

Revenue growth is being driven by higher volumes in all of the Bank's business sectors. Within the parent company, the CroisSens project is a key factor behind the increasing proportion of new fund inflows resulting from the Sector's collaboration with Retail Banking and Corporate Banking. Client analysis and segmentation initiatives are continuing, with the aim of providing first-class service and products tailored to clients' risk profiles. The refinements in segmentation were particularly successful in 2007, enabling the Key Clients team to prepare individually profiled mandates for HNWIs.

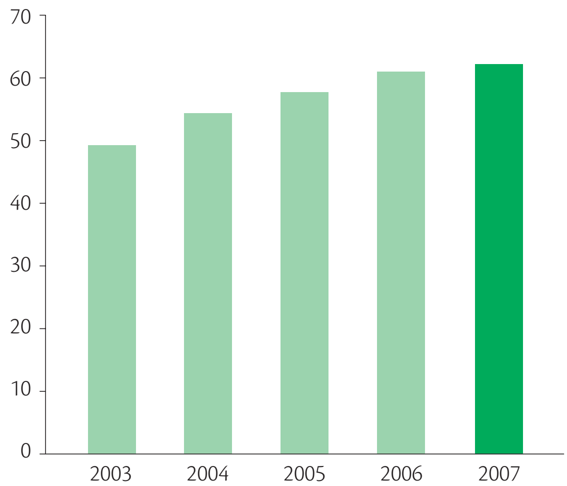
2008: Objectives and outlook

The Wealth Management sector has reaffirmed its objective of maintaining business and revenue growth in 2008. To achieve this, we intend to provide professional service to our clients, underpinned by our experience, our sense of responsibility, and our commitment to success.

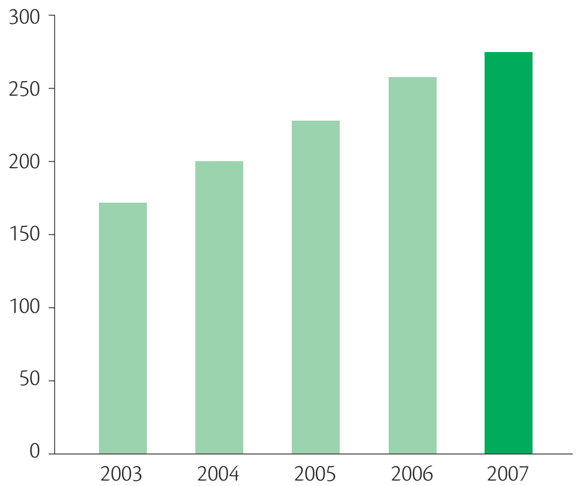
We have adopted an integrated approach harnessing our investment strategy, lending and financial-planning capabilities. In 2008, we will focus on enhancing operational processes in private banking, enabling advisors to spend more time on client acquisition. In institutional asset management, the emphasis will be on developing mandates that generate higher performance and revenues for clients in Switzerland. As regards services for independent asset managers, the new "Pro Access" client interface will be used to promote our range of services.

2003–2007 financial data

Assets under management – CHF billions



Fee and commission income – CHF millions



Key figures

	2007	2006
Total revenues (CHF millions)	415.0	401.9
Gross profit (CHF millions)	262.0	262.8
Cost / income ratio (excluding goodwill amortization and write-downs)	52%	50%
ROE (based on gross profit after depreciation and write-downs)	71.1%	77.1%
Headcount	538	489

Trading [1]

Highlights

In 2007, the Trading sector benefited from a positive environment in structured products, swaps and currency options. Bonds, long-term interest-rate derivatives and equity derivatives, however, suffered from volatile markets, and posted lower revenues than in 2006.

On a like-for-like basis, trading revenues were down 9% at CHF 73.6m, while gross profit fell by 19% to CHF 37.7m.

The volume of structured products rose by 19% or CHF 228m relative to 2006. We continued to expand the range of structured products, which now includes "worst-of" products with multiple underlyings, callable yield notes and autocalls. In the foreign-exchange segment, we also added new currency risk hedging products, including knock-in forwards, knock-out forwards and double forwards. Assets under management in the custody business amounted to CHF 21bn at year-end.

The Trading sector's risk profile remained moderate, with Value at Risk (1-day, 99%) of less than CHF 4m at the end of the year.

Business and strategy

BCV has the largest trading room in French-speaking Switzerland, with 90 staff members and high-performance trading facilities. We focus mainly on Swiss franc-denominated investment and hedging products – equities, bonds, foreign exchange, derivatives and structured products – for clients in Switzerland, as well as market-making and proprietary arbitrage trading. BCV is a direct member of the SWX, virt-X, Xetra, Eurex and Scoach electronic exchanges.

Our foreign-exchange dealers are counterparties and market-makers in both spot and derivative markets, working with the Swiss franc and G7 currencies. Around 30% of our clients trade forex using our online BCV e-FOREX platform.

Our custody business provides a full range of fund administration, custody and securities lending/borrowing services to fund managers and banks.

BCV's Trading sector aims to maintain its leading position in structured products and derivatives within French-speaking Switzerland. It also intends to become one of Switzerland's top ten players in this field by increasing its market share in the German-speaking part of the country. To do so, we continued to design and issue new structured investment products and derivatives in 2007, particularly reverse convertibles with multiple underlyings, interest-rate and forex structured products and correlation options. The short-term interest-rate derivatives business did not live up to expectations and was discontinued in 2007.

[1] Figures are presented on a like-for-like basis, as custody activities were included in the sector's scope of consolidation at 1 January 2007.

Market environment

The Swiss market moved in line with international trends. Volatility jumped in February, and then rose steadily from August to the end of the year. The increase in volatility was not restricted to the equity market, but affected other financial markets such as forex and bonds.

Turbulent market conditions led to sharply higher client demand for structured investment products and more widespread use of complex investment vehicles. For example, correlation products and certificates linked to baskets of equities or currencies saw strong growth. New issuers appeared in the market. Trading volumes increased by 28% on SWX and by 17% on Eurex in 2007. In the equity markets, the increased use of online trading platforms is putting greater pressure on brokerage fees.

The main trend in the forex market was the significant decline in the Swiss franc (driven mainly by carry trades) and the dollar against the euro. Constantly dwindling trading spreads, caused by the growing number of online trading platforms, continued to have a negative impact.

The Trading sector is maintaining its strategy of expanding market share in structured products. At the end of the year, BCV had more than 230 structured products and 500 warrants listed on SWX.

2007: Business report

2007 was a good year for structured products, swaps and forex options. Bonds, equity derivatives and long-term interest-rate derivatives, however, performed less well. As a result, 2007 revenues fell by 9% versus 2006 to CHF 73.6m. Gross profit declined by 19% to CHF 37.7m.

In 2007, trading activities suffered from erratic market movements, caused by falling indexes, high volatility throughout the year, a weaker Swiss franc and the subprime mortgage crisis. On the other hand, client-driven activities were more buoyant than in 2006. In 2007, we expanded our client base in both the equity and fixed-income business (+20) and the forex business (+48). The volume of structured products rose by CHF 228m, to CHF 1.426bn, mostly issued by the Guernsey branch.

The Guernsey branch's total assets fell by CHF 61m or 2%. This decline, which was due to the decision to pull out of fixed-term fiduciary investments, was partly offset by higher issuance volumes in structured products.

We continued to innovate in structured products and derivatives by launching several new products during the period. They include "worst-of" products with multiple underlyings, correlation options, Forex Momentum certificates linked to a basket of currencies, mixed Momentum certificates linked to a combination of equities and currencies, and callable yield notes. In foreign exchange, the sector developed new forex hedging products, both standard and exotic, to suit clients' varying risk profiles.

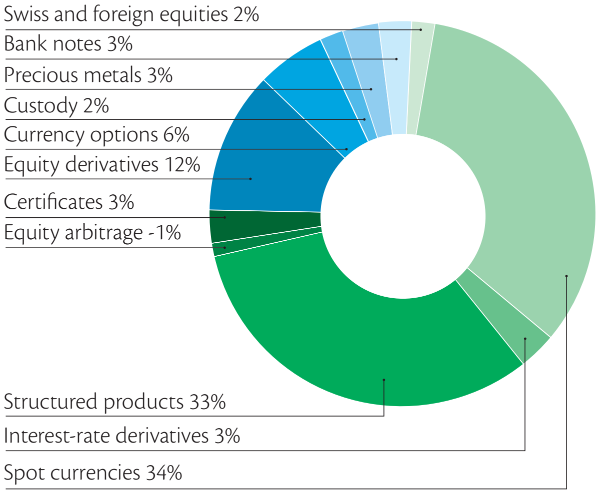
2008: Objectives and outlook

In 2008, the Trading sector's general aim will be to increase commercial revenues while reducing risk. Consequently, we will focus on producing and selling structured products, and we will reduce equity- and interest rate-derivative exposures.

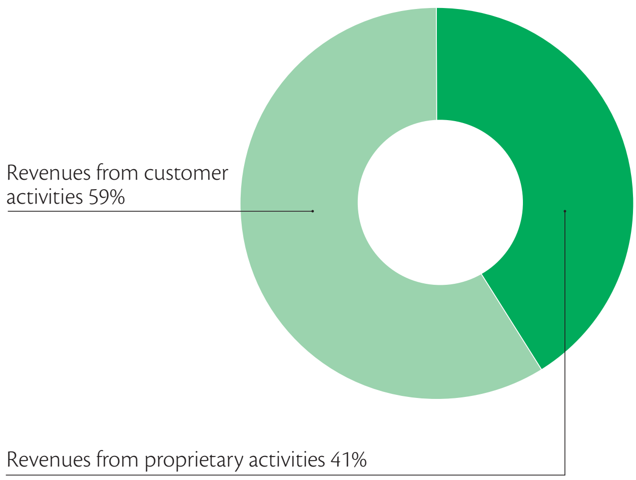
We will achieve this by stepping up issuance of structured products and maintaining efforts to diversify the product range. It will also involve increased business acquisition work, focusing strongly on potential clients outside Vaud Canton for investment products, and on financial clients for forex products. We will continue to issue specific structured products for our retail banking clients and also seek to issue structured products for smaller banks. To market these products, we will increase our presence on specialist websites. The Trading sector will also develop its bond-market presence, in both issues and private placements. Finally, the custody business aims to substantially increase its business volumes.

2007 financial data

Breakdown of revenues by market segment in 2007



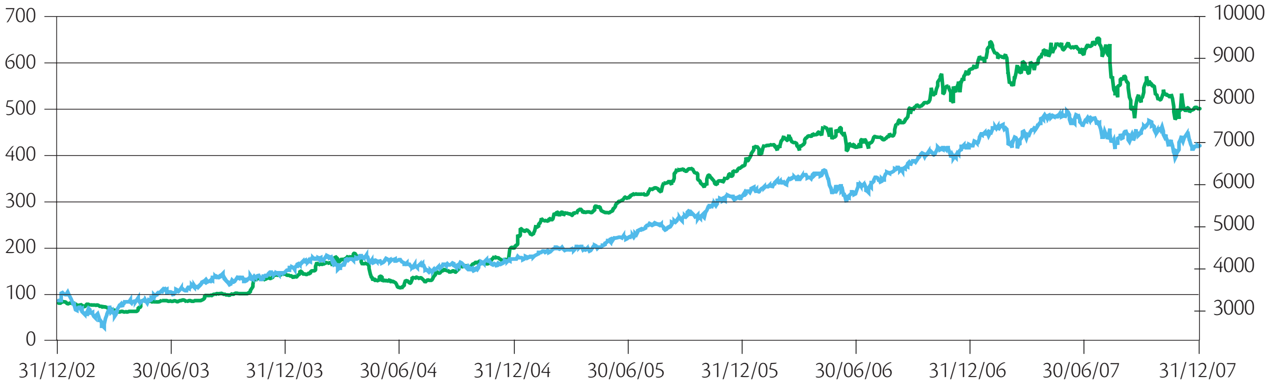
Breakdown of parent company trading revenues in 2007 (customers/proprietary)



Key figures

	2007	2006
Total revenues (CHF millions)	73.6	80.8
Gross profit (CHF millions)	37.7	46.6
Cost / income ratio (excluding goodwill amortization and write-downs)	63%	56%
ROE (based on gross profit after depreciation and write-downs)	15.6%	18.6%
Headcount	93	93

BCV share price and SPI



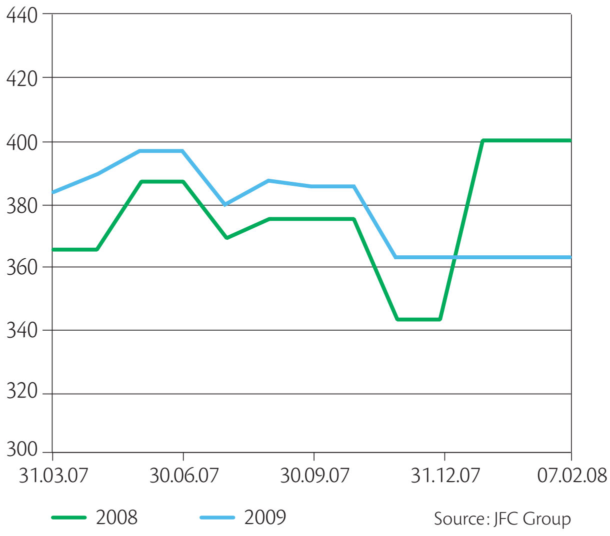
Listed on:	SWX		
Par value:	CHF 62.50		
Swiss security number:	1 525 171		
ISIN code:	CH0015251710		
Ticker symbols:	Bloomberg: BCVN	Telekurs: BCVN	Reuters: BCVN.S

		2004	2005	2006	2007
Number of shares outstanding (thousands)		8 518	8 565	8 590	8 606
Period-end share price		204	378	587	501
Share price high/low (adjusted, in CHF)	– high	208	378	587	652
	– low	111	208	389	480
Dividend per share (in CHF)		3.00	4.50	7.00	14.0[2]
Dividend yield[1] (%)		1.5	1.2	1.2	2.8
S&P long-term credit rating		A–, stable	A–, stable	A, stable	A+, stable
S&P short-term credit rating		A–2	A–2	A–1	A–1
Moody's long-term credit rating		–	–	–	A1
Moody's short-term credit rating		–	–	–	Prime–1

[1)] Relative to the period-end share price.
[2)] Dividend to be proposed to the Shareholders' Meeting of 24 April 2008.

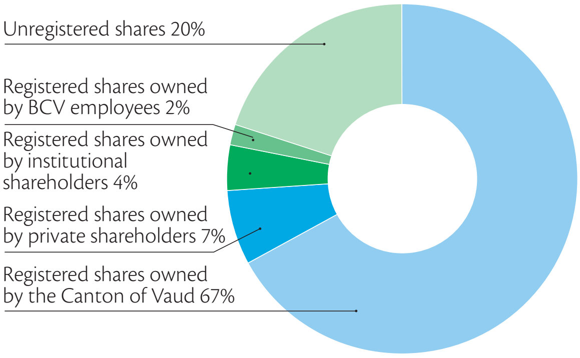
BCV's share price suffered from the financial-market turmoil in 2007 even though the Bank was not exposed to the subprime crisis and did not have any balance-sheet exposure to mortgage-backed securities. The share was down 15% at the end of 2007, reducing the Group's market capitalization to CHF 4.3bn. Share ownership in BCV continued to shift towards institutional investors, with growing geographical diversity. BCV employees hold approximately 2% of the share capital. The Group intends to continue strengthening relations with the investor community and is committed to continually improving the transparency of its financial reporting and communications.

BCV earnings: analyst consensus forecast
(CHF millions, 07/02/08)

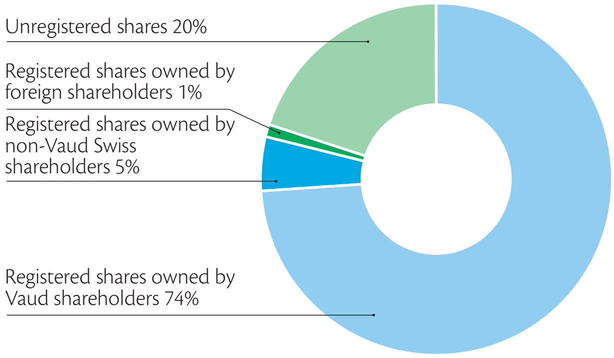


Source: JFC Group

Share ownership structure



Share ownership by geographical zone



Our clients and investors rightly expect to have timely access to reliable information, which is why we have adopted a transparent financial reporting and communications policy.

FINANCIAL STATEMENTS

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Report on the Consolidated Financial Statements

Total assets up 7%

1. Assets

Increase in lending and in amounts due from banks

Total assets grew by 7% to CHF 35.3bn in 2007. This was mainly the result of a rise in amounts due from banks and higher lending volumes.

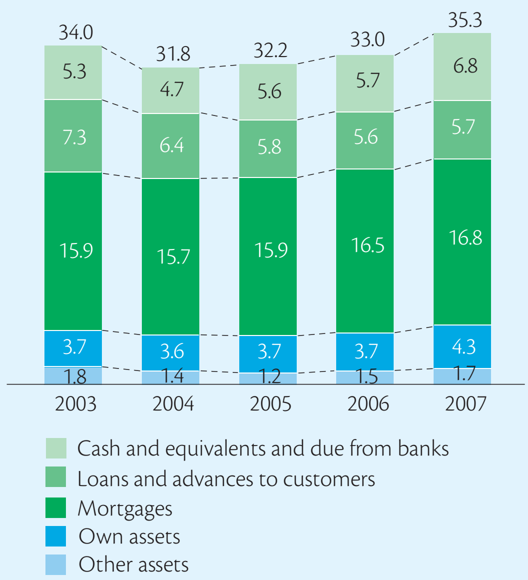
Amounts due from banks increased CHF 1.7bn to CHF 6.4bn, while money-market instruments slipped CHF 612m, as some short-term book claims were not renewed and the funds moved to security-backed interbank deposits (i.e., repos).

Loans outstanding were CHF 22.5bn at the end of the period, an increase of CHF 420m (of which CHF 303m in mortgage loans and CHF 117m in loans and advances to customers).

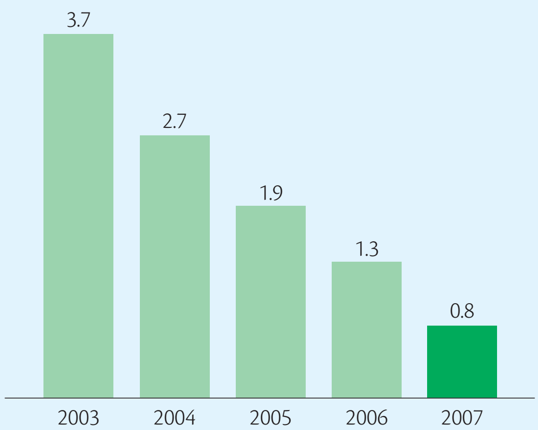
Excluding the effect of the CHF 476m reduction in impaired loans, mortgage loans grew 3%, or CHF 483m, while other loans outstanding were up 7%, or CHF 413m.

Trading portfolio assets rose CHF 641m to CHF 2.0bn.

Assets – CHF billions



Impaired loans - CHF billions



2. Liabilities

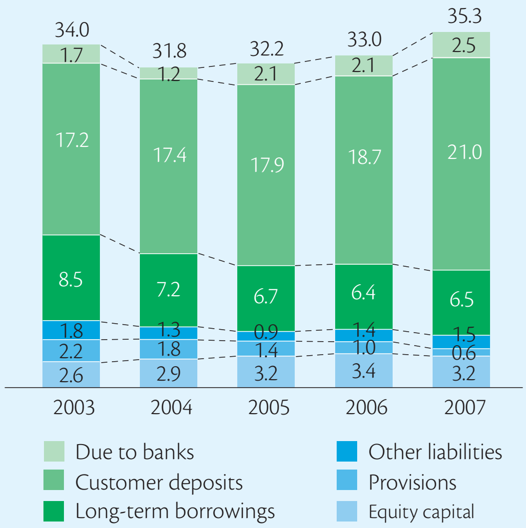
Sharp increase in customer deposits
Liabilities increased CHF 2.5bn (+8%) to CHF 32.1bn versus CHF 29.6bn at 31 December 2006.

Customer deposits were up 11%, or CHF 2.2bn, to CHF 21.0bn. The breakdown shows that amounts due to customers in the form of savings contracted by CHF 353m (–4%) in favor of higher-yielding investments, particularly time deposits. Other types of customer deposits rose by CHF 2.5bn (+25%), while medium-term notes showed an increase of CHF 116m, or 40%.

Long-term borrowings climbed CHF 139m (+2%) to CHF 6.5bn.

Efforts to reduce risk levels and cut impaired loans had a positive impact on provisions, which declined by CHF 478m (–46%) to CHF 571m.

Liabilities - CHF billions

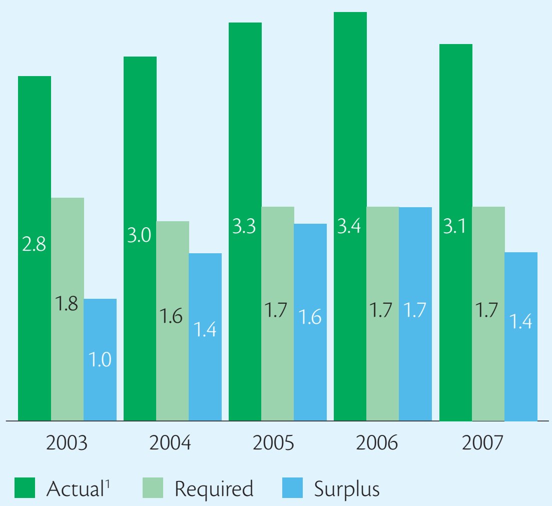


3. Shareholders' equity

Shareholders' equity declined by CHF 193m to CHF 3.2bn. The decrease resulted essentially from the buyback of the remaining participation certificates (CHF 734m), which was partly offset by earnings for the year.

SFBC capital adequacy
With respect to the legal minimum, the Group had surplus capital of CHF 1.4bn at end-2007. This equates to a capital adequacy ratio of 179%, down from 199% at end-2006.

Equity capital according to SFBC definition – CHF billions



[1] including additional shareholders' equity

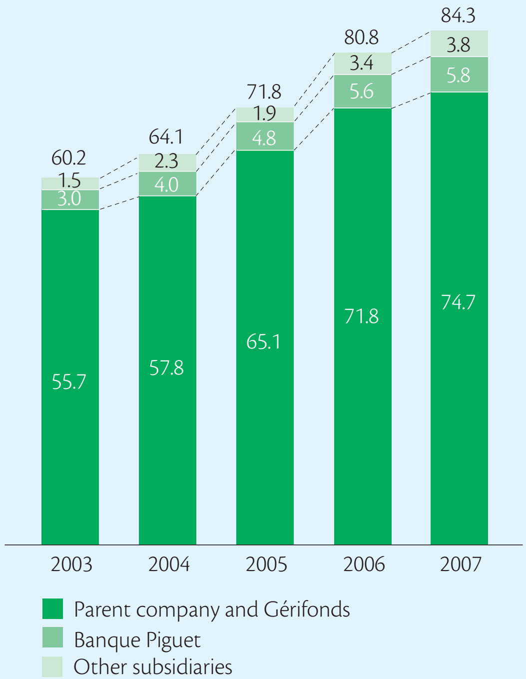
Getting that degree.

Growth in AuM

4. AuM (customer assets)

Assets under management rose CHF 3.6bn (+4%) to CHF 84.3bn thanks to net new money of CHF 2.8bn and the impact of investment performance (stockmarket trends, forex trends, and interest and dividend payments). Most of the Group's net new money came from the parent company.

Assets under management – CHF billions



Stable revenues and cost control

5. Revenues

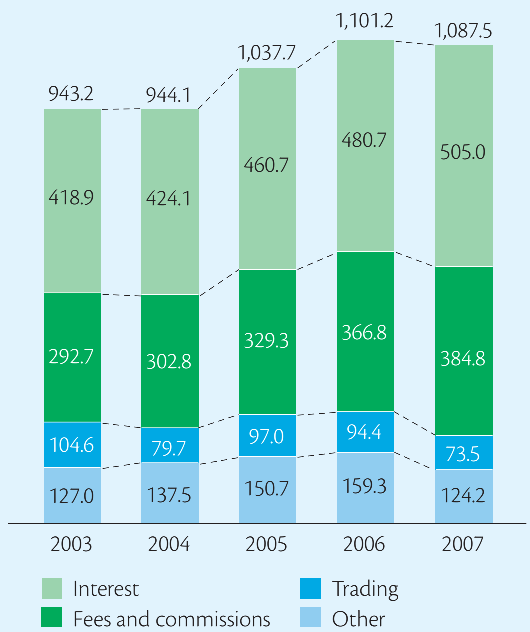
Revenues remained practically unchanged at CHF 1.1bn (–1%) last year.

On a like-for-like basis, i.e., excluding the effect of the Unicible transfer, total income rose 4%. To facilitate like-for-like comparisons, a consolidated income statement without the transfered Unicible activities is shown on page 79.

The various revenue streams contributed as follows:

- net interest income grew 5% to CHF 505.0m thanks to continued improvements in the balance-sheet structure and growth in business volumes;
- fee and commission income climbed CHF 18.0m (+5%) to CHF 384.8m despite financial-market uncertainties;

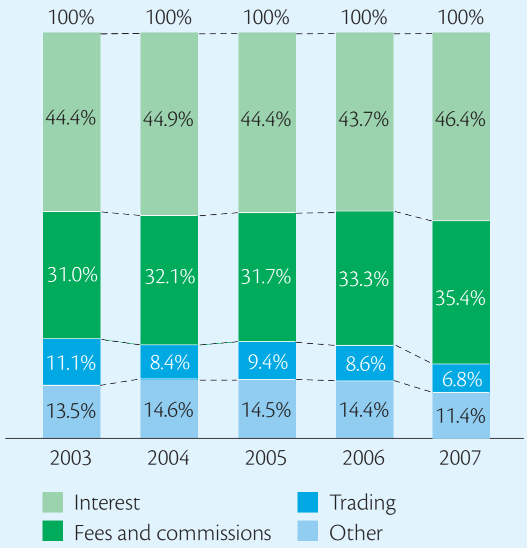
Revenues – CHF millions



- market turbulence in the fourth quarter weighed on income from securities, currency and derivatives trading, which dropped 22% (–CHF 20.9m) to CHF 73.5m;
- other ordinary income fell by CHF 35.1m (–22%) to CHF 124.2m. The CHF 27.9m rise in profit on disposals of financial investments was offset by the CHF 64.5m decline in miscellaneous ordinary income following the sale of Unicible.

Excluding the Unicible transfer, other ordinary income increased by CHF 18.7m (+31%).

Revenues – breakdown



6. Operating expenses

Cost control

Total operating expenses were CHF 558.5m versus CHF 565.1m one year earlier. This drop of CHF 6.6m (–1%) results from the decrease in personnel costs stemming from the transfer of Unicible's activities to IBM (–CHF 30.7m, or –8%), which was partly offset by the increase in other operating expenses (+CHF 24.1m, or +13%) related to the rise in business volumes and the Bank's strategic initiatives (IT and CroisSens).

Excluding the Unicible transfer, total operating expenses rose by CHF 25.3m (+5%). This comprises an increase in both personnel costs (+CHF 1.7m, or +1%) and other expenses (+CHF 23.6m, +13%).

Operating expenses – CHF millions

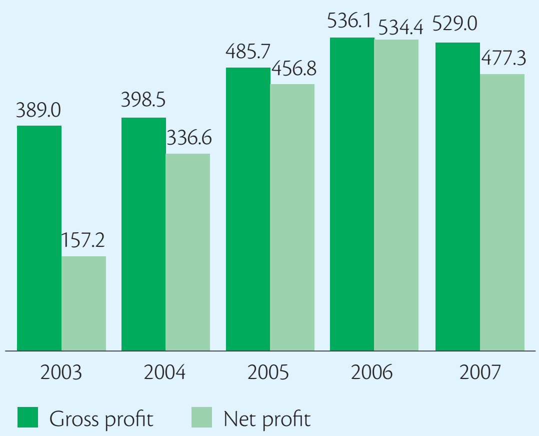
7. Gross profit

Gross profit stable

The Group's gross profit amounted to CHF 529.0m versus CHF 536.1m in 2006. This represents a decrease of CHF 7.1m, or 1% (+3% excluding the Unicible disposal).

The cost/income ratio, which compares the sum of operating expenses, depreciation and write-offs with total income, was unchanged at 59%.

Gross and net profit – CHF millions



8. Net profit

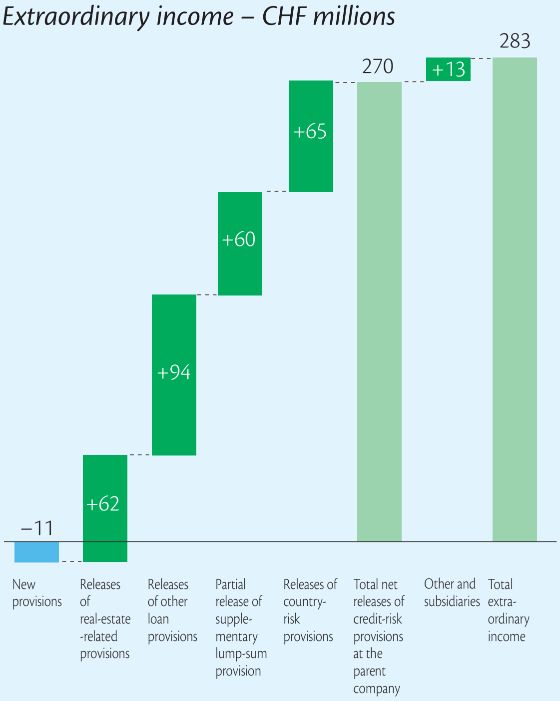
Higher tax burden

Net profit for the 2007 financial year was down CHF 57.1m (–11%) to CHF 477.3m, mainly as a result of a higher tax burden.

The breakdown from operating income to the bottom line is as follows:

- Depreciation and write-offs declined by CHF 5.9m to CHF 85.2m, reflecting the sale of Unicible's fixed assets;
- Value adjustments, provisions and losses were CHF 9.6m at the end of December 2007 versus CHF 7.7m one year earlier. This item does not include credit risk provisions. (According to SFBC/Swiss GAAP accounting rules, when releases from provisions exceed new additions to provisions, net releases must be recorded under extraordinary income.)
- Extraordinary income was CHF 282.8m, mainly reflecting the release of more than CHF 270m in credit risk provisions at the parent company.
- Extraordinary expenses totaled CHF 141.2m, consisting chiefly of a CHF 139.9m allocation to reserves for general banking risks; BCV has made such allocations several times during the last few years.
- The Group's tax burden increased by CHF 75.2m (from CHF 23.3m to CHF 98.5m), as the parent company was again subject to corporate income tax in 2007.

Extraordinary income – CHF millions



Consolidated Financial Statements

1. Consolidated balance sheet (in CHF millions)

	Notes [1]	31 / 12 / 07	31 / 12 / 06	Change absolute	as %
Cash and cash equivalents	11.11	353.1	320.5	32.6	10
Money-market instruments	11.1/11.11	100.1	711.7	– 611.6	– 86
Due from banks	11.11	6 364.2	4 644.2	1 720.0	37
Loans and advances to customers	11.2/11.11	5 691.1	5 574.0	117.1	2
Mortgage loans	11.2/11.11	16 788.2	16 485.1	303.1	2
Trading portfolio assets	11.3/11.11	2 046.0	1 404.6	641.4	46
Financial investments	11.3/11.11	1 589.1	1 586.1	3.0	0
Non-consolidated holdings	11.3/11.4	81.8	83.5	– 1.7	– 2
Tangible fixed assets [2]	11.4	634.8	653.9	– 19.1	– 3
Intangible assets [2]	11.4	11.7	16.6	– 4.9	– 30
Accrued income and prepaid expenses		272.5	249.6	22.9	9
Other assets [3]	11.5	1 404.3	1 300.8	103.5	8
Assets [3]	11.6/11.14/11.15/11.16	**35 336.9**	**33 030.6**	**2 306.3**	**7**
Total subordinated assets		6.7	13.5	– 6.8	– 50
Total claims on non-consolidated holdings and significant shareholders		26.5	41.8	– 15.3	– 37
of which claims on the Canton of Vaud		*15.8*	*29.6*	*– 13.8*	*– 47*
Money-market paper issued	11.11	5.0	3.3	1.7	52
Due to banks	11.11	2 472.3	2 088.0	384.3	18
Customer savings and investment accounts	11.11	8 120.1	8 472.7	– 352.6	– 4
Other customer accounts	11.11	12 432.1	9 963.8	2 468.3	25
Medium-term notes	11.8/11.11	404.7	288.9	115.8	40
Bonds and mortgage-backed bonds	11.9/11.11	6 533.2	6 394.6	138.6	2
Accrued expenses and deferred income		368.5	260.4	108.1	42
Other liabilities [3]	11.5	1 205.4	1 091.7	113.7	10
Value adjustments and provisions	11.2/11.10	570.5	1 048.6	– 478.1	– 46
Liabilities	11.7	**32 111.8**	**29 612.0**	**2 499.8**	**8**
Reserves for general banking risks	11.10	704.0	564.1	139.9	25
Equity capital		537.9	997.4	– 459.5	– 46
Own equity securities		– 7.6	– 7.2	– 0.4	– 6
Capital reserve		352.8	347.9	4.9	1
Retained earnings		1 145.4	968.2	177.2	18
Minority interests - equity		15.3	13.8	1.5	11
Net profit before minority interests		477.3	534.4	– 57.1	– 11
Minority interests		*3.9*	*4.2*	*– 0.3*	*– 7*
Shareholders' equity		**3 225.1**	**3 418.6**	**– 193.5**	**– 6**
Total liabilities and shareholders' equity [3]	11.14/11.16	**35 336.9**	**33 030.6**	**2 306.3**	**7**
Total subordinated liabilities		231.9	381.4	– 149.5	– 39
Total liabilities to non-consolidated holdings and significant shareholders		893.2	240.0	653.2	272
of which liabilities to the Canton of Vaud		*660.6*	*205.7*	*454.9*	*221*

1) The notes are on pages 81 – 95.
2) Following changes to SFBC directives on financial statement presentation standards which took effect on 1 January 2007, the corresponding line items for 2006 were reclassified.
3) Following changes to accounting principles applied in preparing the 2007 financial statements, the corresponding line items for 2006 were adjusted.

2. Consolidated off-balance-sheet transactions (in CHF millions)

	Notes [1]	31 / 12 / 07	31 / 12 / 06	Change absolute	as %
Irrevocable and similar guarantees		936.8	682.9	253.9	37
Other guarantees		388.9	288.1	100.8	35
Contingent liabilities	11.2	**1 325.7**	**971.0**	**354.7**	**37**
Irrevocable commitments	11.2	**421.3**	**365.0**	**56.3**	**15**
of which commitments to make payments into a depositor protection fund		*100.7*	92.2	8.5	9
Commitments relating to calls on shares and other equity securities	11.2	**111.1**	**114.9**	**– 3.8**	**– 3**
Commitments arising from deferred payments		25.9	42.3	– 16.4	– 39
Confirmed credits	11.2	**25.9**	**42.3**	**– 16.4**	**– 39**
Fiduciary investments		2 360.6	1 237.0	1 123.6	91
Fiduciary loans and other fiduciary financial transactions		7.8	7.7	0.1	1
Fiduciary transactions		**2 368.4**	**1 244.7**	**1 123.7**	**90**
Derivative financial instruments					
Positive replacement values	11.5/12.1	4 398.3	4 528.3	– 130.0	– 3
Negative replacement values	11.5/12.1	4 086.6	4 287.2	– 200.6	– 5
Values of underlyings	12.1	148 694.1	150 773.7	– 2 079.6	– 1

1) The notes are on pages 81 – 96.

3. Customer assets (assets under management) (in CHF millions)

	31 / 12 / 07	31 / 12 / 06	Change absolute	as %
Assets held by collective investment vehicles under own management	22 251	22 882	– 631	– 3
Assets under discretionary management agreements	10 926	10 460	466	4
Other assets	51 172	47 433	3 739	8
Total customer assets (incl. double-counted)	**84 349**	**80 775**	**3 574**	**4**
of which double-counted	9 851	9 360	491	5
Net new money (incl. double-counted) [2]	**2 773**	**3 073**	**– 300**	**– 10**

The terms "customer assets" and "net new money" are defined in section 7.33 of the accounting principles sub-chapter.
2) For 2007 and 2006, the buyback of BCV participation certificates was not factored into the net new money calculation.

4. Consolidated income statement (in CHF millions)

	Notes [1]	2007	2006	Change absolute	as %
Interest and discount income		1 024.1	855.5	168.6	20
Interest and dividend income from financial investments		40.3	39.6	0.7	2
Interest expense		– 559.4	– 414.4	145.0	35
Net interest income	13.1/13.2/13.12	**505.0**	**480.7**	**24.3**	**5**
Fees and commissions on lending operations		41.9	35.8	6.1	17
Fees and commissions on securities and investment transactions [2]		356.0	336.7	19.3	6
Fees and commissions on other services		71.2	73.6	– 2.4	– 3
Fee and commission expense [2]		– 84.3	– 79.3	5.0	6
Net fee and commission income	13.3/13.4/13.12	**384.8**	**366.8**	**18.0**	**5**
Net trading income [2]	13.5	**73.5**	**94.4**	**– 20.9**	**– 22**
Profit on disposal of financial investments.		54.4	26.5	27.9	105
Total income from holdings		5.5	4.6	0.9	20
of which holdings accounted for using the equity method		*0*	*0.9*	*– 0.9*	*– 100*
of which other non-consolidated holdings		*5.5*	*3.7*	*1.8*	*49*
Real-estate income		8.6	6.8	1.8	26
Miscellaneous ordinary income		56.9	121.4	– 64.5	– 53
Miscellaneous ordinary expenses		– 1.2	0	1.2	
Other ordinary income		**124.2**	**159.3**	**– 35.1**	**– 22**
Total income from ordinary banking operations		**1 087.5**	**1 101.2**	**– 13.7**	**– 1**
Personnel costs	13.6/13.12	– 347.8	– 378.5	– 30.7	– 8
Other operating expenses	13.7/13.12	– 210.7	– 186.6	24.1	13
Operating expenses		**– 558.5**	**– 565.1**	**– 6.6**	**– 1**
Gross profit		**529.0**	**536.1**	**– 7.1**	**– 1**
Depreciation and write-offs on fixed assets	11.4/13.8	– 85.2	– 91.1	– 5.9	– 6
Value adjustments, provisions and losses	11.10/13.9	– 9.6	– 7.7	1.9	25
Profit on ordinary banking operations before extraordinary items and taxes		**434.2**	**437.3**	**– 3.1**	**– 1**
Extraordinary income	11.10/13.10	282.8	244.2	38.6	16
Extraordinary expenses	13.11	– 141.2	– 123.8	17.4	14
Taxes		– 98.5	– 23.3	75.2	323
Net profit before minority interests		**477.3**	**534.4**	**– 57.1**	**– 11**
Minority interests		– 3.9	– 4.2	– 0.3	– 7
Net profit		**473.4**	**530.2**	**– 56.8**	**– 11**

1) The notes are on pages 81 – 99.
2) Following changes to accounting principles applied in preparing the 2007 financial statements, the corresponding line items for 2006 were reclassified.

5. Consolidated cash flow statement (in CHF millions)

	Notes [1]	2007 Source of funds	2007 Use of funds	2006 Source of funds	2006 Use of funds
Net profit for the year		477.3		534.4	
Depreciation and write-offs on fixed assets	13.8	85.2		91.1	
Value adjustments and provisions	11.10	44.9	305.3	57.1	258.2
Accrued and deferred items		108.1	22.9	40.1	38.8
Profit / loss (incl. affiliates accounted for using the equity method, sale of fixed assets)			0.1	3.6	
Reserves for general banking risks		139.9		122.1	
Dividend for previous year			80.9		69.7
		855.4	**409.2**	**848.4**	**366.7**
Net cash inflow / outflow from operations		**446.2**	**0**	**481.7**	**0**
Equity capital		1.0	460.5	1.5	256.0
Premium or discount on buyback of participation certificates		3.7	273.2	3.1	143.9
Own equity securities		17.9	17.1	14.5	15.7
Change in scope of consolidation, minority interests, effect of exchange-rate differences			1.6		0.8
		22.6	**752.4**	**19.1**	**416.4**
Net cash inflow / outflow from equity transactions		**0**	**729.8**	**0**	**397.3**
Holdings	11.4	5.9	0.1	3.1	0.3
Real estate	11.4	0.3	0.2	12.4	0.2
Other tangible fixed assets	11.4	11.9	28.8	0.2	26.6
Computer programs	11.4	2.5	54.0		52.8
Goodwill	11.4	4.7	1.6		1.4
		25.3	**84.7**	**15.7**	**81.3**
Net cash inflow / outflow from investments		**0**	**59.4**	**0**	**65.6**
Cash flow from banking operations					
Due to banks		250.0		115.0	
Customer accounts		106.4		239.5	
Medium-term notes		187.8	72.0	119.0	93.2
Long-term borrowings	11.9	2 691.2	2 552.6	1 747.4	2 077.8
Savings and investment accounts			352.6		345.5
Other liabilities		113.7		431.2	
Due from banks		126.1			17.7
Loans and advances to customers			162.0		37.6
Mortgage loans			303.1		630.8
Provisions as allocated	11.10		222.2		195.5
Financial investments		1.5		27.0	
Other receivables			103.5		227.1
Medium- and long-term operations (over 1 year)		**3 476.7**	**3 768.0**	**2 679.1**	**3 625.2**
Money-market paper issued		1.7		2.3	
Due to banks		134.3			66.9
Customer accounts		2 361.9		892.4	
Money-market instruments		611.6			175.8
Due from banks			1 846.1	153.7	
Loans and advances to customers		44.9		294.3	
Trading portfolio assets			641.4		134.5
Short-term operations		**3 154.4**	**2 487.5**	**1 342.7**	**377.2**
Cash and cash equivalents			**32.6**		**38.2**
		6 631.1	**6 288.1**	**4 021.8**	**4 040.6**
Net cash flow from banking operations		**343.0**	**0**	**0**	**18.8**
		789.2	**789.2**	**481.7**	**481.7**

[1] The notes are on pages 81 – 99.

6. Movements in shareholders' equity (in CHF millions)

	Equity capital	Own equity securities	Capital reserve	Retained earnings [1]	Effect of exchange-rate differences	Reserves for general banking risks	Equity - Group	Equity - minority interests	Total equity
Status at 1 January 2006	**1 251.9**	**– 5.3**	**344.1**	**1 181.7**	**– 0.4**	**442.0**	**3 214.0**	**15.1**	**3 229.1**
2005 dividend				– 69.4			– 69.4	– 0.3	– 69.7
Capital increase (paying-in of conditional capital)	1.5		3.1				4.6		4.6
Partial buyback of participation certificates [2]	– 256.0			– 143.9			– 399.9		– 399.9
Purchases of own equity securities (at cost)		– 15.7					– 15.7		– 15.7
Sales of own equity securities (at cost)		13.8					13.8		13.8
Profit on disposal of own equity securities and dividends			0.7				0.7		0.7
Effect of exchange-rate differences					0.4		0.4		0.4
Allocation to reserves for general banking risks						122.1	122.1		122.1
Changes in scope and / or minority interests				– 0.2			– 0.2	– 1.0	– 1.2
Net profit for the year				530.2			530.2	4.2	534.4
Status at 31 December 2006	**997.4**	**– 7.2**	**347.9**	**1 498.4**	**0**	**564.1**	**3 400.6**	**18.0**	**3 418.6**
2006 dividend				– 80.0			– 80.0	– 0.9	– 80.9
Capital increase (paying-in of conditional capital)	1.0		3.7				4.7		4.7
Buyback of remaining participation certificates [2]	– 460.5			– 273.2			– 733.7		– 733.7
Purchases of own equity securities (at cost)		– 17.1					– 17.1		– 17.1
Sales of own equity securities (at cost)		16.7					16.7		16.7
Profit on disposal of own equity securities and dividends			1.2				1.2		1.2
Effect of exchange-rate differences					0.4		0.4		0.4
Allocation to reserves for general banking risks						139.9	139.9		139.9
Changes in scope and / or minority interests				– 0.2			– 0.2	– 1.8	– 2.0
Net profit for the year				473.4			473.4	3.9	477.3
Status at 31 December 2007	**537.9**	**– 7.6**	**352.8**	**1 618.4**	**0.4**	**704.0**	**3 205.9**	**19.2**	**3 225.1**

Number of shares and participation certificates (in units)

	Total		Own equity securities	
	Shares	Participation certificates	Shares	Participation certificates
Status at 1 January 2006	**8 565 190**	**11 464 846**	**46 440**	**0**
Increase in share capital	25 000			
Partial buyback of participation certificates [2]		– 4 097 056		
Purchases			34 584	
Sales			– 53 999	
Status at 31 December 2006	**8 590 190**	**7 367 790**	**27 025**	**0**
Increase in share capital	16 000			
Buyback of remaining participation certificates [2]		– 7 367 790		
Purchases			29 130	
Sales			– 37 219	
Status at 31 December 2007	**8 606 190**	**0**	**18 936**	**0**

1) Including net profit for the year.
2) This transaction is described in section 2.3 of the corporate governance chapter.

Percentage of ownership **Main shareholder, with voting rights**	31 / 12 / 07	31 / 12 / 06
Canton of Vaud, direct interest	66.95%	67.08%
Holder of participation certificates		
Canton of Vaud	–	100.00%

BCV completed the repurchase of participation certificates from the Canton of Vaud on 4 July 2007.

7. Accounting principles

7.1 Overview of operations

Banque Cantonale Vaudoise (BCV) is a corporation organized under public law. It operates as a full-service bank with a community focus.

Its corporate mandate is to contribute to the economic development of its home region, the Canton of Vaud. 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 offers 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 of fixed-income and structured products as well as 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 private bank, two fund management companies, an online trading site, and a private equity company. Outside Switzerland, BCV Group has a 50% equity holding in a Spanish subsidiary specializing in wealth management. BCV has agreed to sell this stake to the subsidiary's Spanish shareholders; this divestment, subject to approval by the regulatory authorities, should take place during the first quarter of 2008.

The Group transfered the assets and operations of IT subsidiary Unicible to IBM on 1 June 2007 as the first step toward the creation of the IBM banking IT center in Prilly. The main activities carried out by the center for the Bank include data storage, operating and maintaining databases, operating IT systems and printing and mailing of banking documents. This form of IT systems management meets all requirements of the Swiss Federal Banking Commission relative to outsourcing.

7.2 Headcount

Full-time equivalent	31 / 12 / 07	31 / 12 / 06
Group	2 045	2 390
of which parent company	1 823	1 812

7.3 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 8 November 1934 on Banks and Savings Institutions, its Ordinance of 17 May 1972 and the directives of the Swiss Federal Banking Commission of 14 December 1994, as amended on 21 December 2006.

Changes to accounting principles

In accordance with offsetting possibilities offered by SFBC financial statement presentation standards, the following changes were made in the preparation of the 2007 financial statements:

- Balance sheet – replacement values of derivative instruments: positive and negative replacement values for counterparties that have signed a netting agreement are now offset against each other. This change reduces the items "Other assets" and "Other liabilities" by CHF 3.2bn at 31 December 2007 and CHF 3.5bn at 31 December 2006;

- Income statement: fees and commissions directly attributable to the trading business, and fees and commissions relative to the primary market (new issues) are now booked to "Trading income." In the past, they were booked to "Net fee and commission income." Following this change, involving an amount of CHF 8.4m for 2006, "Net fee and commission income" rose from CHF 358.4m (published) to CHF 366.8m (adjusted), while "Trading income" declined from CHF 102.8m to CHF 94.4m. This reclassification has no impact on gross profit at 31 December 2006, as both items concern ordinary banking activities.

Finally, following changes to SFBC directives on financial statement presentation standards taking effect on 1 January 2007, computer programs are now carried as "Tangible fixed assets" rather than "Intangible assets."

For purposes of comparison, the corresponding line items for 2006 were adjusted or reclassified. As a result, total assets at 31 December 2006 declined from CHF 36.5bn (published) to CHF 33.0bn (adjusted).

7.4 Scope of consolidation

Companies operating in the banking and financial sectors and 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.

7.5 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 transfered. 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.

The acquisition date for all holdings acquired before 1992 is taken to be 1 January 1992.

7.6 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 Group companies' annual accounts, which have been prepared in accordance with standard accounting and valuation principles.

7.7 Close of financial year

The accounts are closed at 31 December.

7.8 Proper registration of business transactions

Results of all transactions concluded on a daily basis are carried in the income statement. Cash transactions entered into but not yet executed are recorded in the balance sheet at the date on which the deal is concluded.

7.9 Foreign-currency translation

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

Assets and liabilities held in foreign currencies at the close of the financial year are translated into Swiss francs at the exchange rates prevailing on that date, provided that they are not valued at their historical cost.

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

Balance-sheet items and off -balance-sheet 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 in CHF	**Units**	**Rates at 31 / 12 / 07**
Euro	1	1.6553
US dollar	1	1.1322
Pound sterling	1	2.2537
Japanese yen	100	1.0134

7.10 Cash and cash equivalents

Cash and cash equivalents comprise ordinary coins and banknotes and assets held with post offices and central banks. They are stated at nominal value.

7.11 Money-market instruments and receivables from banks

Money-market instruments and receivables from banks are carried at their nominal value.

7.12 Customer loans and advances, mortgages

Customer loans and advances are recorded at nominal value, as are mortgages. Necessary value adjustments are entered as liabilities under "Value adjustments and provisions."

Customer loans and advances are analyzed on an individual basis. Any provisions for impaired loans are booked in accordance with the principles set out in section 8.2 of the risk-assessment principles sub-chapter. 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 or recognized by a certificate of insolvency 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."

7.13 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."

7.14 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 long-term investment. Available-for-sale real estate acquired in connection with credit operations is also shown under this heading.

Held-to-maturity 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 “Miscellaneous ordinary expenses” or “Miscellaneous 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 recorded in the balance sheet under “Financial investments” on a substance-over-form (i.e., fair value) basis and carried at their net worth, i.e., after deduction of appropriate value adjustments.

7.15 Holdings

The "Holdings" line item comprises equity securities of non-consolidated companies, including property companies, which are held as a long-term investment irrespective of voting rights. It also includes the Group's infrastructure-related holdings, particularly joint ventures.

7.16 Securities lending and repurchase agreements

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 beneficial owner. Cash amounts received for the sale of these securities or as collateral for these loans are included under “Other customer accounts” or “Due to banks.”

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 income and expense relating to these assets and liabilities is recorded in the income statement using the accrual method. Income and expense related to securities lending and borrowing is booked to "Trading income" for own-account operations and to "Net fee and commission income" for client operations.

7.17 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 facilities;
- 5 years for machinery, furniture and fittings;
- 5 years for computer software and hardware.

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

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.

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

7.18 Intangible assets

Goodwill is entered in the balance sheet and amortized over its estimated useful life (maximum 20 years).

7.19 Accrued and deferred items

These items mainly consist of accrued interest, tax payable and other transitory assets and liabilities.

7.20 Other assets and other liabilities

These items mainly comprise positive and negative replacement values of derivative financial instruments, along with coupons, indirect taxes and settlement account balances.

7.21 Customer savings and investment accounts

All forms of customer deposits protected by bankruptcy law or subject to withdrawal restrictions are included in this item.

7.22 Other customer accounts

This item encompasses all amounts due to customers except those included in the previous item.

7.23 Pension-fund liabilities

Pension-fund liabilities are accounted for in accordance with Swiss GAAP RPC 16.

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

An economic benefit or liability arises to the extent that there is a potential positive effect on future cash flows as a result of pension fund surpluses, or a potential negative effect on future cash flows by reason of pension fund deficits for which the Group decides or is obliged to participate in the financing. Moreover, in the case of a surplus, an economic benefit arises where it is lawful and intended to use this surplus to reduce the employer's contributions, to refund the contributions to the employer by virtue of local legislation, or to use them for any economic purpose of the employer other than regulatory benefits.

When preparing the year-end accounts, the Group determines, for each pension fund, whether there are any assets (benefits) or liabilities (obligations) other than the contribution benefits and related adjustments. This assessment is based on the financial situation of the pension funds shown in their interim accounts at 30 September.

Liabilities are carried on the balance sheet under "Value adjustments and provisions", while benefits are recognized under "Other assets." Changes from the corresponding value in the previous financial year are recognized for each pension fund under "Personnel costs"; the same applies to adjusted contributions for the period.

7.24 Own-debt securities

Positions in BCV's own-debt securities (medium-term notes and bonds) are offset by corresponding positions on the liabilities side.

7.25 Value adjustments and provisions

In keeping with prudential accounting, value adjustments and provisions are established for all actual and potential risks of loss. See section 8.2.7 of the risk-assessment principles sub-chapter below.

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

In addition to counterparty-specific provisions, the Bank has created a supplementary lump-sum provision to cover the risks associated with its portfolio of impaired loans, which is considered to be structurally too large. This supplementary provision is intended in particular to cover the latent risks inherent in the geographical and sector concentration of the portfolio. The amount of this provision varies according to the ratio of impaired loans to total loans.

7.26 Taxation

Tax is calculated based on the results of Group companies and in accordance with the matching principle.

In keeping with prudential accounting, the tax credit resulting from losses incurred in the 2001 and 2002 reporting periods has not been capitalized. At the end of 2007, the full CHF 2.1bn in losses that could be carried forward and offset against the profits of subsequent years was fully used up for Vaud cantonal and municipal tax as well as for Swiss federal tax. The reduction in tax for the 2007 financial year may be estimated at CHF 68m. Beginning in 2008, the parent company will again be fully subject to corporate income tax.

7.27 Reserves for general banking risks

To cover risks inherent in the banking business which are not addressed in specific provisions, the Group sets aside "Reserves for general banking risks." These reserves represent equity capital and are subject to tax.

7.28 Equity capital

This item consists of share capital and, until 4 July 2007, participation-certificate capital.

7.29 Capital reserve

The capital reserve comprises share premiums realized through the issue of equity securities and the exercise of conversion rights and options, along with gains or losses realized when buying back own equity securities.

7.30 Own-equity securities

Own-equity securities held by BCV Group (registered shares) 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.

7.31 Retained earnings

Retained earnings consist of equity accumulated by the Group. This item includes differences resulting from the elimination of holdings on first consolidation, appropriated retained earnings, the effect of exchange-rate differences resulting from the translation of accounts of Group companies denominated in foreign currencies, and the effect of changes in the scope of consolidation.

7.32 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 and micro hedging operations, and net gains or losses after interest are entered under “Interest and discount income.” Changes in the fair value of hedging instruments are recognized in the “Offset account” under “Other assets” or “Other liabilities.”

In all cases where derivative instruments are used for hedging, records are kept of the operations, the objectives and strategies of the Bank’s balance-sheet market-risk management department, and the system adopted to monitor the effectiveness of the hedge.

7.33 Customer assets (assets under management)

All customer assets held or managed for investment purposes are included under “Customer assets.” As defined in SFBC/Swiss GAAP financial statement presentation standards, this item mainly includes amounts due to customers in the form of savings and investments, along with term accounts, fiduciary investments and all duly valued assets in custody accounts. Assets held for investment purposes by institutional investors, companies and private clients, along with investment fund assets, are included unless the service provided by BCV is purely safekeeping. This second category of assets, which is not included, comprises those assets which are held exclusively for administration purposes, i.e., for which the Group simply provides safe-keeping and corporate-action services. All other deposits for which additional services are provided (such as investment management and advice, investment fund administration and securities lending) are included in customer assets.

Net new money

Net new money is the sum of inflows from new customers, outflows from departing customers, and movements in the assets of existing customers during the financial year. Changes in assets under management resulting from investment performance – particularly changes in prices, currency effects and interest and dividend payments – are not part of the net new money calculation. Changes in customer assets resulting from the acquisition, disposal or closure of companies or complete business lines are not part of the net new money calculation.

7.34 Events taking place after closing date

To the Group’s knowledge, there was no event liable to have a material influence on the annual financial statements as of 7 March 2008, when the writing of this annual report was completed.

8. Risk-assessment principles

8.1 Introduction

The objectives of risk management are presented in the risk management chapter, which also outlines BCV's approach and new developments in this area. This note explains in more detail the principles that the Bank applies in assessing risk.

8.2 Credit risk

8.2.1 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. All forms of credit commitments to bank and non-bank counterparties, whether on or off the balance sheet, represent a credit risk for the Bank.

The Bank distinguishes four types of exposure to credit risk:

- financial exposures, which are characterized by an outflow of funds;
- off-balance-sheet commercial exposures, stemming from guarantees given by the Bank or obtained in respect of counterparties;
- exposures arising from derivatives, which occur when the replacement value of a derivative contract is positive;
- settlement exposures, which result from a time lag between when funds or securities are sent and when securities or funds are received in exchange.

Every position that entails credit risk is clearly assigned to one of these exposure categories. The breakdown of the Bank's exposure to credit risk by exposure category is established in accordance with well-defined methods. Overall or specific limits are set for exposures of the financial, off-balance-sheet commercial and OTC derivatives type. Limits are likewise set for settlement exposures to bank counterparties. When positions are unwound through a system of simultaneous settlement such as CLS (Continuous Linked Settlement), settlement risk is not considered.

For trade finance activities, credit risk depends closely on country risk in emerging markets. In order to monitor this type of risk, the Bank analyzes and limits both its financial exposure (fund transfer risk) and non-financial exposure (risk that a physical transaction will not be unwound) to emerging markets.

8.2.2 Categories of default risk

The Bank considers a counterparty to be "in default" whenever any of its debts to the Bank become "non-performing" (see definition of non-performing loans in 8.2.5, below). Each counterparty is assigned to a default-risk category on the basis of a pre-defined model. Each default-risk category is defined by an interval of probabilities of default. Seven main risk categories and 17 sub-categories are used to classify counterparties according to their risk of default.

8.2.3 Loss given default and expected loss

Loss given default is the amount that the Bank stands to lose on a loan at the time that the counterparty defaults. Loss given default is determined for each form of credit extended by taking into account the credit limit and the coverage ratio, which is the value of the risk mitigants expressed as a percentage of the limit. For this purpose, collateral is taken at market value (see below).

For non-impaired loans (see below), the Bank estimates the amount that it expects to lose in an "average" year. This amount, called the expected loss, is determined by the probability of default (reflected in the risk category) and the loss given default.

8.2.4 Market value of collateral

The Bank measures collateral at the value it would fetch in a sale at current market conditions. Various valuation methods are used, depending on the characteristics of the collateral and the sources of information about it. Each item of collateral is clearly assigned to a valuation method. The valuation methods have two components, one consisting of a model (a strictly defined algebraic formula linking market value to observable variables) and the other consisting of an analyst's assessment.

More specifically, the market value for a real estate asset is the estimated selling price of the property in its present condition, taking into account the type of property, the location (surroundings and neighborhood), the region, the current situation regarding related income and expenses, the age of the building and any renovations made to it, and market demand for this type of property (independently of the seller).

8.2.5 Impaired loans

Impaired loans are the sum of "non-performing" loans and loans to counterparties "reputed to be in financial difficulty."

A counterparty is "in default" and all its debts to the Bank are considered "non-performing" whenever at least one of the following criteria is met:

- on any of the forms of credit extended by the Bank to the counterparty, the Bank has not received the entire amount of one or more of the following payments within 90 days after the due date: interest, fees, partial or full repayment of principal, repayment of overdraft;
- the counterparty is in bankruptcy proceedings (Article 171 of the LP, the Swiss federal law on debt and bankruptcy proceedings), under a debt restructuring moratorium (Article 293 LP) or in out-of-court debt settlement negotiations (Article 333 LP);
- on any of the forms of credit extended to the counterparty, credit terms markedly more favorable than current market terms have been granted or kept in force by the Bank solely on the basis of the counterparty's solvency problems;
- the Bank expects that a significant portion of the amount owed to it will not be recovered because the counterparty's indebtedness is deemed definitively and permanently beyond 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 and the counterparty defaults on this instrument.

A counterparty is classified as "reputed to be in financial difficulty" when at least one of the following four criteria is met and a new analysis of the risk of default by that party has not refuted the indication of elevated 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 contract has occurred and has not been remedied;
- the Bank believes that a portion of its debt claim is unlikely to be recovered because of the borrower's over-indebtedness;
- a financial instrument comparable to one of the counterparty's debts to the Bank is traded on a liquid secondary market with a yield that is more than 200 basis points higher than an interest swap rate (IRS) over the same period.

8.2.6 Overdue-interest loans

A non-performing loan is also considered to be an "overdue interest" loan when at least one of the following three criteria is met:

- advances and mortgage loans: interest and fees are more than 90 days overdue;
- current account credits: the agreed credit limit has been exceeded owing to insufficient payments in respect of interest and fees for more than 90 days;
- the credit has been called in by the Bank.

8.2.7 Provisions for credit risk

The purpose of provisions for credit risk is to recognize any increase in the expected loss on impaired loans at the balance-sheet date. 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 determined individually for each counterparty. The analysis specifically takes into account total credit exposures to the counterparty on and off the balance sheet, the liquidation value of the collateral, market conditions, the quality of the counterparty's management, and the counterparty's ability and willingness to honor its commitments.

Liquidation value is the estimated net realizable value of the asset. It is calculated on the basis of the current market value of the asset, taking into account sell-by objectives, current market conditions and selling costs (including any costs of holding the asset until sale and transaction-related costs).

Provisions for country risk are intended to cover potential losses from financial or non-financial exposures in emerging countries. The principles for determining provisions for country risk were reviewed in 2007. The new method makes it possible to better take into account both the financial and non-financial risks related to the unwinding of transactions.

In addition to counterparty-specific provisions, the Bank has created a lump-sum supplementary general provision to cover latent risks – especially risks of geographical and sector concentration – inherent in its portfolio of impaired loans, which is still considered to be slightly too large relative to the Bank's total loan assets. The amount of this provision varies according to the ratio of impaired loans to total loans.

8.2.8 Capital adequacy requirement for credit risks

Capital adequacy requirements are determined in accordance with Article 12 of Switzerland's Implementing Ordinance on Banks and Savings Institutions, in line with the "Basel I" approach.

While the Bank will continue to apply Basel I in 2008, it intends to determine its regulatory (Basel II Pillar 1) capital ratio using the Internal Ratings-Based Foundation approach (IRB-F) beginning in 2009.

8.3 Market risk on the trading book

Market risk arises from the possibility of losses on the Bank's trading book as a result of changes in market parameters, in particular the price and price volatility of the underlying security. Trading positions are positions in equities, fixed-income instruments, or FX (including precious metals). Positions in underlying instruments are classified as "simple" positions, whereas positions in futures contracts, swaps or options are classified as "derivative" positions.

Each trading position is valued at the price quoted on a reference market or on the basis of price information from a specified valuation model.

The Bank controls its market risk on the trading book by setting limits in terms of Value-at-risk (VaR), stress loss, and sensitivity measures (Greeks).

VaR is measured at the portfolio and sub-portfolio levels. It is calculated on the basis of complete re-valuations of positions by subjecting them to past changes in the various market parameters. For the Trading Division, VaR is calculated with a confidence interval of 99%. The liquidation horizon is one day. For the nostro portfolio managed by the Wealth Management Divison, the confidence interval is 97.5% and the liquidation horizon is six months.

Stress loss analysis is performed for pre-defined scenarios. These are based on shocks observed in the past as well as hypothetical variations in risk factors. Scenarios are defined for all trading positions taken together as well as for the various sub-portfolios. The purpose of applying these scenarios is to understand potential losses beyond those identified by VaR analysis.

Sensitivity measures (Greeks) are used to monitor local exposure to the risk relative to positions held by the Trading Division, i.e, marginal variations in risk factors. For trading book portfolios, the main sensitivity measures used are delta, gamma, vega, theta, and rho.

The Bank determines its capital requirement for market risk using the SFBC standard model.

8.4 Market risk on the banking book

The Bank assesses market risk on positions in the banking book by measuring interest-rate risk and liquidity risk.

8.4.1 Interest-rate risk on the banking book

Interest-rate risk arises from mismatches between the size and terms (dates on which interest rates are fixed) of asset and liability positions. For variable-rate positions (adjustable-rate mortgages, traditional savings deposits with no fixed term), replication portfolios are used to reproduce as faithfully as possible the pace and magnitude of changes in customer interest rates as a function of the market rate. The interest-rate risk on the banking book is attributable to movements in the yield curve and changes in customer behavior. These variations directly affect the Bank's interest income or the value of its equity capital.

The Bank monitors two measures of loss from interest-rate risk on the balance sheet:

- loss of interest margin, which is both an economic loss and an accounting loss; and
- loss of value of equity capital, which by definition is not reflected in the accounts.

The Bank uses different measures of interest-rate risk:

- to monitor the interest margin, the Bank watches "risk gaps" by residual maturity and analyzes potential losses under a probable scenario as well as under stress scenarios;
- to monitor the present value of equity capital, the Bank uses the duration of equity and VaR with a confidence interval of 99% and a 3-month horizon.

The analyses of loss of interest margin under stress and of duration of equity capital are based on dynamic balance-sheet analyses using pre-defined scenarios for interest rates on assets and liabilities and changes in the balance-sheet structure.

8.4.2 Liquidity risk

Liquidity risk arises from the Bank's obligation to have the resources on hand to deal with the potential outflow of funds that could occur at any time in view of the liabilities that it holds. This risk is determined by the pace of withdrawals, the concentration of liabilities, the Bank's ability to raise funds, and prevailing terms and conditions in the interbank and capital markets.

The Bank monitors its exposure to liquidity risk in the medium/long term as well as in the short term. A tightening of liquidity may necessitate refinancing transactions or asset sales that would involve an opportunity cost.

The Bank measures liquidity risk on the basis of the SFBC coverage ratio for overall liquidity.

8.5 Operational risks

Operational risk arises from inadequacies or failures relating to processes, people and information systems within or external to the Bank. It is a risk inherent in banking activities and results from:

- inappropriate or malicious behavior on the part of employees, suppliers, bank counterparties, customers or other parties external to the Bank;
- inappropriate characteristics of information systems (applications, interfaces, hardware) or communication systems (telephone, fax);
- inappropriate infrastructure;
- a conceptual framework (methods, processes, organization chart) or organizational framework (rules, policies, directives, manuals) that is inadequate for the activities conducted by the Bank.

The Bank monitors its exposure to operational risk events using a classification with seven categories:

- internal fraud;
- external fraud;
- incidents related to human resources, including workplace safety;
- incidents linked with customer relations and commercial practices;
- losses of operating resources;
- failure of information systems;
- incidents related to transaction and process management.

An operational risk event that has occurred is booked directly as an outright loss. Provisions are issued for the excess costs expected but not yet incurred. When the Basel II Accord comes into force, the Bank will determine its regulatory capital requirement for operational risk according to the standard approach.

9. Scope of consolidation

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

9.1 Fully consolidated Group companies

Status at		31 / 12 / 07 Capital in millions of units	31 / 12 / 07 Holding as %	31 / 12 / 06 Holding as %
Banking interests held by: Banque Cantonale Vaudoise				
Banque Piguet & Cie SA, Yverdon-les-Bains (Switzerland)	CHF	20.0	85.00	83.00
Finance and service companies held by: Banque Cantonale Vaudoise				
Asesores y Gestores Financieros SA, Madrid (Spain)	EUR	0.1	50.00	50.00
Gérifonds SA, Lausanne (Switzerland)	CHF	2.9	100.00	100.00
Initiative Capital SA, Lausanne (Switzerland)	CHF	1.7	100.00	100.00
Société pour la gestion de placements collectifs GEP SA, Lausanne (Switzerland)	CHF	1.5	100.00	100.00
Unicible, Prilly (Switzerland)	CHF	20.0	100.00	100.00
Banque Cantonale Vaudoise and Gérifonds SA				
Gérifonds (Luxembourg) SA Holding (Luxembourg)	EUR	0.1	100.00	100.00

Main change in 2007

The scope of consolidation was reduced by one company relative to end-2006 following the sale of Sogirom, a subsidiary active in property management and brokerage, at the end of January 2007.

Consolidated income statement excluding the effect of the Unicible transfer - unaudited (in CHF millions)

The sale of Unicible's activities at the end of May 2007 had little effect on net profit for the year. It did, however, have an impact on various income-statement line items. For information purposes, the consolidated income statement on a like-for-like basis is as follows:

	2007	2006	Change absolute	Change as %
Net interest income	505.0	480.7	24.3	5
Net fee and commission income	384.8	366.8	18.0	5
Net trading income	73.5	94.4	– 20.9	– 22
Other ordinary income	79.2	60.5	18.7	31
Total income from ordinary banking operations	**1 042.5**	**1 002.4**	**40.1**	**4**
Personnel costs	– 319.1	– 317.4	1.7	1
Other operating expenses	– 204.7	– 181.1	23.6	13
Operating expenses	**– 523.8**	**– 498.5**	**25.3**	**5**
Gross profit	**518.7**	**503.9**	**14.8**	**3**
Depreciation and write-offs on fixed assets	– 81.3	– 81.5	– 0.2	– 0
Value adjustments, provisions and losses	– 9.4	– 7.6	1.8	24
Profit on ordinary banking operations before extraordinary items and taxes	**428.0**	**414.8**	**13.2**	**3**
Extraordinary income	282.7	244.1	38.6	16
Extraordinary expenses	– 140.0	– 123.9	16.1	13
Taxes	– 96.0	– 17.4	78.6	452
Net profit (excluding transfered Unicible operations)	**474.7**	**517.6**	**– 42.9**	**– 8**
Net profit of transfered Unicible operations	2.6	16.8	– 14.2	– 85
Net profit before minority interests	**477.3**	**534.4**	**– 57.1**	**– 11**

10. Other holdings

10.1 Companies accounted for using the equity method

Banque Piguet sold its 25% holding in each of the two PRS companies at the end of March 2007. Consequently, there were no companies accounted for using the equity method at 31 December 2007.

10.2 Other non-consolidated holdings

Status at		31 / 12 / 07		31 / 12 / 06
		Capital	Holding	Holding
		in millions of units	as %	as %
Finance and service companies jointly owned by the cantonal banks				
Aduno Holding SA, Opfikon (formerly Viseca Card Services SA)	CHF	20.0	4.29	4.29
Caleas SA, Zurich	CHF	6.0	4.72	4.72
Central mortgage-bond institution of Swiss cantonal banks, Zurich [1]	CHF	825.0	13.64	13.64
Finarbit SA, Küsnacht	CHF	1.5	8.33	8.47
Swisscanto Holding SA, Bern	CHF	24.2	7.39	7.39

1) of which CHF 660.0 million unpaid

Finance and service companies jointly owned by the Swiss banks				
SIS Swiss Financial Services Group AG, Zurich	CHF	26.0	3.41	3.41
Telekurs-Holding SA, Zurich	CHF	45.0	2.33	2.33
Other holdings				
Argant SA, Lausanne	CHF	2.0	100.00	100.00
BCV Italia SRL in liquidazione, Milan, Italy	EUR	0.01	100.00	100.00
Coopérative vaudoise de cautionnement hypothécaire CVCH, Lausanne	CHF	1.1	75.85	75.85
Dynagest SA, Geneva	CHF	1.0	15.00	15.00
Office Vaudois de Cautionnement Agricole, Lausanne	CHF	1.3	11.90	11.90
Saparges SA de participations et de gestion, Lausanne	CHF	0.5	100.00	100.00
Société vaudoise pour la création de logements à loyers modérés (SVLM), Lausanne	CHF	2.0	45.00	45.00
VDCapital Private Equity Partners LTD, St Helier, Jersey	CHF	0.1	25.00	25.00

10.3 Main equity securities positions held under “financial investments”

Companies listed on SWX Swiss Exchange				
Groupe Baumgartner Holding SA, Crissier	CHF	13.0	17.28	17.28
Bondpartners SA, Lausanne	CHF	5.5	6.50	6.55

11. Notes to the consolidated balance sheet

11.1 Money-market instruments (in CHF millions)

	31 / 12 / 07	31 / 12 / 06
Book claims	64.2	664.2
Bills of exchange and cheques	35.9	47.5
Money-market instruments	**100.1**	**711.7**

11.2 Breakdown of risk mitigants (collateral and third-party guarantees) for loans and off-balance-sheet transactions (in CHF millions)

		Secured by mortgage	Other risk mitigants	Unsecured	Total
Loans and advances to customers		617.1	1 694.5	3 379.5	5 691.1
Mortgages		16 788.2			16 788.2
Residential real estate		*13 228.1*			*13 228.1*
Office and business premises		*2 431.0*			*2 431.0*
Commercial and industrial property		*1 117.6*			*1 117.6*
Other		*11.5*			*11.5*
Loans	31 / 12 / 07	**17 405.3**	**1 694.5**	**3 379.5**	**22 479.3**
	31 / 12 / 06	**17 029.3**	**1 800.1**	**3 229.7**	**22 059.1**
Contingent liabilities		8.4	447.1	870.2	1 325.7
Irrevocable commitments		2.4	0.6	418.3	421.3
Commitments relating to calls on shares and other equity securities				111.1	111.1
Confirmed credits			25.9		25.9
Off-balance-sheet transactions	31 / 12 / 07	**10.8**	**473.6**	**1 399.6**	**1 884.0**
	31 / 12 / 06	**13.8**	**327.5**	**1 151.9**	**1 493.2**

		Gross receivables	Realization value of risk mitigants	Net receivables	Individual value adjustments
Impaired loans	31 / 12 / 07	**838.6**	**– 301.9**	**536.7**	**511.2**
	31 / 12 / 06	**1 314.6**	**– 435.7**	**878.9**	**847.1**
Change (absolute)		– 476.0	– 133.8	– 342.2	– 335.9
Change (as %)		– 36	– 31	– 39	– 40
Non-performing loans	31 / 12 / 07	**735.1**	**– 232.5**	**502.6**	**496.1**
	31 / 12 / 06	**1 161.1**	**– 340.8**	**820.3**	**816.6**
Change (absolute)		– 426.0	– 108.3	– 317.7	– 320.5
Change (as %)		– 37	– 32	– 39	– 39

Impaired and non-performing loans are defined in section 8.2.5 of the risk-assessment principles sub-chapter.

11.3 Trading portfolio assets (in CHF millions)
Financial investments and holdings

	31 / 12 / 07	31 / 12 / 06
Debt securities	149.0	231.2
of which listed on a recognized stock exchange	*149.0*	231.2
of which unlisted	*0*	0
Equity securities	1 889.7	1 134.7
Precious metals	7.3	38.7
Trading portfolio assets	**2 046.0**	**1 404.6**
including securities eligible for repurchase agreements in accordance with liquidity regulations	*100.7*	95.2

	31 / 12 / 07		31 / 12 / 06	
	Book value	Fair value	Book value	Fair value
Debt securities	1 411.6	1 399.8	1 357.7	1 356.9
of which securities intended to be held until maturity	*1 384.2*	*1 372.4*	*1 339.3*	*1 338.1*
of which securities carried at lower of cost or market	*27.4*	*27.4*	*18.4*	*18.8*
Equity securities	78.4	219.8	90.3	187.5
of which significant holdings (minimum of 10% of capital or voting rights)	*27.2*	*33.5*	*26.7*	*31.3*
Available-for-sale real estate	89.4	89.4	121.1	121.1
Related-party loans for real-estate companies	9.7	9.7	17.0	17.0
Financial investments	**1 589.1**	**1 718.7**	**1 586.1**	**1 682.5**
including securities eligible for repurchase agreements in accordance with liquidity regulations	*1 142.0*	-	*1 060.4*	-

	31 / 12 / 07	31 / 12 / 06
Holdings without market value	81.8	83.5
Holdings	**81.8**	**83.5**

11.4 Fixed assets (in CHF millions)

	Cost	Accumulated depreciation and write-offs	Book value at year-end **2006**	Changes in allocation or scope	Additions	Disposals	Depreciation and write-offs	Book value at year-end **2007**
Holdings accounted for using the equity method	0.8		0.8			– 0.8		0
Other holdings	198.0	– 115.3	82.7		0.1	– 1.0		81.8
Holdings	**198.8**	**– 115.3**	**83.5**	**0**	**0.1**	**– 1.8**	**0**	**81.8**
Group premises	454.9	– 90.1	364.8	– 71.3	0.1	– 0.3	– 7.3	286.0
Other real estate	222.3	– 68.8	153.5	71.3	0.1		– 5.5	219.4
Other tangible fixed assets	334.2	– 276.3	57.9	– 0.2	28.8	– 13.1	– 21.2	52.2
Computer programs	182.8	– 105.1	77.7	– 0.3	54.0	– 4.8	– 49.4	77.2
Tangible fixed assets	**1 194.2**	**– 540.3**	**653.9**	**– 0.5**	**83.0**	**– 18.2**	**– 83.4**	**634.8**
Goodwill	46.1	– 29.5	16.6		1.6	– 4.7	– 1.8	11.7
Intangible assets	**46.1**	**– 29.5**	**16.6**	**0**	**1.6**	**– 4.7**	**– 1.8**	**11.7**
Fire-insurance value of real estate			704.8					730.8
Fire-insurance value of other tangible fixed assets			250.8					147.4

11.5 Other assets and other liabilities (in CHF millions)

	31 / 12 / 07 Other assets	31 / 12 / 07 Other liabilities	31 / 12 / 06 Other assets	31 / 12 / 06 Other liabilities
Replacement values of derivative financial instruments (positive / negative) [1]	1 237.5	925.8	1 022.4	781.2
Offset accounts	0	60.5	0	108.1
Indirect taxes	9.4	70.3	40.6	57.9
Coupons / coupons and securities due	22.4	2.1	127.6	4.3
Settlement accounts	83.2	122.0	46.8	90.5
Miscellaneous assets and liabilities	51.8	24.7	63.4	49.7
Other assets and other liabilities	**1 404.3**	**1 205.4**	**1 300.8**	**1 091.7**

1) Following changes to accounting principles applied in preparing the 2007 financial statements, the corresponding line items for 2006 were adjusted.

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

	31 / 12 / 07 Amount or book value of pledge	31 / 12 / 07 Real liabilities	31 / 12 / 06 Amount or book value of pledge	31 / 12 / 06 Real liabilities
Assets pledged or assigned to Swiss National Bank	187.1	0	136.0	0
Mortgages pledged or assigned to central mortgage-bond institution of Swiss cantonal banks	4 879.8	3 916.0	4 373.3	3 495.0
Other	558.2	482.7	539.0	461.4
Assets pledged or assigned	**5 625.1**	**4 398.7**	**5 048.3**	**3 956.4**

11.6.2 Securities-lending and repurchase agreements (in CHF millions)

	31 / 12 / 07	31 / 12 / 06
Book value of claims arising from cash collateral pledged in connection with securities borrowing or reverse repurchase agreements	1 869.0	900.0
Book value of liabilities arising from cash collateral received in connection with securities lending or repurchase agreements	12.0	0
Book value of securities held for own account, lent or transfered as collateral in connection with securities borrowing or repurchase agreements	1 211.5	157.5
of which those that can be sold or repledged without restriction	923.7	0
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	3 704.6	2 360.4
of which fair value of above securities sold or transfered as collateral to a third party	*1 660.1*	*1 323.5*

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11.7 Own occupational pension funds (in CHF millions)

	31 / 12 / 07	31 / 12 / 06
11.7.1 Balance sheet liabilities	75.5	113.8

11.7.2 Pension plans

Economic benefit / liability and pension expenses	Surplus / deficit	Economic benefit / liability			Contributions adjusted for the period	Pension expenses included in "Personnel Costs"	
	31 / 12 / 07	**31 / 12 / 07**	**31 / 12 / 06**	**Variation**	**2007**	**2007**	**2006**
Employer-financed pension funds: "Fonds de prévoyance en faveur du personnel de la BCV"	42.1	0	0	0	0	0	7.2
Pension funds with no surplus or deficit: "Caisse de pensions de la BCV"	0	0	0	0	30.7	30.7	33.6
Pension funds with surpluses: "Fonds de prévoyance complémentaire en faveur de l'encadrement supérieur de la BCV"	0.2	0	0	0	2.0	2.0	1.9
Total	**42.3**	**0**	**0**	**0**	**32.7**	**32.7**	**42.7**

The surplus or deficit of a pension fund is based on its unaudited interim accounts at 30 September 2007.

Since it is not intended to apply the surpluses to reduce the employer's contributions, to refund the contributions to the employer, or to use them for any economic purpose of the employer other than regulatory benefits, there is no identifiable economic benefit to be capitalized on the balance sheet.

There is no economic liability to report in the pension fund accounts.

Pension funds

BCV Group employees, with the exception of staff at Asesores y Gestores Financieros SA, 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," 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.

Following the transfer of Unicible's activities to IBM (Switzerland), Unicible retirees who retired before 1 June 2007 and those employees transfered to BCV were integrated into the CP BCV with a financially neutral impact.

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

11.8 Medium-term notes by rate and maturity (in CHF millions)

	2008	2009	2010	2011	2012	2013 – 2015	31 / 12 / 07	31 / 12 / 06
Up to 1.875%	43.2	16.7	10.2	2.1	0.1		72.3	119.5
2 – 2.875%	58.2	130.7	37.7	18.3	12.2	9.0	266.1	115.2
3 – 3.875%	4.1	28.6	13.1	2.8	2.7	5.1	56.4	38.6
4 – 4.625%	7.8	2.1					9.9	15.6
Total	**113.3**	**178.1**	**61.0**	**23.2**	**15.0**	**14.1**	**404.7**	**288.9**

11.9 Long-term borrowings (in CHF millions)

		Year of issue	Nominal value	Maturity	Group-held	31 / 12 / 07 Amount outstanding	31 / 12 / 06
4.250%	subordinated	1997	100.0	15 / 10 / 08	0.9	99.1	
3.625%		1998	125.0	07 / 07 / 08	2.9	122.1	
4.000%		1998	175.0	05 / 02 / 10	0.1	174.9	
4.500%		2000	250.0	25 / 09 / 08	6.1	243.9	
4.250%		2000	140.0	10 / 02 / 10	26.6	113.4	
5.000%		2000	200.0	05 / 05 / 10	27.5	172.5	
4.500%	subordinated	2001	135.0	22 / 03 / 11	2.2	132.8	
4.000%		2001	150.0	26 / 09 / 11	12.9	137.1	
2.950%		2007	50.0	16 / 05 / 11		50.0	
Bond issues [1]			**1 325.0**		**79.2**	**1 245.8**	**1 348.6**
Central mortgage-bond institution of Swiss cantonal banks						3 916.0	3 495.0
Private placements						160.0	560.0
Structured products						1 211.4	991.0
Long-term borrowings						**6 533.2**	**6 394.6**
of which subordinated bonds			*235.0*		*3.1*	*231.9*	*381.4*

[1] None of these issues can be called in for redemption before the maturity date.

Long-term borrowings by maturity	**2008**	**2009**	**2010**	**2011**	**2012**	**2013 – 2026**	**31 / 12 / 07 Total**	**Average rate**
Bond issues	465.1		460.8	319.9			1 245.8	4.3%
Central mortgage-bond institution of Swiss cantonal banks	397.0	648.0	431.0	300.0	272.0	1 868.0	3 916.0	3.3%
Private placements	160.0						160.0	3.2%
Structured products	856.3	152.9	201.3		0.9		1 211.4	2.9%
Total	**1 878.4**	**800.9**	**1 093.1**	**619.9**	**272.9**	**1 868.0**	**6 533.2**	**3.4%**

	Status at year-end **2006**	New issues	Redemptions	Net change in own securities	Status at year-end **2007**
Bond issues	1 348.6	50.0	– 150.0	– 2.8	1 245.8
Central mortgage-bond institution of Swiss cantonal banks	3 495.0	1 162.0	– 741.0		3 916.0
Private placements	560.0		– 400.0		160.0
Structured products	991.0	1 479.2	– 1 143.6	– 115.2	1 211.4
Total	**6 394.6**	**2 691.2**	**– 2 434.6**	**– 118.0**	**6 533.2**

11.10 Value adjustments and provisions
Reserves for general banking risks (in CHF millions)

	Status at year-end 2006	Used as allocated	Changes in scope of con-solidation	Recoveries, overdue interest, forex differences	New provisions charged to income statement	Releases credited to income statement	Net change in provisions	Status at year-end 2007
Counterparty risk	917.8	– 222.2		31.6	7.3	– 212.4	– 205.1	522.1
of which supplementary lump-sum provision [1]	*70.7*					*– 60.0*	*– 60.0*	*10.7*
Country risk	86.2					– 65.2	– 65.2	21.0
Value adjustments and provisions for credit risk	**1 004.0**	**– 222.2**		**31.6**	**7.3**	**– 277.6**	**– 270.3**[3]	**543.1**
Other provisions	59.1	– 26.9	– 0.5	0.1	5.9[5]	– 0.3[4]	5.6	37.4
of which provisions for the BCV pension fund, "Caisse de pensions de la BCV" [2]	*24.8*	*– 24.7*				*– 0.1*	*– 0.1*	*0.0*
of which provisions for restructuring	*2.1*	*– 0.3*						*1.8*
Total value adjustments and provisions	**1 063.1**	**– 249.1**	**– 0.5**	**31.7**	**13.2**	**– 277.9**	**– 264.7**	**580.5**
Value adjustments directly netted with assets	– 14.5							– 10.0
Value adjustments and provisions shown on the balance sheet	**1 048.6**							**570.5**
Reserves for general banking risks	**564.1**				**139.9**[6]			**704.0**

1) The supplementary lump-sum provision is defined in section 7.25 of the accounting principles sub-chapter.
2) Provision required to finance changes in actuarial assumptions (taken into account by the "Caisse de pensions de la BCV" as from 1 January 2007), representing the final stage in the reorganization of this pension fund.

New provisions and releases

3) Net credit-risk provisions released to extraordinary income (note 13.10).
4) Miscellaneous provisions released to extraordinary income (note 13.10).
5) Amount booked to value adjustments, provisions and losses, under miscellaneous provisions (note 13.9).
6) Amount booked to extraordinary expenses (note 13.11).

11.11 Maturity structure of current assets and borrowed funds (in CHF millions)

				Maturity					
		Sight	Callable	up to 3 months	3 to 12 months	12 months to 5 years	over 5 years	Fixed assets	**Total**
Cash and cash equivalents		353.1							353.1
Money-market instruments		0.8		30.7	3.9	64.7			100.1
Due from banks		1 384.4	9.0	3 782.3	1 127.1	59.4	2.0		6 364.2
Loans and advances to customers		50.4	2 974.3	1 319.9	554.8	525.4	266.3		5 691.1
Mortgage loans		128.8	5 029.2	1 213.9	2 193.7	5 535.5	2 687.1		16 788.2
Trading portfolio assets		2 045.8	0.2						2 046.0
Financial investments		102.2	5.3	118.0	94.4	762.3	407.8	99.1	1 589.1
Current assets	31 / 12 / 07	**4 065.5**	**8 018.0**	**6 464.8**	**3 973.9**	**6 947.3**	**3 363.2**	**99.1**	**32 931.8**
	31 / 12 / 06	**2 780.5**	**6 522.8**	**6 292.4**	**4 019.6**	**8 572.5**	**2 400.3**	**138.1**	**30 726.2**
Money-market paper issued				5.0					5.0
Due to banks		1 522.4		567.7	7.2	75.0	300.0		2 472.3
Customer savings and investment accounts			8 120.1						8 120.1
Other customer accounts		5 744.9	18.6	5 251.0	802.2	326.4	289.0		12 432.1
Medium-term notes				24.1	89.2	277.3	14.1		404.7
Bonds and mortgage-backed bonds				484.8	1 393.6	2 786.8	1 868.0		6 533.2
Borrowed funds	31 / 12 / 07	**7 267.3**	**8 138.7**	**6 332.6**	**2 292.2**	**3 465.5**	**2 471.1**		**29 967.4**
	31 / 12 / 06	**6 400.1**	**8 484.4**	**5 230.3**	**1 748.3**	**3 956.3**	**1 391.9**		**27 211.3**

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

11.12.1 Compensation of current members of the Board of Directors and the Executive Board

Compensation breakdown

Members of the Board of Directors

For 2007, the seven members of the Board of Directors received gross compensation of CHF 2,245,045, including a performance bonus of CHF 990,529 for the Chairman. This bonus was paid in two parts: CHF 495,000 in cash in March 2008, and the remaining CHF 495,529 in the form of 929 locked-up shares in April 2008. Benefit expense (social security, unemployment insurance, accident insurance, income replacement and occupational pension) resulting from compensation to the Board of Directors totaled CHF 333,670.

Compensation comprises remuneration, attendance fees and expenses.

The average compensation of Board members, excluding the Chairman, amounted to CHF 137,418.

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

Members of the Executive Board

For 2007, the seven members of the Executive Board received gross compensation of CHF 8,303,887, including performance bonuses for an aggregate amount of CHF 4,202,049. The bonuses were paid in two parts: CHF 2,740,000 in cash in March 2008, and the remaining CHF 1,462,049 in the form of 2,741 locked-up shares in April 2008. Benefit expense (social security, unemployment insurance, accident insurance, income replacement and occupational pension) resulting from compensation to the Executive Board totaled CHF 1,447,783.

Allocation of shares during 2007

No shares were allocated to close relations (closely-linked parties, i.e., persons living under the same roof) of members of the Board of Directors or the Executive Board during the 2007 financial year.

Members of the Board of Directors

For 2007, the Chairman of the Board received 929 locked-up BCV shares as part of his performance bonus. No other member of the Board of Directors is eligible for any type of share allocation.

Members of the Executive Board

For 2007, Executive Board members received 2,741 locked-up BCV shares as part of their performance bonus. They also subscribed to 750 locked-up shares under the employee share-ownership program. They paid a subscription price of CHF 300, while the share price at the time of the purchase was CHF 634. Every year the Board of Directors determines the subscription price based on the current share price and defines the number of shares for which the Executive Board may subscribe.

Under the 2005-2007 long-term variable salary plan, the Executive Board received 2,026 shares in March 2008.

Other fees and compensation

Members of the Board of Directors and Executive Board received no fees or gratuities from BCV which are not included in the above compensation. Moreover, all fees and other amounts received by Executive Board members representing BCV on boards of directors must be remitted to the Bank. In 2007, such payments to the Bank amounted to CHF 384,955.

Loans to members of the Board of Directors and Executive Board

Serving members of the Board of Directors are not accorded preferential terms on loans granted to them. For members of the Executive Board, as well as for all employees, the interest on variable-rate first mortgages was 2.5% at 31 December 2007. The interest charged on fixed-rate loans was 0.4% above the base rate.

Share ownership

Members of the Board of Directors

Under a resolution adopted by the Board of Directors on 7 October 2002, each director is required to own a minimum of 100 BCV shares.

At 31 December 2007, directors and their close relations held a total of 11,420 BCV shares.

Members of the Executive Board

At 31 December 2007, Executive Board members and their close relations held 24,793 BCV shares.

11.12.2 Compensation of members of the Board of Directors for the 2007 financial year (in CHF)

	Olivier Steimer Chairman	Paul Hasenfratz Vice-Chairman	Beth Krasna Member	André Pugin Member	Luc Recordon Member	Paul-André Sanglard Member	Jean-Luc Strohm Member	Total	Average compen-sation Excluding Chairman
Remuneration	400 008	130 008	70 000	70 000	70 000	70 000	70 000	880 016	80 001
Attendance fees	0	48 500	54 500	38 000	43 500	47 000	48 000	279 500	46 583
Cash bonus	495 000							495 000	0
Bonus paid in shares 929 shares at CHF 533.40 [1]	495 529							495 529	0
Other	30 000	15 000	10 000	10 000	10 000	10 000	10 000	95 000	10 833
Total	**1 420 537**	**193 508**	**134 500**	**118 000**	**123 500**	**127 000**	**128 000**	**2 245 045**	**137 418**
Benefits	246 889	19 775	15 040	13 401	14 025	14 241	10 299	333 670	14 464

11.12.3 Compensation of members of the Executive Board for the 2007 financial year (en CHF)

	Total		Alexandre Zeller CEO	
Base salary		2 830 032		600 000
Cash bonus		2 740 000		500 000
Bonus paid in shares: CHF 533.40 [1] per share	2741 shares	1 462 049	938 shares	500 329
Shares acquired under employee share-ownership program: subscription price CHF 334 below market value [2]	750 shares	250 500	150 shares	50 100
Shares received under long-term variable salary plan at CHF 481 [3]	2026 shares	974 506	519 shares	249 639
Stock options (BCV has no employee stock option plan)				
Other		46 800		10 800
Total	**5517 shares**	**8 303 887**	**1607 shares**	**1 910 868**
Benefits		1 447 783		275 152

1) Average market price between 25 and 29 February 2008.
2) Difference between subscription price (CHF 300) and market price on 31 May 2007 (CHF 634).
3) Market price on 6 March 2008.

11.12.4 Loans to members of governing bodies (in CHF)

	Position	Nominal	Secured	Unsecured	31 / 12 / 07 Drawn down
Board of Directors					
Olivier Steimer	Chairman	2 200 000	2 200 000	0	2 200 000
Paul Hasenfratz	Vice-Chairman	0	0	0	0
Beth Krasna	Member	0	0	0	0
André Pugin	Member	100 000	100 000	0	0
Luc Recordon	Member	0	0	0	0
Paul-André Sanglard	Member	0	0	0	0
Jean-Luc Strohm	Member	660 000	660 000	0	660 000
Total		**2 960 000**	**2 960 000**	**0**	**2 860 000**
Executive Board					
Total		**6 495 000**	**6 441 000**	**54 000**	**6 375 000**
Alexandre Zeller	CEO	1 488 000	1 488 000	0	1 488 000

Including related parties (i.e., persons domiciled at the same address) with preferential conditions.

11.12.5 Share ownership at 31 December 2007

Board of Directors	Olivier Steimer	Paul Hasenfratz	Beth Krasna	André Pugin	Luc Recordon	Paul-André Sanglard	Jean-Luc Strohm	Total
	Chairman	Vice-Chairman	Member	Member	Member	Member	Member	
Number of shares	**5 790**	**380**	**100**	**4 800**	**100**	**100**	**150**	**11 420**

Executive Board	Alexandre Zeller	Pascal Kiener	Jean-François Schwarz	Christopher E. Preston	Jacques R. Meyer	Olivier Cavaleri	Aimé Achard	Total
	CEO	Finance and Risks	Corporate Banking	Wealth Manage-ment	Retail Banking	Trading	Business Support	
Number of shares	**10 785**	**3 080**	**2 696**	**2 577**	**2 539**	**2 849**	**267**	**24 793**

Including related parties (i.e., persons domiciled at the same address).

11.12.6 Option ownership

Options held by Alexandre Zeller, CEO (options freely acquired and not subject to a lock-up period).

Type	Exercise price	Expiration	Number	Exercise ratio
Puts bought	300	04.2008	2 880	1 : 1
Calls sold	450	04.2008	2 880	1 : 1
Puts bought	350	04.2009	1 986	1 : 1
Calls sold	550	04.2009	1 986	1 : 1

11.12.7 Compensation of former members of the Board of Directors and the Executive Board

No compensation was paid to former members of either Board in 2007.

11.13 Receivables and commitments in respect of affiliated companies (in CHF millions)

	31 / 12 / 07	31 / 12 / 06
Loans and advances to customers	39.3	42.8
Mortgage loans	15.0	14.3
Financial investments	6.8	0.9
Receivables	**61.1**	**58.0**
Customer savings and investment accounts	0.1	2.1
Other customer accounts	122.4	191.2
Commitments	**122.5**	**193.3**

Transactions with affiliated companies are conducted on market terms.

11.14 Breakdown of assets and liabilities by Swiss and foreign origin (in CHF millions)

	31 / 12 / 07		31 / 12 / 06	
	Swiss	Foreign	Swiss	Foreign
Cash and cash equivalents	340.1	13.0	310.8	9.7
Money-market instruments	34.8	65.3	644.0	67.7
Due from banks	2 282.6	4 081.6	1 582.1	3 062.1
Loans and advances to customers	4 600.1	1 091.0	4 706.3	867.7
Mortgage loans	16 781.9	6.3	16 479.0	6.1
Trading portfolio assets	1 689.5	356.5	973.7	430.9
Financial investments	1 427.2	161.9	1 363.3	222.8
Non-consolidated holdings	81.8		81.7	1.8
Tangible fixed assets [1]	632.9	1.9	651.8	2.1
Intangible assets [1]	11.7		16.6	
Accrued income and prepaid expenses	261.3	11.2	239.3	10.3
Other assets [2]	1 404.3		1 253.3	47.5
Assets [2]	**29 548.2**	**5 788.7**	**28 301.9**	**4 728.7**
Total as %	**83.6**	**16.4**	**85.7**	**14.3**
Money-market paper issued	5.0		3.3	
Due to banks	1 245.0	1 227.3	1 580.3	507.7
Customer savings and investment accounts	7 630.0	490.1	7 981.8	490.9
Other customer accounts	11 298.9	1 133.2	8 640.0	1 323.8
Medium-term notes	404.7		288.9	
Bonds and mortgage-backed bonds	5 322.7	1 210.5	5 403.6	991.0
Accrued expenses and deferred income	359.5	9.0	250.7	9.7
Other liabilities [2]	1 205.4		1 091.6	0.1
Value adjustments and provisions	570.5		1 048.6	
Reserves for general banking risks	704.0		564.1	
Equity capital	537.9		997.4	
Own equity securities	– 7.6		– 7.2	
Capital reserve	352.8		347.9	
Retained earnings	1 145.4		968.2	
Minority interests - equity	10.8	4.5	10.0	3.8
Net profit before minority interests	477.3		534.4	
Total liabilities and shareholders' equity [2]	**31 262.3**	**4 074.6**	**29 703.6**	**3 327.0**
Total as %	**88.5**	**11.5**	**89.9**	**10.1**

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

	31 / 12 / 07		31 / 12 / 06	
	Absolute value	as % of total	Absolute value	as % of total
European Union	4 969.2	14.1	3 881.9	11.8
France	*863.6*	*2.4*	*638.0*	*1.9*
Italy	*251.2*	*0.7*	*177.1*	*0.5*
Germany	*1 276.4*	*3.6*	*976.2*	*3.0*
United Kingdom	*808.6*	*2.3*	*662.8*	*2.0*
Other	*1 769.4*	*5.0*	*1 427.8*	*4.3*
United States	112.9	0.3	141.7	0.4
Other	706.6	2.0	705.1	2.1
Foreign assets	**5 788.7**	**16.4**	**4 728.7**	**14.3**
Switzerland	29 548.2	83.6	28 301.9	85.7
Assets [2]	**35 336.9**	**100.0**	**33 030.6**	**100.0**

1) Following changes to SFBC directives on financial statement presentation standards which took effect on 1 January 2007, the corresponding line items for 2006 were reclassified.

2) Following changes to accounting principles applied in preparing the 2007 financial statements, the corresponding line items for 2006 were adjusted.

11.16 Currency structure of balance sheet (in CHF millions)

		CHF	EUR	USD	Other	Total
Cash and cash equivalents		297.6	50.5	2.9	2.1	353.1
Money-market instruments		89.9	5.7	4.5		100.1
Due from banks		4 005.5	1 715.3	497.7	145.7	6 364.2
Loans and advances to customers		3 659.1	239.0	1 778.1	14.9	5 691.1
Mortgage loans		16 788.0	0.2			16 788.2
Trading portfolio assets		1 564.2	215.0	134.0	132.8	2 046.0
Financial investments		1 471.8	114.4	2.5	0.4	1 589.1
Non-consolidated holdings		81.8				81.8
Tangible fixed assets [1]		632.9	1.9			634.8
Intangible assets [1]		11.7				11.7
Accrued income and prepaid expenses		261.4	11.0	0.1		272.5
Other assets [2]		1 404.3				1 404.3
Positions carried as assets [2]		**30 268.2**	**2 353.0**	**2 419.8**	**295.9**	**35 336.9**
Delivery claims arising from spot and forward transactions and options		9 253.9	6 418.6	8 043.5	2 387.4	26 103.4
Assets [2]	31 / 12 / 07	**39 522.1**	**8 771.6**	**10 463.3**	**2 683.3**	**61 440.3**
	31 / 12 / 06	**36 000.1**	**6 408.5**	**8 736.4**	**3 108.3**	**54 253.3**
Money-market paper issued		5.0				5.0
Due to banks		1 042.6	667.6	719.2	42.9	2 472.3
Customer savings and investment accounts		8 089.5	30.6			8 120.1
Other customer accounts		9 320.6	1 671.6	1 067.5	372.4	12 432.1
Medium-term notes		404.7				404.7
Bonds and mortgage-backed bonds		6 264.5	237.4	31.3		6 533.2
Accrued expenses and deferred income		357.6	10.3	0.6		368.5
Other liabilities [2]		1 205.4				1 205.4
Value adjustments and provisions		570.5				570.5
Reserves for general banking risks		704.0				704.0
Equity capital		537.9				537.9
Own equity securities		– 7.6				– 7.6
Capital reserve		352.8				352.8
Retained earnings		1 145.4				1 145.4
Minority interests - equity		15.3				15.3
Net profit before minority interests		477.3				477.3
Positions carried as liabilities [2]		**30 485.5**	**2 617.5**	**1 818.6**	**415.3**	**35 336.9**
Delivery commitments arising from spot and forward transactions and options		8 787.0	6 388.9	8 632.8	2 245.1	26 053.8
Total liabilities and shareholders' equity [2]	31 / 12 / 07	**39 272.5**	**9 006.4**	**10 451.4**	**2 660.4**	**61 390.7**
	31 / 12 / 06	**36 070.1**	**6 372.4**	**8 709.8**	**3 079.5**	**54 231.8**
Net position by currency	31 / 12 / 07	**249.6**	**– 234.8**	**11.9**	**22.9**	**49.6**
	31 / 12 / 06	**– 70.0**	**36.1**	**26.6**	**28.8**	**21.5**

1) Following changes to SFBC directives on financial statement presentation standards which took effect on 1 January 2007, the corresponding line items for 2006 were reclassified.

2) Following changes to accounting principles applied in preparing the 2007 financial statements, the corresponding line items for 2006 were adjusted.

12. Notes to off-balance-sheet transactions

12.1 Open positions in derivative financial instruments (in CHF millions)

	Trading instruments			Hedging instruments		
	Positive replacement values	Negative replacement values	Values of underlyings	Positive replacement values	Negative replacement values	Values of underlyings
Forward contracts including FRAs	0.7	1.0	339.6			
Swaps	15.3	14.5	2 705.6	83.5	11.6	3 514.8
Futures			1 793.7			
Options (OTC)				4.9	0.5	743.3
Interest-rate instruments	**16.0**	**15.5**	**4 838.9**	**88.4**	**12.1**	**4 258.1**
Forward contracts	195.2	175.4	23 315.4			
Combined interest-rate and currency swaps	1.6	2.5	302.3	0.8		8.3
Options (OTC)	41.6	35.4	6 536.9			
Foreign currencies and precious metals	**238.4**	**213.3**	**30 154.6**	**0.8**	**0**	**8.3**
Futures			530.1			
Options (OTC)	957.2	1 471.1	44 976.2			
Options (exchange-traded)	3 097.5	2 374.6	63 927.9			
Equity securities / indices	**4 054.7**	**3 845.7**	**109 434.2**	**0**	**0**	**0**
Total 31 / 12 / 07	**4 309.1**	**4 074.5**	**144 427.7**	**89.2**	**12.1**	**4 266.4**
31 / 12 / 06	**4 389.0**	**4 273.9**	**146 078.2**	**139.3**	**13.3**	**4 695.5**

		Positive replacement values	Negative replacement values	Values of underlyings
Recapitulation				
Trading instruments		4 309.1	4 074.5	144 427.7
Hedging instruments		89.2	12.1	4 266.4
Total before netting agreements	31 / 12 / 07	**4 398.3**	**4 086.6**	**148 694.1**
	31 / 12 / 06	**4 528.3**	**4 287.2**	**150 773.7**
Total after netting agreements	31 / 12 / 07	**1 237.5**	**925.8**	**148 694.1**
	31 / 12 / 06	**1 022.4**	**781.2**	**150 773.7**
Change	absolute	215.1	144.6	– 2 079.6
	as %	21	19	– 1

13. Notes to the consolidated income statement

13.1 Interest income (in CHF millions)

	2007	2006	Change absolute	as %
Money-market paper	19.9	16.3	3.6	22
Banks	136.9	82.0	54.9	67
Customers	792.1	665.8	126.3	19
Interest and dividends on financial investments	40.3	39.6	0.7	2
Other interest income	75.2	91.4	– 16.2	– 18
Total	**1 064.4**	**895.1**	**169.3**	**19**

13.2 Interest expense (in CHF millions)

Banks	45.4	14.1	31.3	222
Customers	268.3	141.6	126.7	89
Medium-term notes and bonds	245.7	247.6	– 1.9	– 1
Other interest expense	0	11.1	– 11.1	– 100
Total	**559.4**	**414.4**	**145.0**	**35**

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

Securities administration	51.0	48.8	2.2	5
Brokerage	84.5	80.4	4.1	5
Income from new issues	16.9	23.0	– 6.1	– 27
Management fees	56.7	54.5	2.2	4
Investment-fund operations	129.4	115.0	14.4	13
Other	17.5	15.0	2.5	17
Total	**356.0**	**336.7**	**19.3**	**6**

Following changes to accounting principles applied in preparing the 2007 financial statements, the corresponding line items for 2006 were reclassified.

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

Payment transactions	20.4	18.8	1.6	9
Rental of safes	1.8	1.9	– 0.1	– 5
Other	49.0	52.9	– 3.9	– 7
Total	**71.2**	**73.6**	**– 2.4**	**– 3**

13.5 Net trading income (in CHF millions)

	2007	2006	Change absolute	Change as %
Foreign currency and precious metals	47.1	46.4	0.7	2
Banknotes	9.6	10.0	– 0.4	– 4
Securities (less refinancing costs) and derivatives	27.2	46.5	– 19.3	– 42
Trading fee and commission expense	– 10.4	– 8.5	1.9	22
Total	**73.5**	**94.4**	**– 20.9**	**– 22**

Following changes to accounting principles applied in preparing the 2007 financial statements, the corresponding line items for 2006 were reclassified.

13.6 Personnel costs (in CHF millions)

Fixed and variable compensation	275.1	295.0	– 19.9	– 7
Employee benefits	24.7	24.8	– 0.1	– 0
Contributions to staff pension funds	32.7	42.7	– 10.0	– 23
Other personnel expenses	15.3	16.0	– 0.7	– 4
Total	**347.8**	**378.5**	**– 30.7**	**– 8**

13.7 Other operating expenses (in CHF millions)

Premises	23.1	25.2	– 2.1	– 8
IT	66.9	33.9	33.0	97
Machinery, furniture, vehicles, etc.	3.6	3.1	0.5	16
Telecommunications and shipping	11.2	12.5	– 1.3	– 10
Marketing and communications	14.9	16.4	– 1.5	– 9
Service fees	26.8	42.1	– 15.3	– 36
Miscellaneous operating expenses	64.2	53.4	10.8	20
Total	**210.7**	**186.6**	**24.1**	**13**

13.8 Depreciation and write-offs on fixed assets (in CHF millions)

Real estate	12.8	13.5	– 0.7	– 5
IT hardware and software	52.7	55.2	– 2.5	– 5
Other investments	17.9	20.4	– 2.5	– 12
Goodwill	1.8	2.0	– 0.2	– 10
Total	**85.2**	**91.1**	**– 5.9**	**– 6**

13.9 Value adjustments, provisions and losses (in CHF millions)

	2007	2006	Change absolute	as %
Miscellaneous provisions	6.0	4.1	1.9	46
Other losses	3.6	3.6	0	0
Total (after offsetting against recoveries)	**9.6**	**7.7**	**1.9**	**25**

13.10 Extraordinary income (in CHF millions)

	2007	2006	Change absolute	as %
Release of provisions for credit risk	270.3	220.5	49.8	23
Release of miscellaneous provisions	0.3	19.5	– 19.2	– 98
Other extraordinary income	12.2	4.2	8.0	190
Total	**282.8**	**244.2**	**38.6**	**16**

13.11 Extraordinary expenses (in CHF millions)

	2007	2006	Change absolute	as %
Allocation to reserves for general banking risks	139.9	122.1	17.8	15
Other extraordinary expenses	1.3	1.7	– 0.4	– 24
Total	**141.2**	**123.8**	**17.4**	**14**

13.12 Breakdown of income and expenses arising from ordinary banking operations (in CHF millions)

	2007		2006	
	Swiss	Foreign	Swiss	Foreign
Net interest income	502.2	2.8	479.8	0.9
Net fee and commission income	352.8	32.0	337.7	29.1
Net trading income	54.3	19.2	81.8	12.6
Other ordinary income	124.9	– 0.7	159.3	
Income	**1 034.2**	**53.3**	**1 058.6**	**42.6**
Personnel costs	339.9	7.9	370.9	7.6
Other operating expenses	202.9	7.8	182.4	4.2
Expenses	**542.8**	**15.7**	**553.3**	**11.8**

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

14. Other information

14.1 SFBC capital adequacy ratio

	31 / 12 / 07		31 / 12 / 06	
	Nominal amount	Risk-weighted	Nominal amount	Risk-weighted
Assets				
Due from banks	6 364.2	1 152.0	4 644.2	1 005.1
Loans and advances to customers	5 691.1	4 497.5	5 574.0	4 318.2
Mortgage loans	16 788.2	9 584.3	16 485.1	9 464.1
Financial investments: real estate	99.1	371.6	138.1	517.9
Tangible fixed assets	634.8	2 346.5	653.9	2 334.9
Accrued income and prepaid expenses	272.5	271.9	249.6	244.2
Other assets, positive replacement values	4 398.3	1 207.6	4 528.3	1 371.4
Other assets, miscellaneous	166.8	157.7	278.4	237.9
Off-balance-sheet transactions				
Confirmed credits	25.9	25.9	42.3	42.3
Contingent liabilities	1 325.7	478.8	971.0	345.1
Irrevocable commitments	532.4	372.3	479.9	380.8
Other positions				
Net positions excl. trading book	1 582.9	661.3	2 152.6	711.7
Add-ons for forward contracts and purchased options		383.0		392.9
Positions exposed to market risk		1 476.8		1 216.0
Nettable liability positions				
Nettable value adjustments and negative replacement values		– 1 409.0		– 1 435.2
Total risk-weighted positions		**21 578.2**		**21 147.3**
Required capital (8% of risk-weighted positions)		**1 726.3**		**1 691.8**
Equity capital		537.9		997.4
Reserves for general banking risks		704.0		564.1
Capital reserve		352.8		347.9
Retained earnings		1 145.4		968.2
Own equity securities		– 7.6		– 7.2
Group net profit less expected dividend		356.8		454.4
Minority interests and goodwill		– 0.3		– 7.0
Total tier 1 capital		**3 089.0**		**3 317.8**
Subordinated liabilities		79.6		126.6
Additional equity		**79.6**		**126.6**
Financial and banking instruments		– 78.4		– 80.2
Total shareholders' equity		**3 090.2**		**3 364.2**
Surplus capital		**1 363.9**		**1 672.4**
SFBC capital adequacy ratio		**179%**		**199%**
BIS ratios				
Total BIS risk-weighted positions		18 961.5		18 140.4
BIS tier 1 capital ratio		16.3%		18.3%
BIS total capital ratio		16.3%		18.5%

14.2 Business sector information

14.2.1 Methodology

Results by business sector are presented at BCV Group level, in accordance with the accounting principles used for preparing the consolidated financial statements.

The Bank's activities are broken down into the following business sectors:

Retail Banking, covering operations with retail customers with assets of up to CHF 150,000 or mortgage loans of up to CHF 1m.

Wealth Management, addressing the needs of private and institutional clients.

Corporate Banking, servicing large corporations, SMEs, micro-businesses, public-sector enterprises and trade finance.

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

The **Corporate Center,** comprising Executive Management, Human Resources, Compliance, the Finance and Risks Division (which handles ALM, Credit Recoveries, Communications, Legal, etc.) and the Business Support Division (Back Offices, Real Estate and IT).

Subsidiaries are allocated to the sector that corresponds to their area of activity.

As a general rule, gross income (including fee and commission income) is allocated to the sector to which the client or his/her advisor is attached.

For sectors dealing with customers, the "Interest income" item represents the Group's gross commercial margin, i.e., the difference between the customer rate and the Swiss franc rate on the money market, taking into account the nature and duration of the transaction (Funds Transfer Pricing, or "FTP", method).

For the Corporate Center, net interest income comprises the result of asset and liability management, the cost of financing fixed assets and gross interest on impaired loans handled by the Credit Recoveries Department.

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

"Other income" is allocated 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 sector that uses the resources (personnel, premises, IT, etc.). In the second stage, indirect or central expenses are allocated on the basis of services provided to other sectors (internal billing at cost).

Credit losses expected by each business sector are carried under "Loan losses." The difference between new provisioning needs and expected loan losses is booked to the Corporate Center.

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

Balance-sheet and off-balance-sheet volumes reflect client-related business. In general, following the same rule used for income, business volumes are allocated to the sector to which the client or his/her advisor is attached.

The definition of customer assets (assets under management) is in section 7.33 of the accounting principles sub-chapter.

Shareholders' equity is allocated to the various types of business within each sector in accordance with SFBC regulations. Surplus equity is booked to the Corporate Center.

	Retail Banking		Wealth Management	
	2007	2006	2007	2006

14.2.2 Customer assets by business sector

(in CHF millions)

	Retail Banking 2007	Retail Banking 2006	Wealth Management 2007	Wealth Management 2006
Balance sheet				
Loans and advances to customers	242	285	423	420
Mortgage loans	5 472	5 314	4 198	3 911
Advances to customers	**5 714**	**5 599**	**4 621**	**4 331**
Savings and investments	4 703	4 683	2 890	3 219
Other liabilities	532	399	5 160	3 875
Customer deposits	**5 235**	**5 082**	**8 050**	**7 094**
Off-balance-sheet commitments	**2**	**3**	**32**	**43**
Customer assets (assets under management) (including double-counted)	**6 136**	**5 993**	**64 347**	**62 664**

14.2.3 Results by business sector (in CHF millions)

	Retail Banking 2007	Retail Banking 2006	Wealth Management 2007	Wealth Management 2006
Interest margin	143.6	145.7	128.1	125.6
Net fee and commission income	36.2	38.0	274.1	256.6
Trading income	11.5	9.4	11.8	17.6
Other income	2.6	2.4	1.0	2.1
Gross banking income	**193.9**	**195.5**	**415.0**	**401.9**
Personnel costs	– 49.9	– 51.3	– 97.0	– 90.7
Operating expenses	– 52.2	– 46.4	– 56.0	– 48.4
Gross profit	**91.8**	**97.8**	**262.0**	**262.8**
Depreciation and write-offs	– 23.4	– 23.9	– 13.6	– 15.4
Interdivisional billing	– 36.0	– 35.1	– 49.2	– 48.4
Gross profit after depreciation and write-offs and interdivisional billing	**32.4**	**38.8**	**199.2**	**199.0**
Loan losses [2]	– 6.5	– 7.0	– 4.1	– 2.8
Other losses and provisions	– 1.2	– 2.4	– 1.3	– 1.3
Extraordinary income and expenses			4.6	2.9
Taxes [3] and minority interests	– 5.7	– 6.8	– 49.9	– 50.9
Net profit	**19.0**	**22.6**	**148.5**	**146.9**

14.2.4 Indicators

	Retail Banking 2007	Retail Banking 2006	Wealth Management 2007	Wealth Management 2006
Average shareholders' equity (in CHF millions)	**246**	**249**	**280**	**258**
Profitability ratios (%)				
ROE (based on gross profit after depreciation and write-offs and interdivisional billing)	13.2	15.6	71.1	77.1
ROE (based on net profit)	7.7	9.1	53.0	56.9
Cost / income [4]	83.3	80.1	51.6	50.1
Average headcount				
Direct	425	425	538	489
Indirect	129	128	169	168
Total	**554**	**553**	**707**	**657**
Data per employee [5] (in CHF thousands)				
Gross banking income	350	353	587	612
Gross profit after depreciation and write-offs and interdivisional billing [4]	58	70	281	303

1) 2006 figures were adjusted to facilitate like-for-like comparisons.
2) Expected loan losses are allocated to the business sectors. The difference between new provisioning needs and expected loan losses is booked to the Corporate Center.

Corporate Banking [1]		Trading [1]		Corporate Center [1]		BCV Group	
2007	2006	2007	2006	2007	2006	2007	2006
4 478	4 052	58	60	490	757	5 691	5 574
6 765	6 701			353	559	16 788	16 485
11 243	**10 753**	**58**	**60**	**843**	**1 316**	**22 479**	**22 059**
521	562			6	9	8 120	8 473
5 071	3 669	1 580	1 872	89	149	12 432	9 964
5 592	**4 231**	**1 580**	**1 872**	**95**	**158**	**20 552**	**18 437**
1 617	**1 232**			**233**	**215**	**1 884**	**1 493**
10 751	**10 007**			**3 115**	**2 111**	**84 349**	**80 775**
177.7	185.9	3.2	2.7	52.4	20.8	505.0	480.7
50.4	41.8	17.0	14.3	7.1	16.1	384.8	366.8
5.5	7.1	53.4	63.8	– 8.7	– 3.5	73.5	94.4
15.1	9.9			105.5	144.9	124.2	159.3
248.7	**244.7**	**73.6**	**80.8**	**156.3**	**178.3**	**1 087.5**	**1 101.2**
– 53.0	– 51.6	– 18.8	– 18.9	– 129.1	– 166.0	– 347.8	– 378.5
– 28.0	– 25.0	– 17.1	– 15.3	– 57.4	– 51.5	– 210.7	– 186.6
167.7	**168.1**	**37.7**	**46.6**	**– 30.2**	**– 39.2**	**529.0**	**536.1**
– 8.9	– 10.5	– 3.3	– 4.0	– 36.0	– 37.3	– 85.2	– 91.1
– 30.2	– 30.7	– 6.9	– 7.4	122.3	121.6	0	0
128.6	**126.8**	**27.5**	**35.2**	**56.1**	**45.1**	**443.8**	**445.0**
– 42.1	– 41.5	– 0.1		41.8	46.3	– 11.0	– 5.0
– 0.1	– 0.1	– 0.4	– 2.5	– 6.6	– 1.4	– 9.6	– 7.7
				148.0	122.5	152.6	125.4
– 19.9	– 19.8	– 6.2	– 7.5	– 20.7	57.5	– 102.4	– 27.5
66.5	**65.4**	**20.8**	**25.2**	**218.6**	**270.0**	**473.4**	**530.2**
639	**592**	**176**	**190**	**1 969**	**2 016**	**3 310**	**3 305**
20.1	21.4	15.6	18.6			13.4	13.5
10.4	11.0	11.8	13.3			14.3	16.0
48.3	48.2	62.7	56.4			59.0	59.4
345	341	93	93	771	1 022		
81	80	34	34	– 413	– 410		
426	**421**	**127**	**127**	**358**	**612**	**2 172**	**2 370**
583	581	584	640			501	465
302	301	218	279			204	188

3) Taxes are calculated for each business sector. The difference between taxes actually payable and taxes calculated is booked to the Corporate Center.

4) The cost / income ratio and gross profit per employee are calculated excluding goodwill write-downs and amortization.

5) Data per employee is based on the total headcount (direct + indirect).

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

	2003	2004	2005	2006	2007
Interest and discount income	870.6	795.7	805.4	855.5	1 024.1
Interest and dividend income from financial investments	44.1	42.6	40.1	39.6	40.3
Interest expense	– 495.8	– 414.2	– 384.8	– 414.4	– 559.4
Net interest income	**418.9**	**424.1**	**460.7**	**480.7**	**505.0**
Fees and commissions on lending operations	45.5	36.8	34.6	35.8	41.9
Fees and commissions on securities and investment transactions [1]	258.0	270.4	291.6	336.7	356.0
Fees and commissions on other services	49.4	60.5	65.5	73.6	71.2
Fee and commission expense [1]	– 60.2	– 64.9	– 62.4	– 79.3	– 84.3
Net fee and commission income	**292.7**	**302.8**	**329.3**	**366.8**	**384.8**
Net trading income [1]	**104.6**	**79.7**	**97.0**	**94.4**	**73.5**
Profit on disposal of financial investments	19.4	12.3	18.4	26.5	54.4
Total income from holdings	7.0	6.1	3.5	4.6	5.5
of which holdings accounted for using the equity method	4.2	1.0	0.8	0.9	0
of which other non-consolidated holdings	2.8	5.1	2.7	3.7	5.5
Real-estate income	17.7	12.6	9.7	6.8	8.6
Miscellaneous ordinary income	93.5	109.2	119.1	121.4	56.9
Miscellaneous ordinary expenses	– 10.6	– 2.7	0	0	– 1.2
Other ordinary income	**127.0**	**137.5**	**150.7**	**159.3**	**124.2**
Total income from ordinary banking operations	**943.2**	**944.1**	**1 037.7**	**1 101.2**	**1 087.5**
Personnel costs	– 372.7	– 364.9	– 364.3	– 378.5	– 347.8
Other operating expenses	– 181.5	– 180.7	– 187.7	– 186.6	– 210.7
Operating expenses	**– 554.2**	**– 545.6**	**– 552.0**	**– 565.1**	**– 558.5**
Gross profit	**389.0**	**398.5**	**485.7**	**536.1**	**529.0**
Depreciation and write-offs on fixed assets	– 151.0	– 86.4	– 91.1	– 91.1	– 85.2
Value adjustments, provisions and losses	– 77.5	– 39.7	– 16.0	– 7.7	– 9.6
Profit on ordinary banking operations before extraordinary items and taxes	**160.5**	**272.4**	**378.6**	**437.3**	**434.2**
Extraordinary income	16.6	170.3	211.0	244.2	282.8
Extraordinary expenses	– 3.2	– 84.1	– 112.5	– 123.8	– 141.2
Taxes	– 16.7	– 22.0	– 20.3	– 23.3	– 98.5
Net profit before minority interests	**157.2**	**336.6**	**456.8**	**534.4**	**477.3**
Minority interests	– 3.1	– 1.7	– 2.6	– 4.2	– 3.9
Net profit	**154.1**	**334.9**	**454.2**	**530.2**	**473.4**

1) Following changes to accounting principles applied in preparing the 2007 financial statements, the corresponding line items from 2003 to 2006 were adjusted.

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

	31 / 12 / 03	31 / 12 / 04	31 / 12 / 05	31 / 12 / 06	31 / 12 / 07
Cash and cash equivalents	368.0	399.6	282.3	320.5	353.1
Money-market instruments	265.0	358.1	535.9	711.7	100.1
Due from banks	4 653.2	3 916.6	4 780.2	4 644.2	6 364.2
Loans and advances to customers	7 305.2	6 372.4	5 830.7	5 574.0	5 691.1
Mortgage loans	15 903.1	15 740.0	15 854.3	16 485.1	16 788.2
Trading portfolio assets	1 094.9	1 130.8	1 270.1	1 404.6	2 046.0
Financial investments	1 775.4	1 659.1	1 612.2	1 586.1	1 589.1
Non-consolidated holdings	45.6	86.5	85.0	83.5	81.8
Tangible fixed assets [1]	734.4	703.8	680.9	653.9	634.8
Intangible assets [1]	17.8	18.0	17.2	16.6	11.7
Accrued income and prepaid expenses	186.5	187.8	210.8	249.6	272.5
Other assets [2]	1 623.2	1 210.1	1 073.7	1 300.8	1 404.3
Assets [2]	**33 972.3**	**31 782.8**	**32 233.3**	**33 030.6**	**35 336.9**
Money-market paper issued	0.8	1.0	1.0	3.3	5.0
Due to banks	1 722.4	1 196.2	2 039.9	2 088.0	2 472.3
Customer savings and investment accounts	8 747.4	8 857.5	8 818.2	8 472.7	8 120.1
Other customer accounts	8 043.9	8 116.8	8 831.9	9 963.8	12 432.1
Medium-term notes	422.8	342.5	263.1	288.9	404.7
Bonds and mortgage-backed bonds	8 468.5	7 249.6	6 725.0	6 394.6	6 533.2
Accrued expenses and deferred income	231.7	227.3	220.3	260.4	368.5
Other liabilities [2]	1 549.3	1 032.1	660.5	1 091.7	1 205.4
Value adjustments and provisions	2 222.9	1 840.1	1 444.3	1 048.6	570.5
Liabilities	**31 409.7**	**28 863.1**	**29 004.2**	**29 612.0**	**32 111.8**
Reserves for general banking risks	252.9	332.1	442.0	564.1	704.0
Equity capital	1 379.7	1 381.6	1 251.9	997.4	537.9
Own equity securities	– 9.3	– 5.7	– 5.3	– 7.2	– 7.6
Capital reserve	334.4	339.8	344.1	347.9	352.8
Retained earnings	430.0	523.4	727.1	968.2	1 145.4
Minority interests - equity	17.7	11.9	12.5	13.8	15.3
Net profit before minority interests	157.2	336.6	456.8	534.4	477.3
Shareholders' equity	**2 562.6**	**2 919.7**	**3 229.1**	**3 418.6**	**3 225.1**
Total liabilities and shareholders' equity [2]	**33 972.3**	**31 782.8**	**32 233.3**	**33 030.6**	**35 336.9**

1) Following changes to SFBC directives on financial statement presentation standards which took effect on 1 January 2007, the corresponding line items from 2003 to 2006 were reclassified.

2) Following changes to accounting principles applied in preparing the 2007 financial statements, the corresponding line items from 2003 to 2006 were adjusted.

15. 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 63 to 99) of Banque Cantonale Vaudoise for the year ended 31 December 2007.

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 Swiss auditing standards, 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 SA

Olivier Gauderon	Philippe Cordonier
Swiss Certified Accountant	Swiss Certified Accountant
Auditor in Charge	

Geneva, 7 March 2008

Parent Company Financial Statements

1. Balance sheet (in CHF millions)

	Notes [1]	31 / 12 / 07	31 / 12 / 06	Change absolute	Change as %
Cash and cash equivalents		341.6	313.3	28.3	9
Money-market instruments		100.1	711.7	– 611.6	– 86
Due from banks		6 405.1	4 626.9	1 778.2	38
Loans and advances to customers	5.6/5.7	5 552.4	5 423.0	129.4	2
Mortgage loans	5.1/5.6/5.7	16 678.6	16 378.0	300.6	2
Trading portfolio assets [2]		2 045.8	1 405.0	640.8	46
Financial investments	5.1/5.7	1 544.7	1 552.0	– 7.3	– 0
Holdings		170.0	168.3	1.7	1
Tangible fixed assets		544.1	548.3	– 4.2	– 1
Accrued income and prepaid expenses		259.1	248.3	10.8	4
Other assets [2]		1 388.9	1 291.7	97.2	8
Assets [2]		**35 030.4**	**32 666.5**	**2 363.9**	**7**
Total subordinated assets		6.7	13.5	– 6.8	– 50
Total claims on Group companies and significant shareholders		154.3	172.6	– 18.3	– 11
of which claims on the Canton of Vaud		*15.8*	*29.6*	*– 13.8*	*– 47*
Money-market paper issued		4.4	3.2	1.2	38
Due to banks		2 709.2	2 207.3	501.9	23
Customer savings and investment accounts	5.7/5.8	8 118.0	8 474.0	– 356.0	– 4
Other customer accounts	5.2/5.7	12 105.8	9 717.9	2 387.9	25
Medium-term notes		404.8	289.0	115.8	40
Bonds and mortgage-backed bonds [2]	5.2	6 533.2	6 394.6	138.6	2
Accrued expenses and deferred income		339.7	212.9	126.8	60
Other liabilities [2]		1 204.2	1 072.4	131.8	12
Value adjustments and provisions	5.3	563.6	1 041.3	– 477.7	– 46
Liabilities [2]		**31 982.9**	**29 412.6**	**2 570.3**	**9**
Reserves for general banking risks	5.3	693.7	555.0	138.7	25
Equity capital	5.4	537.9	997.4	– 459.5	– 46
General legal reserve		770.3	763.6	6.7	1
Reserve for own equity securities	5.3	7.3	6.5	0.8	12
Other reserves		575.2	425.0	150.2	35
Profit for the year		463.1	506.4	– 43.3	– 9
Shareholders' equity	5.5	**3 047.5**	**3 253.9**	**– 206.4**	**– 6**
Total liabilities and shareholders' equity [2]		**35 030.4**	**32 666.5**	**2 363.9**	**7**
Total subordinated liabilities [2]		231.9	381.4	– 149.5	– 39
Total liabilities to Group companies and significant shareholders		888.2	319.7	568.5	178
of which liabilities to the Canton of Vaud		*660.6*	*205.7*	*454.9*	*221*

1) The notes are on pages 113 – 119.
2) Following changes to accounting principles applied in preparing the 2007 financial statements, the corresponding line items for 2006 were adjusted.

2. Income statement (in CHF millions)

	Notes [1]	2007	2006	Change absolute	Change as %
Interest and discount income		1 015.3	849.0	166.3	20
Interest and dividend income from financial investments		39.6	39.0	0.6	2
Interest expense		– 560.8	– 415.3	145.5	35
Net interest income		**494.1**	**472.7**	**21.4**	**5**
Fees and commissions on lending operations		41.7	35.6	6.1	17
Fees and commissions on securities and investment transactions [2]		268.7	253.2	15.5	6
Fees and commissions on other services		56.0	57.3	– 1.3	– 2
Fee and commission expense [2]		– 64.6	– 61.2	3.4	6
Net fee and commission income		**301.8**	**284.9**	**16.9**	**6**
Net trading income [2]	6.1	**66.3**	**86.8**	**– 20.5**	**– 24**
Profit on disposal of financial investments.		54.1	25.7	28.4	111
Income from holdings		25.6	17.4	8.2	47
Real-estate income		6.2	6.3	– 0.1	– 2
Miscellaneous ordinary income		12.8	25.2	– 12.4	– 49
Miscellaneous ordinary expenses		– 0.7	0	0.7	
Other ordinary income		**98.0**	**74.6**	**23.4**	**31**
Total income from ordinary banking operations		**960.2**	**919.0**	**41.2**	**4**
Personnel costs		– 278.2	– 275.9	2.3	1
Other operating expenses		– 182.6	– 161.5	21.1	13
Operating expenses		**– 460.8**	**– 437.4**	**23.4**	**5**
Gross profit		**499.4**	**481.6**	**17.8**	**4**
Depreciation and write-offs on fixed assets		– 80.3	– 82.3	– 2.0	– 2
Value adjustments, provisions and losses	5.3	– 9.3	– 6.2	3.1	50
Profit on ordinary banking operations before extraordinary items and taxes		**409.8**	**393.1**	**16.7**	**4**
Extraordinary income	5.3	278.8	243.2	35.6	15
Extraordinary expenses	5.3	– 139.4	– 122.0	17.4	14
Taxes		– 86.1	– 7.9	78.2	990
Profit for the year		**463.1**	**506.4**	**– 43.3**	**– 9**
Appropriations					
Profit for the year		463.1	506.4		
Profit shown on the balance sheet		463.1	506.4		
Appropriation of profit	7				
– Allocation to other reserves		333.3	423.4		
– Allocation to general legal reserve		9.3	3.0		
– Distribution of dividend on share and PC capital		120.5	80.0		

1) The notes are on pages 113 – 119.
2) Following changes to accounting principles applied in preparing the 2007 financial statements, the corresponding line items for 2006 were reclassified.

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3. Off-balance-sheet transactions (in CHF millions)

	31 / 12 / 07	31 / 12 / 06	Change absolute	Change as %
Contingent liabilities	**1 319.3**	**960.8**	**358.5**	**37**
Irrevocable commitments	**420.1**	**361.0**	**59.1**	**16**
of which commitments to make payments into a depositor protection fund	*100.7*	92.2	8.5	9
Commitments relating to calls on shares and other equity securities	**110.8**	**114.2**	**– 3.4**	**– 3**
Confirmed credits	**25.9**	**42.3**	**– 16.4**	**– 39**
Fiduciary deposits with other banks	**1 810.6**	**739.0**	**1 071.6**	**145**
Derivative financial instruments				
Positive replacement values	4 398.3	4 525.1	– 126.8	– 3
Negative replacement values	4 085.8	4 284.7	– 198.9	– 5
Values of underlyings	148 740.3	150 632.6	– 1 892.3	– 1

Other contingent liabilities
Joint and several liability with respect to subsidiaries within the BCV VAT group.

4. Accounting and valuation principles

4.1 Overview of operations

See the "Accounting Principles" section on page 68 of this chapter for an overview of BCV's operations.

4.2 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

New accounting treatment

In accordance with offsetting possiblities offered by SFBC financial statement presentation standards, the following changes were made in the preparation of the 2007 financial statements:

- Balance sheet – replacement values of derivative financial instruments: positive and negative replacement values of derivative financial instruments have been netted for counterparties that have signed a netting agreement;
- Balance sheet – own-debt securities held are offset against the corresponding item on the liabilities side of the balance sheet;
- Income statement: commission income generated by and placement fees ("retrocessions") charged to BCV's issuance activities are recognized under "Trading income". Previously, these expenses had been booked to "Fee and commission income".

To facilitate like-for-like comparisons, the corresponding items have been adjusted or reclassified.

4.3 Valuation principles

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

4.3.1 Trading portfolio assets

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

4.3.2 Holdings

This item comprises shares and other equity securities of companies held as long-term investments. Their maximum carrying value is cost less appropriate write-downs.

5. Notes to the balance sheet

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

	31 / 12 / 07		31 / 12 / 06	
	Amount or book value of pledge	Real liabilities	Amount or book value of pledge	Real liabilities
Assets pledged or assigned to Swiss National Bank	187.1	0	136.0	0
Mortgages pledged or assigned to central mortgage-bond institution of Swiss cantonal banks	4 879.8	3 916.0	4 373.3	3 495.0
Other	482.7	482.7	461.4	461.4
Assets pledged or assigned	**5 549.6**	**4 398.7**	**4 970.7**	**3 956.4**

5.2 Own occupational pension funds (in CHF millions)

	31 / 12 / 07	31 / 12 / 06
Balance sheet liabilities	**75.5**	**113.4**

5.3 Value adjustments and provisions
Reserves for general banking risks
Reserve for own equity securities (in CHF millions)

	Status at year-end 2006	Used as allocated	Change in allocation	Recoveries, overdue interest, forex differences	New provisions charged to income statement	Releases credited to income statement	Net change in provisions	Status at year-end 2007
Value adjustments and provisions for credit risk (counterparty and country risks)	999.6	– 222.0		30.8	7.0	– 277.2	– 270.2 [3]	538.2
of which supplementary lump-sum provision [1]	*70.7*					*– 60.0*	*– 60.0*	*10.7*
Other provisions	56.2	– 26.4			7.6	– 2.0	5.6	35.4
of which provisions for the BCV pension fund, "Caisse de pensions de la BCV" [2]	*24.4*	*– 24.3*				*– 0.1*	*– 0.1*	*0*
of which provisions for restructuring	*2.1*	*– 0.3*						*1.8*
Total value adjustments and provisions	**1 055.8**	**– 248.4**		**30.8**	**14.6**	**– 279.2**	**– 264.6**	**573.6**
Value adjustments directly netted with assets	– 14.5							– 10.0
Total value adjustments and provisions shown on the balance sheet	**1 041.3**							**563.6**
Reserves for general banking risks	**555.0**		**– 0.7**		**139.4** [4]			**693.7**
Reserve for own equity securities	**6.5**		**0.8**					**7.3**

1) The supplementary lump-sum provision is defined in section 7.25 of the accounting principles sub-chapter.
2) Provision required to finance changes in actuarial assumptions (taken into account by the "Caisse de pensions de la BCV" as from 1 January 2007), representing the final stage in the reorganization of this pension fund.

New provisions and releases
3) Net amount booked to extraordinary income.
4) Amount booked to extraordinary expenses.

5.4 Equity capital (in CHF millions)

		2007 Number of shares (in units)	2007 Total par value	2006 Number of shares (in units)	2006 Total par value
Share capital					
Registered share, fully paid-up	Par value	CHF 62.50		CHF 62.50	
Status at 1 January		8 590 190	536.9	8 565 190	535.4
Increase in share capital		16 000	1.0	25 000	1.5
Status at 31 December		**8 606 190**	**537.9**	**8 590 190**	**536.9**
of which share capital qualifying for dividends			*537.9*		*536.9*
Participation-certificate capital (PC capital)					
Bearer participation certificate, fully paid-up	Par value	CHF 62.50		CHF 62.50	
Status at 1 January		7 367 790	460.5	11 464 846	716.5
Buyback of participation certificates [1]		– 7 367 790	– 460.5	– 4 097 056	– 256.0
Status at 31 December		**0**	**0**	**7 367 790**	**460.5**
of which PC capital qualifying for preference dividends			*0*		*460.5*
Conditional share capital					
Status at 1 January		16 000	1.0	41 000	2.5
Conditional share capital issued		– 16 000	– 1.0	– 25 000	– 1.5
Status at 31 December		**0**	**0**	**16 000**	**1.0**

Authorized capital

BCV does not have an authorized capital.

1) This transaction is described in section 2.3 of the corporate governance chapter.

Major shareholders and shareholder groups with voting ties	31 / 12 / 07 Number of shares (in units)	31 / 12 / 07 Total par value	31 / 12 / 07 Stake	31 / 12 / 06 Number of shares (in units)	31 / 12 / 06 Total par value	31 / 12 / 06 Stake
Voting rights						
Vaud Canton, direct interest	5 762 252	360.1	66.95%	5 762 252	360.1	67.08%

5.5 Movements in shareholders' equity (in CHF millions)

	Share capital	PC capital	General legal reserve	Reserves for general banking risks	Reserve for own equity securities	Other reserves	Profit / loss for the year	Total equity capital
Status at 1 January 2005	**532.4**	**849.2**	**758.5**	**327.9**	**2.1**	**0**	**316.2**	**2 786.3**
Allocation to other reserves						254.1	– 254.1	0
2004 dividend							– 62.1	– 62.1
Capital increase (paying-in of conditional capital)	1.6		1.3					2.9
Conversion of participation certificates into shares [1]	1.4	– 1.4						0
Partial buyback of participation certificates [1]		– 131.3				– 69.8		– 201.1
Reserve for own equity securities				– 2.1	2.1			0
Allocation to reserves for general banking risks				110.0				110.0
Profit / loss for the year							454.7	454.7
Status at 31 December 2005	**535.4**	**716.5**	**759.8**	**435.8**	**4.2**	**184.3**	**454.7**	**3 090.7**
Allocation to general legal reserve			0.7				– 0.7	0
Allocation to other reserves						384.6	– 384.6	0
2005 dividend							– 69.4	– 69.4
Capital increase (paying-in of conditional capital)	1.5		3.1					4.6
Partial buyback of participation certificates [1]		– 256.0				– 143.9		– 399.9
Reserve for own equity securities				– 2.3	2.3			0
Allocation to reserves for general banking risks				121.5				121.5
Profit / loss for the year							506.4	506.4
Status at 31 December 2006	**536.9**	**460.5**	**763.6**	**555.0**	**6.5**	**425.0**	**506.4**	**3 253.9**
Allocation to general legal reserve			3.0				– 3.0	0
Allocation to other reserves						423.4	– 423.4	0
2006 dividend							– 80.0	– 80.0
Capital increase (paying-in of conditional capital)	1.0		3.7					4.7
Buyback of remaining participation certificates [1]		– 460.5				– 273.2		– 733.7
Reserve for own equity securities				– 0.7	0.8			0.1
Allocation to reserves for general banking risks				139.4				139.4
Profit / loss for the year							463.1	463.1
Status at 31 December 2007	**537.9**	**0**	**770.3**	**693.7**	**7.3**	**575.2**	**463.1**	**3 047.5**

[1] This transaction is described in section 2.3 of the corporate governance chapter.

5.6 Loans to members of governing bodies (in CHF millions)

	31 / 12 / 07	31 / 12 / 06
Loans used	9.6	10.7

More information on compensation and loans to members of the governing bodies can be found in section 11.12 of the consolidated financial statements.

5.7 Receivables and commitments in respect of affiliated companies (in CHF millions)

	31 / 12 / 07	31 / 12 / 06
Loans and advances to customers	39.3	42.8
Mortgage loans	15.0	14.3
Financial investments	6.8	0.9
Receivables	**61.1**	**58.0**
Customer savings and investment accounts	0	2.1
Other customer accounts	122.5	191.2
Commitments	**122.5**	**193.3**

Transactions with affiliated companies are conducted on market terms.

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

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

	2007	2006
Capital on deposit at 1 January	**788.8**	**1 058.6**
Movements:		
Net payment surplus during the financial year	– 132.9	– 271.1
Capitalization of net interest at 31 December	1.2	1.3
Net change	– 131.7	– 269.8
Total capital on deposit at 31 December	**657.1**	**788.8**
of which guaranteed by the Canton of Vaud	490.6	582.3

	31 / 12 / 07	31 / 12 / 06	Change
Breakdown by type of service			
Registered savings books and accounts	278.9	310.1	– 31.2
Senior citizens' savings books and accounts	148.0	176.7	– 28.7
Bearer savings books	211.7	278.8	– 67.1
Youth savings books and accounts	18.5	23.2	– 4.7
Total	**657.1**	**788.8**	**– 131.7**

6. Notes to the income statement

6.1 Net trading income by sector (in CHF millions)

	2007	2006	Change absolute	Change as %
Foreign currency and precious metals	40.2	38.7	1.5	4
Banknotes	9.4	9.7	– 0.3	– 3
Securities (less refinancing costs) and derivatives	27.1	46.9	– 19.8	– 42
Fee and commission expense	– 10.4	– 8.5	1.9	22
Total	**66.3**	**86.8**	**– 20.5**	**– 24**

Following changes to accounting principles applied in preparing the 2007 financial statements, the corresponding line items for 2006 were reclassified.

7. Appropriation of profit: proposal by the Board of Directors

The Board of Directors will recommend to the General Meeting of Shareholders, to be held on 24 April 2008, appropriation of available earnings of CHF 463.1m as follows:

	Dividend in CHF per registered share	Number of shares (in units)	Dividend in CHF millions
Payment of an ordinary dividend of	14.00	8 606 190	120.5
Allocation to general legal reserve			9.3
Allocation to other reserves			333.3
			463.1

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 29 April 2008 onwards.

8. Report of the Regulatory Auditors to the General Meeting of Banque Cantonale Vaudoise, Lausanne

As regulatory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes, pages 108 to 119) of Banque Cantonale Vaudoise for the year ended 31 December 2007.

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 Swiss auditing standards, 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 SA

Olivier Gauderon	Philippe Cordonier
Swiss Certified Accountant	Swiss Certified Accountant
Auditor in Charge	

Geneva, 7 March 2008

9. Confirmation of the Regulatory Auditors to the Board of Directors in respect of the conditional capital increase

Banque Cantonale Vaudoise, Lausanne
As regulatory auditors of Banque Cantonale Vaudoise, Lausanne, we have, in accordance with the provisions of Swiss law, audited the issue of new shares related to the employee and executive incentive plan of Banque Cantonale Vaudoise during the period between 1 January 2007 and 30 April 2007 in accordance with the decisions of the general meetings of 14 May 1997, 30 October 2002 and 5 February 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 16,000 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 SA

Philippe Cordonier	Olivier Gauderon
Swiss Certified Accountant	Swiss Certified Accountant

Geneva, 30 April 2007

BCV strives to meet its responsibilities by responding transparently to SWX requirements and constantly improving its corporate governance.

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General principles

BCV is aware of its responsibilities and meets corporate governance requirements. It strives to:

- comply with the principal standards of corporate governance. BCV follows the recommendations contained in the Swiss Code of Best Practice for Corporate Governance[1] whenever they are compatible with its status as a corporation organized under public law;

- carry out regular reviews of its organization with regard to the Bank's present needs and future growth, and ensuring that all members of management are involved in its operational procedures;

- communicate transparently. The information provided in this chapter complies with the directive on information relating to corporate governance issued by the SWX Swiss Exchange on 1 July 2002[2] and amended in 2003, 2004, 2006 and 2007;

- materially and continuously improve the information it publishes, in particular by means of its annual report and a separate report on corporate social responsibility, which will be published for the first time in April 2008.

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 20 June 1995 Governing the Organization of Banque Cantonale Vaudoise, all of which are available on the internet[3].

1) An English translation of this text, by Prof. Peter Böckli, may be found at www.economiesuisse.ch.
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_20070101-1_en.pdf
3) www.bcv.ch/en (some website pages are only available in French).

1. Group structure and shareholders

1.1 Group structure

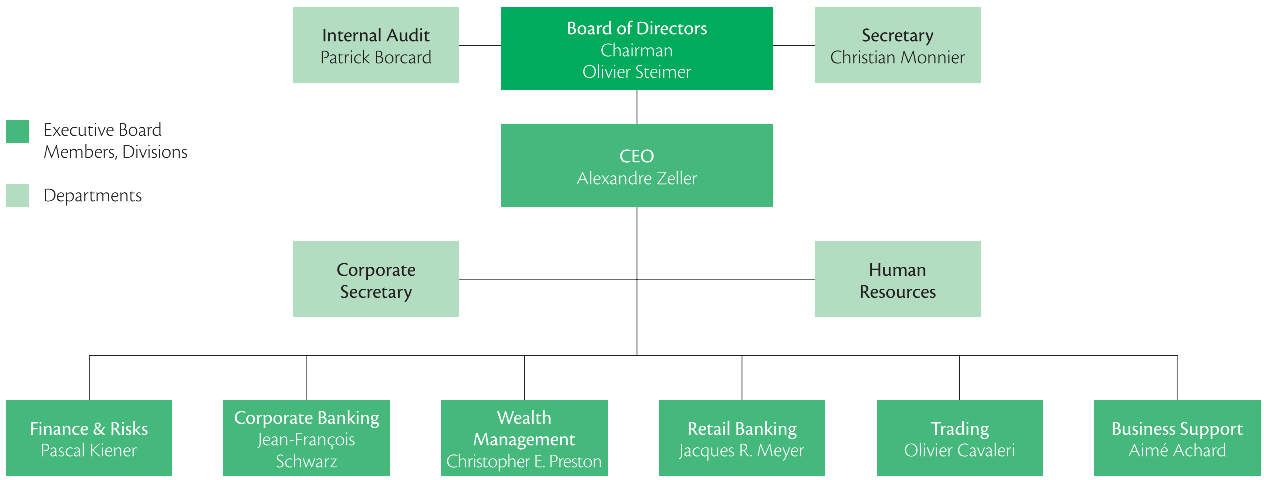
1.1.1 Group operational structure (at 31 December 2007)

Details of all BCV Group companies are shown under "Scope of Consolidation" in the Consolidated Financial Statements (page 79). BCV is the only listed company included in the Group's scope of consolidation.

1.1.2 Listed companies included in the scope of consolidation

Company name	Banque Cantonale Vaudoise
Legal status	Corporation organized under public law, established on 19 December 1845 by Council Decree of the Vaud Cantonal Parliament (Grand Conseil vaudois) and governed by the Act of 20 June 1995, as amended on 25 June 2002 and 30 January 2007
Registered office	Place Saint-François 14, 1003 Lausanne, Switzerland
Stock exchange listing	BCV shares are listed on the SWX Swiss Exchange
Market capitalization	At 31 December 2007, the value of BCV's listed shares with a par value of CHF 62.50 was CHF 4.312bn
Security number	1.525.171
ISIN code	CH 00015251710

Group operational structure (at 31 December 2007)



1.1.3 Unlisted companies included in the scope of consolidation (at 31 December 2007)

At the operational level, each of the principal subsidiaries reports to a BCV division according to the type of business in which it engages (see chart below).

In principle, each Head of Division is also a member and/or chair of the Board of Directors of each subsidiary attached to his or her division.

The share capital of BCV's principal subsidiaries and the holdings of the parent company are shown under sections 9 and 10 of the Consolidated Financial Statements (pages 79 and 80). 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. A case in point is Initiative Capital SA, whose business is acquiring holdings in start-up companies, mostly in the Lake Geneva area.

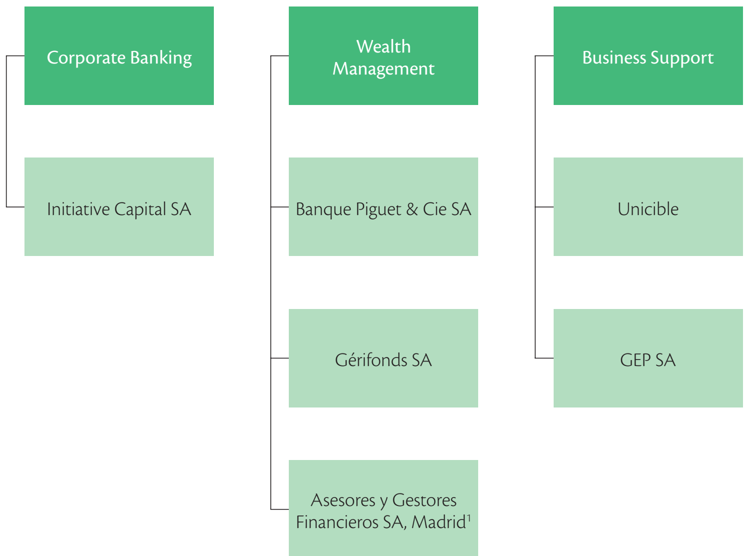
1.2 Major shareholders

At 1 January 2008, the Canton of Vaud held 67% of the Bank's share capital. No other shareholder is known to hold an interest of 5% or more in either the voting rights or capital. BCV Group is currently unaware of any shareholders' pacts. Registered shareholders other than the Canton of Vaud represented around 14.3% of the Group's capital at 31 December 2007.

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.

Unlisted companies included in the scope of consolidation (at 31 December 2007)



[1] BCV reached an agreement to sell this stake to the Spanish company's Spanish shareholders; this transaction should take place in the first quarter of 2008, subject to approval by the regulatory authorities.

2. Capital structure

Equity capital (registered shares)	CHF 537,886,875

Authorized capital	None
Conditional capital	None
Employee stock-options	None

2.1 Share capital

Information on the Bank's share capital and changes in 2005, 2006 and 2007 may be found in sections 5.4 and 5.5 of the notes to the Parent Company Financial Statements (pages 115 and 116). Additional information on the Group's capital is shown on pages 67 and 68 of the Consolidated Financial Statements.

At 31 December 2007, the Bank's share capital stood at CHF 537,886,875 and consisted of 8,606,190 registered shares with a par value of CHF 62.50.

2.2 Conditional capital

As part of BCV's profit-sharing plan, the remaining 16,000 shares totaling CHF 1m were offered at a preferential price to all BCV employees in 2007. As a result, there was no conditional capital at 31 December 2007, and the Articles of Incorporation were modified.

2.3 Changes in capital structure in the 2005, 2006 and 2007 financial years

Change in capital structure
Number of shares

Equity capital	31/12/2005	31/12/2006	31/12/2007
Share capital (fully paid-in registered shares)	8,565,190	8,590,190	8,606,190
Participation-certificate capital (fully paid-in participation certificates)	11,464,846	7,367,790	0
Conditional capital	41,000	16,000	0

Change in shareholders' equity – Group (CHF millions)

Total equity	31/12/2005	31/12/2006	31/12/2007
Equity capital (fully paid-in)	1251.9	997.4	537.9
Capital reserves and retained earnings	1520.1	1839.1	1964.0
Reserve for general banking risks	442.0	564.1	704.0
Minority interests in shareholders' equity	15.1	18.0	19.2

Main changes in 2005

The Special Meeting of Participation-Certificate Holders and the Annual Shareholders' Meeting held on 12 May 2005 approved the conversion of the 22,110 participation certificates not owned by Vaud Canton into fully paid-in registered shares with a par value of CHF 62.50 on a 1:1 basis. Consequently, the participation-certificate capital was reduced by a nominal amount of CHF 1,381,875 to CHF 847,802,875, consisting of 13,564,846 participation certificates. Following the decision at the same Annual Shareholders' Meeting to reduce the participation-certificate capital by canceling 2,100,000 certificates, this capital decreased from CHF 847,802,875 to CHF 716,552,875 at 31 December 2005, consisting of 11,464,846 certificates with a par value of CHF 62.50.All of this participation-certificate capital has been held by Vaud Canton since that date.

On 26 April 2005, the Board of Directors released a new tranche of conditional capital worth CHF 1,562,500 by issuing 25,000 shares with a par value of CHF 62.50 at a price of CHF 112.50, with ex-date 1 January 2005.

Main changes in 2006

The Annual Shareholders' Meeting held on 27 April 2006 approved a resolution to reduce the participation-certificate capital by canceling 4,097,056 certificates. As a result, the Group bought back a second tranche of certificates on 5 July 2006 for CHF 400m. The participation-certificate capital was thus reduced from CHF 716,552,875, consisting of 11,464,846 participation certificates, to CHF 460,486,875, consisting of 7,367,790 participation certificates with a par value of CHF 62.50 (figures at 31 December 2006).

On 21 April 2006, the Board of Directors released a new tranche of conditional capital worth CHF 1,562,500 by issuing 25,000 shares with a par value of CHF 62.50 at a price of CHF 187.50, with ex-date 1 January 2006.

Main changes in 2007

The Annual Shareholders' Meeting held on 26 April 2007 approved a resolution to cancel the participation-certificate capital by canceling the remaining 7,367,790 certificates, and modified the Articles of Incorporation accordingly. On 4 July 2007, the Bank bought back the third and final tranche of participation-certificate capital for CHF 733.7m in accordance with the agreement between BCV and Vaud Canton signed by the parties on 17 December 2004 and approved by the Vaud Cantonal Parliament on 15 March 2005. There was no participation-certificate capital remaining at 31 December 2007.

On 18 April 2007, the Board of Directors released the final tranche of conditional capital worth CHF 1m by issuing 16,000 shares with a par value of CHF 62.50 at a price of CHF 293.75, with ex-date 1 January 2007.

2.4 Shares and participation certificates

Registered shares at 31 December 2007

Number of shares	8,606,190
Proposed dividend	CHF 14
Par value	CHF 62.50
Stock-exchange listing	SWX
Voting rights	One voting right per share

As stated above, the participation-certificate capital was abolished following the resolution adopted by the Annual Shareholders' Meeting held on 26 April 2007 and the buyback of the final tranche of 7,367,790 participation certificates on 4 July 2007.

In 2007, a preference dividend of CHF 2.69 for the 2006 financial year was paid on the participation certificates, all of which were held by Vaud Canton.

2.5 Dividend-right certificates

BCV has not issued any dividend-right certificates.

2.6 Restrictions on transfers and registration of nominees

The terms governing transfers of registered shares are set out in Article 13 of BCV's Articles of Incorporation.

2.6.1 Restrictions on transfers

Excerpt from the Articles of Incorporation:

Article 13 - Transfers of registered shares

The transfer of any registered share and its entry in the share register shall be subject to approval by the Board of Directors. (...) If the Board of Directors does not reject the request within twenty days, the acquirer shall be recognized as a shareholder with voting rights.

The Board of Directors may refuse to register an acquirer as a shareholder with voting rights:

a) in respect of a shareholding exceeding 5% of the Bank's share capital held by a single shareholder or group of shareholders as defined by the Federal Act on Stock Exchanges and Securities Trading. (...) That limit shall not apply to the Canton of Vaud or any third party to which the Canton of Vaud sells part of its shareholding, or to the takeover of a company or part of a company;
b) if a shareholder does not expressly state, when requested to do so, that he/she has acquired the shares in his/her own name and for his/her own account;
c) if and so long as his/her recognition could prevent the Bank from furnishing proof of the shareholder base required under Swiss law.

End of excerpt from the Articles of Incorporation.

2.6.2 Exemptions granted during the financial year

No exemptions were granted during the financial year.

2.6.3 Registration of nominees

The Board of Directors may refuse the registration of an acquirer as a shareholder with voting rights unless he or she expressly states, when requested to do so, 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 (Article 11, paragraphs 3 and 4 of the Cantonal Act of 20 June 1995 Governing the Organization of Banque Cantonale Vaudoise), in compliance with the rules applicable to any resolution of the Shareholders' Meeting.

2.7 Convertible bonds and options

There were no convertible bonds outstanding at 31 December 2007. However, 5,000,000 BCVN call warrants issued on 19 October 2007 and maturing on 20 June 2008 were outstanding at that date. The exercise price is CHF 640, and 50 warrants entitle the holder to buy one BCV registered share. This is a public issue by BCV Lausanne listed on the SWX. The total amount of share capital involved is CHF 6,250,000.

For the same period, 5,000,000 BCVN put warrants were issued. The exercise price is CHF 500, and 50 warrants entitle the holder to sell one BCV registered share. This is a public issue by BCV Lausanne listed on the SWX. The total amount of share capital involved is CHF 6,250,000.

Furthermore, 7,000,000 LEMAN DEFENSIVE "worst-of" certificates were issued for the period 1 February 2007 to 1 February 2008 on the following underlying assets: ABBN, BCVN and RUKN. The exercise price is CHF 21.75 for ABBN, CHF 636 for BCVN and CHF 105.50 for RUKN. If, at the end of the period, the closing price of one or more of the underlying assets is less than or equal to its exercise price, the investor will take delivery of the worst-performing underlying asset. The number of shares of the underlying asset delivered will be determined according to the initial ratio. Any fraction will be paid in cash. In all cases, payment of the 14.60% coupon is guaranteed and paid in cash. This is a public issue by BCV Lausanne. The total amount of share-capital involved is CHF 687,937.50.

Finally, 6,731 OTC put options and the same number of OTC call options were outstanding at 31 December 2007. Each put or call option entitles the holder to sell or buy one BCV share.

3. Board of Directors

3.1 Members of the Board of Directors

At 31 December 2007, the Board of Directors comprised only non-executive members. 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.

Name, birth date and nationality	Education	Career experience
Olivier Steimer, 1955, Swiss citizen	Law degree from Lausanne University	Chairman of the Board of Directors since 30 October 2002. After completing his university studies and a number of banking and finance internships, Mr. Steimer joined Credit Suisse, where from 1983 onwards he was appointed to progressively increasing levels of responsibility as Head of the Nyon branch office and then Head of Investment Advisory Services in Lausanne. 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 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, 1942, Swiss citizen	Swiss Federal Banking Diploma	Mr. Hasenfratz joined the Board of Directors on 1 April 2002 and served as Vice-Chairman from February 2003 through 31 December 2007. His long banking career has included several internships with US banks and brokerages, and he has attended numerous 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 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 CEO from March 1992 until March 2002.
Stephan A.J. Bachmann, 1946, Swiss citizen	Certified accountant	Mr. Bachmann joined the Board of Directors on 1 January 2008 and has chaired the Audit Committee since that date. Following his banking training and periods abroad in England and Italy, he continued his career with PricewaterhouseCoopers. Beginning in 1969, he worked for the Schweizerische Treuhandgesellschaft in Basel and New York, before taking up a position with Coopers & Lybrand SA in Lausanne. He was subsequently transfered to Geneva, where from 1988 to 1991 he was given responsibility for Switzerland. He was then put in charge of Audit and Advisory on the Management Board of STG-Coopers & Lybrand SA. In 1998, Mr. Bachmann was appointed to the Board of Directors of PricewaterhouseCoopers where, as a member of the Management Board, he was head of Audit until 30 June 2006, at which point he brought his long career in accounting to a close. He also participated in the international activities of PricewaterhouseCoopers through Eurofirms Assurance Core Team and the International Accounting Board. Through 2005, Mr. Bachmann was a board member of the Chambre Fiduciaire and of Educaris AG, which is involved in professional training in accountancy.

Beth Krasna, 1953, Dual Swiss and US citizen	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 five years at Philip Morris, Ms. Krasna spent ten years in the venture capital business, three years as a consultant and a further ten years in the corporate restructuring field as managing director of Valtronic in Les Charbonnières (1992-1996) and Symalit in Lenzburg, before becoming CEO of Sécheron SA in Geneva (1998-2000). From 2001 to 2003, she was CEO of the Lausanne-based software company Albert-Inc. SA. Since 2004, she has been an independent non-executive director for various companies.
André Pugin, 1947, Swiss citizen	Degree in civil engineering from the Federal Institute of Technology in Lausanne and a diploma from INSEAD in Paris	Mr. Pugin 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, 1955, Swiss citizen	Doctorate in law from Lausanne University and member of the Bar of Vaud Canton. Degree in physics and a certificate in business management, both from the Federal Institute of Technology in Lausanne	Mr. Recordon 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, 1950, Swiss citizen	PhD in economics with a specialization in political economy from the University of Geneva	After working as an assistant in the Department of Political Economy at Geneva University, Mr. Sanglard was employed as an economist in the Swiss Federal Office of External Economic Affairs. From 1978 to 1979, he was a research fellow at Stanford University and the Massachusetts Institute of Technology. In 1979, he was appointed Head of Jura Canton's public revenue office. He became a lecturer in public finance at the University of Geneva in 1982, and between 1984 and 1989 he was a member of the World Economic Forum Executive Committee. Mr. Sanglard has been a freelance economist since 1989.
Jean-Luc Strohm, 1941, Swiss citizen	Degrees in law and economics from the University of Lausanne	Vice-Chairman of the Board of Directors since 1 January 2008. After completing his studies, Mr. Strohm 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, where, in 1985, he was put in charge of the Corporate Banking Department. Mr. Strohm left UBS in 1993 to become Director of the Lausanne-based Vaud Chamber of Commerce and Industry, a position which he held until June 2005.

3.2 Other activities and business relations

Olivier Steimer	• Member of the Board of Directors of Swiss Federal Railways, Bern • Chairman of the Board of the Swiss Finance Institute Foundation, Zurich • Chairman of the committee of the Lausanne University construction office, Lausanne • Board member of the following foundations: Foot Avenir, Paudex; Pro Aventico, Avenches; BCV Foundation, Lausanne; Studienzentrum Gerzensee, Gerzensee; Espoir pour personnes en détresse, Murten
Paul Hasenfratz	• Vice-Chairman of the Swiss Banking Ombudsman Foundation • Member of the boards of the Hasler Foundation, Bern, and the Max Bircher Foundation, Zurich • Member of the boards of Siska Heuberger Holding AG in Winterthur and Die Werke Versorgung Wallisellen AG • Chair of the Institute for Capital and Economy, Küsnacht
Stephan A.J. Bachmann	• Member of the Board of Directors of Mitreva Treuhand und Revision AG, Zurich • Chairman of the Ethics Committee of the Chambre Fiduciaire
Beth Krasna	• Member of the Board of Governors of Switzerland's Federal Institutes of Technology • Member of the Swiss Academy of Engineering Sciences • Member of the Board of Directors of Raymond Weil SA, Geneva • Member of the Board of Directors of Coop, Basel • Member of the Board of Directors of Bonnard & Gardel Holding SA, Lausanne
André Pugin	• Member of the Swiss Association for the Space Industry, Zurich • Member of the Federal Commission for Space Affairs, Bern • Member of the Swiss Natural Science Association (Committee for Space Affairs), Bern • Member of the Swiss Academy of Technical Sciences, Zurich
Luc Recordon	• Committee member (and former president) of the Lausanne Section of the Swiss Tenants' Association (ASLOCA), and the Vaud Section of the Swiss Transport and Environment Association (ATE - VD), and Chair of the semi-annual meeting of AVDEMS, Pully • Local councilor for Jouxtens-Mézery • Member of the upper house of the Swiss Parliament and the Vaud Green Party Committee • Chairman of the Board of Directors of Coopérative Tunnel-Riponne (CTR), Lausanne • Member of the boards of directors of the following companies and foundations: 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; International Hotel and Tourism Training Institutes SA (IHTTI), Neuchâtel; and Association E-Changer, Partenaire dans l'échange et pour le changement, Fribourg
Paul-André Sanglard	• Vice-Chairman of the Board of Directors of Vaudoise Assurances and Chairman of its pension funds • Chairman of the Board of Directors of Banque Cantonale du Jura, Porrentruy • Chairman of the Board of Ophthalmology Network Organization, Geneva • Member of the Board of Directors of TSM, La Chaux-de-Fonds • Chairman of the Board of Directors of British American Tobacco Switzerland SA, Boncourt • Member of the Board of Directors of Apinvest SA, Geneva • Member of the Foundation Board of FITEC, Délémont
Jean-Luc Strohm	• Member of the Board of Directors of Eurochambres, Brussels • Executive Chairman of Renaissance PME, a Swiss investment foundation, Lausanne • Vice Chairman of the foundation to create a new Cantonal Museum of Fine Arts, Lausanne • Chairman of the Félix Vallotton Foundation, Lausanne

3.3 Interdependencies

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

3.4 Election and terms of office

3.4.1 Principles

Pursuant to the Articles of Incorporation, the Board of Directors is composed of seven, nine or eleven members. The Chairman and half of the other members are appointed by the Vaud Cantonal Government. The remaining members are elected individually by shareholders at the Annual Shareholders' Meeting, with the Cantonal Government abstaining from voting.

The Chairman and other members of the Board of Directors are appointed for a period of four years. Their term of office may be renewed, but the total term may not exceed 16 years. They are required to step down at the end of the calendar year in which they reach the age of 70.

3.4.2 First election and term of office

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

3.5 Internal organization

3.5.1 Allocation of tasks

The Chairman of the Board of Directors is Olivier Steimer. The Vice-Chairman was Paul Hasenfratz until 31 December 2007, the date on which his resignation took effect; he was replaced as Vice-Chairman by Jean-Luc Strohm, who was already a member of the Board. The other Board members are Beth Krasna, André Pugin, Luc Recordon, Paul-André Sanglard and Stephan A.J. Bachmann; Mr. Bachmann joined the Board on 1 January 2008.

Pursuant to the Articles of Incorporation and the by-laws, the Board of Directors may delegate some of its responsibilities to committees drawn from among its members, except as otherwise provided by law.

The Board of Directors has set up an Audit Committee and a Compensation, Promotions and Appointments Committee. Neither committee has decision-making powers. Their responsibility is to prepare Board resolutions and submit opinions. The Board of Directors may create other special committees to deal with matters that are to be submitted to the Board.

3.5.2 Committees: composition and terms of reference

Audit Committee

In 2007, the Audit Committee was made up of Paul Hasenfratz (Chairman), Beth Krasna, Paul-André Sanglard and Jean-Luc Strohm. On 1 January 2008, Stephan A.J. Bachmann replaced Paul Hasenfratz as Chairman.

The Committee reviews the Bank's financial data as well as reports from the Head of Internal Audit, the Chief Risk Officer, the Chief Compliance Officer and the Head of the Legal Department on a quarterly basis. The Committee has no decision-making authority and submits its conclusions to the Board of Directors.

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 and risk-assessment policy, and gives its opinion on the qualifications

Members of the Board of Directors	Year of birth	Date of first election	Latest possible expiration of term of office	Appointed by
Olivier Steimer (Chairman)	1955	30 October 2002	2018	Vaud Government[1]
Paul Hasenfratz (Vice-Chairman)[3]	1942	1 April 2002	2012	Vaud Government[1]
Jean-Luc Strohm (Vice-Chairman)[3]	1941	30 October 2002	2011	Shareholders' Meeting[2]
Stephan A. J. Bachmann	1946	1 January 2008	2016	Vaud Government
Beth Krasna	1953	30 October 2002	2018	Shareholders' Meeting[2]
André Pugin	1947	30 October 2002	2017	Shareholders' Meeting[2]
Luc Recordon	1955	1 February 2002	2018	Vaud Government[1]
Paul-André Sanglard	1950	30 October 2002	2018	Vaud Government[1]

1) Term of office renewed until end-2009

2) Term of office renewed at 2006 Annual Shareholders' Meeting until 2010

3) Paul Hasenfratz resigned from his position on 31 December 2007, and Jean-Luc Strohm became Vice-Chairman on 1 January 2008

of the internal auditors and the cooperation of Bank units in audit procedures. The Head of Internal Audit also briefs the Committee on matters pertaining to BCV's organization and operations, and provides an analysis of the main risks. Furthermore, the Committee gives its own appraisal of the Internal Audit Department and reviews the status of litigation involving BCV.

The Audit Committee meets for at least one full day every quarter to accomplish its duties, which are set out in detail in an Audit Committee Charter posted on the BCV website, and to review other matters related to its activities. A further meeting is dedicated essentially to the closure of the annual accounts.

The Head of Internal Audit attends all Audit Committee meetings, with the exception of those focusing on certain issues. Depending on the agenda, representatives of the external auditors, members of the Executive Board (including the Chief Financial Officer), the Chief Risk Officer, the Chief Compliance Officer, the Head of the Legal Department and other members of senior management 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. In addition, the Committee is responsible for ensuring the quality and independence of the work performed by both the internal and external auditors. It discusses the contents of the parent company's audit reports, together with those of the subsidiaries, as part of a consolidated review. It oversees implementation of the auditors' recommendations by means of an itemized follow-up, and submits the audit plans to the Board of Directors for approval.

Apart from its regular duties, the Audit Committee was kept informed in 2007 about developments in the area of BCV's impaired loans and accrued and deferred items. It also attended a one-day training seminar on equity derivatives and operational risks given in part by outside specialists. In addition, BCV's Audit Committee and the Audit Committee of Basel-City Cantonal Bank met to discuss and compare their experiences and operational procedures.

Once a year, the Audit Committee conducts a detailed evaluation of the internal and external auditors as well as a self-assessment.

Compensation, Promotions and Appointments Committee

In 2007, the Compensation, Promotions and Appointments Committee consisted of Olivier Steimer (Chairman), André Pugin and Luc Recordon. The CEO takes part in an advisory capacity.

The Committee, which has no decision-making authority, defines the profile required for the Chairman and the other members of the Board of Directors, as well as for the CEO and the other members of the Executive Board.

It draws up and prioritizes proposals for the selection and hiring of the Bank's senior executives and examines the Board of Directors' compensation system. It also prepares and prioritizes recommendations for the Board of Directors on decisions concerning the remuneration of the Chairman of the Board of Directors (in his or her absence), the CEO, the Executive Board members and the Head of Internal Audit, as well as the Bank's overall compensation policy and level.

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

Finally, it makes recommendations on executive appointments and promotions.

Other committees

The temporary committee formed in 2003 to handle all ongoing legal proceedings involving BCV's former governing bodies continued to sit in 2007. This committee is composed of Luc Recordon (Chairman), Beth Krasna and Olivier Steimer.

Riding a big kid's bike!

3.5.3 Operational procedures of the Board of Directors and its committees

The Board of Directors held 14 plenary meetings in 2007, each generally lasting a full day. It also went on two 2-day retreats, in part with the Executive Board, and had three conference-call meetings. Finally, two meetings were held between all the members of the Board of Directors, the CEO and the Vaud Cantonal Government.

The Board committees meet whenever required by the business at hand. In 2007, the Audit Committee met five times and took part in a one-day training seminar; the Compensation, Promotions and Appointments Committee met four times.

Board members receive all minutes of committee meetings. The chair of each committee informs members at Board meetings of important issues addressed by the committees, and answers any questions raised by them. For the committees' operational procedures, see section 3.5.2.

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

On occasion, outside specialists are invited to attend Board or committee meetings to present a specific topic.

The Board of Directors has adopted an operational procedure between itself and the Executive Board with a subject-by-subject description and schedule of the tasks to be performed. This "modus operandi" establishes the frequency with which matters are handled by the two Boards, including their committees, and in which form. The objective is good governance with an integrated vision, i.e., to ensure that all pertinent issues are addressed at the right level, that the time available to the Boards and committees is allocated optimally and that their involvement is fully consistent with their responsibility (see also section 3.7).

3.5.4 Performance appraisal of the Board of Directors

The Board of Directors sets itself annual objectives which are as concrete as possible. It carries out an analysis every six months to determine whether these objectives have been achieved, and also reviews and improves its procedures on a regular basis.

Furthermore, the Board sets objectives for its Chairman. The Vice-Chairman and the other members of the Board meet, in the Chairman's absence, to evaluate the degree to which these objectives have been met. This evaluation serves as the basis for establishing the Chairman's fixed and variable compensation.

3.6 Powers

The Board of Directors establishes the Bank's general policy. It directs the Bank's affairs at the highest level and issues the necessary instructions. It also supervises the management of the Bank and those entrusted with the management. In addition, it verifies the accomplishment of BCV's corporate mandate, as defined in Article 4 of the Cantonal Act Governing the Organization of Banque Cantonale Vaudoise, and sets the benchmark mortgage rate for determining rents, in accordance with federal law.

As of 1 January 2008, responsibility for setting this rate has been transfered to the Federal Department of Economic Affairs. However, no changes are likely to be published before 1 September 2008, and BCV will continue to be responsible for the rate in Vaud Canton until then.

The Board of Directors exercises the inalienable powers described in Article 24, paragraph 4 of the Articles of Incorporation and carries out all duties that have not been assigned to BCV's other boards pursuant to the law, the Articles of Incorporation or the by-laws.

It also has the following responsibilities:
The Board of Directors determines which companies belong to BCV Group, in accordance with the legal provisions applicable to the consolidated scope of surveillance. Subject to the non-transferable and inalienable powers of the subsidiaries, it exercises the same powers relative to the Group, through the directives that BCV issues and the instructions that BCV gives its representatives within the Group. It decides on the creation, acquisition, sale

and liquidation of subsidiaries and branch offices and of representative offices abroad. It validates the Bank's investment and growth policy, and reviews it periodically.

It ensures that systems for the preparation of financial statements and for financial planning are implemented and maintained, and that these systems meet regulatory requirements and those related to internal and external audits. It sets upper limits for the Bank's own-account operations and for international business dealings.

In terms of appointments, the Board of Directors has a number of responsibilities that fall outside the powers defined in Art. 24 para. 4 of the Articles of Incorporation. In agreement with the Vaud Cantonal Government, it determines the conditions governing the appointment of its chairman and any subsequent changes thereto. It appoints and removes the Head of Internal Audit along with all executives in that department with the rank of lead auditor or equivalent, and appoints and removes Bank executives with signing authority. It sets the compensation of its members, the Head of Internal Audit, the CEO and, upon the CEO's recommendation, the other members of the Executive Board. It also sets the Bank's overall compensation level. It validates the employee handbook and the conditions applicable to the Executive Board. It determines the method of signing used by the Bank, which is the joint signature of two persons.

The Board of Directors determines the organization and defines terms of reference by means of by-laws, the organization chart for divisions and departments, other regulations and tables of terms of reference: in particular, it draws up the quantified terms of reference assigned to the Executive Board. It approves the Bank's credit policy upon recommendation of the Executive Board, and the technical standards and regulations governing lending authority upon recommendation of the Executive Board's Credit Committee. It decides on the granting of loans to members of the Board of Directors or Executive Board.

It reviews the independent auditor's annual reports, with each member of the Board of Directors certifying that he or she has read them, along with the activity reports submitted by the Internal Audit Department. It prepares the reports, accounts and other documents and proposals that are to be presented to the Shareholders' Meeting and approves the strategic development and investment plans. Finally, it approves the budget and the objectives defined by the Executive Board.

The Board of Directors determines the Bank's financial strategy, risk management policy and strategy and credit policy, and reviews them periodically. In this way, it sets out the overall framework for balance-sheet and risk management for the Executive Board. It monitors implementation of the balance-sheet and risk management policy, in particular through a review of periodic risk-assessment reports prepared in accordance with its instructions and of those required by the regulatory authorities.

For all other matters, refer to the operational procedure set up by the Board of Directors and described in section 3.5.3.

The Executive Board is responsible for managing and directly monitoring the Bank's business. Its powers include defining the terms and procedures of operations listed in Article 4 of the Articles of Incorporation which are governed by Article 4 of the Cantonal Act Governing the Organization of Banque Cantonale Vaudoise. It has the power to institute legal proceedings and represent the Bank in a court of law; it keeps the Board of Directors informed of any such situation.

Furthermore, the Executive Board implements the decisions made by the Board of Directors. It ensures that the organization and internal audit procedure in place at BCV meet the needs of the Bank's business activities and growth; to this effect, it issues the necessary directives and exercises appropriate oversight. It ensures that activities and processes are properly coordinated among the divisions and strategic units.

The Executive Board draws up the Bank's financial strategy through its Asset and Liabilities Management Committee (ALCO), the risk management policy and strategy through its Risk Management Committee, and the credit policy through its Credit Committee. It is responsible for preparing periodic risk-assessment reports in accordance with the instructions of the Board of Directors and prepares all documents that will be used in the decision-making and monitoring processes relative to operations and business dealings that involve special risks. It is responsible for overall risk management within the framework set by the Board of Directors, regularly verifies compliance with disclosure and reporting requirements defined by the regulatory authorities, and monitors compliance with risk exposure limits set by the Board of Directors.

After the financial statements are approved by the Board of Directors, the Executive Board publishes them, prepares the cash flow statement and the shareholders' equity statement and publishes them in accordance with current regulations. It draws up the budget of foreseeable revenues and expenses and submits it to the Board of Directors. It sets the rates and conditions applicable to the Bank's various types of operations.

It may issue or decide to participate in public or private bond offerings for the Bank's own account, buy, sell, equip or renovate buildings within the limits set by the Board of Directors and carry out other own-account operations within the criteria specified by the Board of Directors. It may approve the outsourcing of activities in compliance with the directives of the Swiss Federal Banking Commission.

Subject to the powers of the Board of Directors, it hires and dismisses employees whose rights, obligations and responsibilities are defined in the employee handbook. It appoints and removes executives who have signing authority as assistant vice-president or authorized officer, and submits proposals to the Board of Directors concerning its nominees for positions as executives with group signing authority. It can dismiss these executives in an emergency and, if so, informs the Board of Directors. It makes recommendations on the Bank's overall compensation level to the Board of Directors, through the Compensation, Promotions and Appointments Committee.

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 all the operations of the Bank and the Group. It is also assisted in this task by the external auditors. In addition to approving the financial statements, the Executive Board sends (and in some cases presents) quarterly reports on the following issues to the Board of Directors: risks, asset and liability management, the Bank's equity capital, compliance, legal, human resources, investor relations and investment policy. It also provides half-yearly reports on impaired loans and the trading and payment back offices. These activities take place within the scope of the "modus operandi" described in point 3.5.3. The Board of Directors is also provided with regular updates on business trends and with budget reports.

The CEO attends all meetings of the Board of Directors, including retreats. The CFO is always present when there are items on the agenda concerning the financial statements, risks and asset and liability management (ALM). In principle, Executive Board members attend whenever issues relating to their division are under discussion. Executive Board members in charge of front-office divisions give the Board of Directors a detailed business review twice a year.

No member of the Board of Directors belongs to the Executive Board or exercises any management function whatsoever at the Bank or its subsidiaries, in compliance with the principle of independence stipulated in Article 8, Paragraph 2 of the Swiss Federal Implementing Ordinance on Banks and Savings Institutions

Internal Audit Department

The Internal Audit Department is a constituent entity of BCV pursuant to Article 14 of the Articles of Incorporation. It reports directly to the Board of Directors. It performs regular audits of all the Bank's operations and has an unlimited right to access information for this purpose. Its organization, sphere of operations, procedures and cooperation with the external auditors are defined in its regulations. The Department is independent of the Executive Board. Its responsibilities extend to all entities directly or indirectly controlled by the Bank in the areas of banking, finance and IT.

It performs regular audits and submits detailed post-audit reports as well as quarterly reports to the Executive Board, the Audit Committee and the Board of Directors. The Head of Internal Audit attends all Audit Committee meetings (see section 3.5.2).

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 (NB: pursuant to Article 27 of the Articles of Incorporation adopted at the Annual Shareholders' Meeting of 26 April 2007, henceforth only the CEO is appointed by the Vaud Cantonal Government, while the other members are appointed by the Board of Directors):

Name, year of birth and nationality	Position and start date	Education	Career path
Alexandre Zeller, 1961, Swiss citizen	CEO since 1 November 2002	Degree in economics from the University of Lausanne in 1982 Advanced Management Program at Harvard Business School in 1999	Mr. Zeller 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 that provided him with wide-ranging experience in branch 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.
Aimé Achard, 1954, French citizen	Member of the Executive Board with responsibility for the Business Support Division since 1 April 2006	Degree in computer science from the Institut d'Informatique d'Entreprises (IIE), Paris, in 1978	In 1978 Mr. Achard joined BNP Paribas Group and worked in London, Oslo, Basel and Geneva, where he occupied key posts in the fields of back-office management as well as IT systems management, design and operation. Before joining BCV, he was responsible for the operational integration of acquisitions in the private banking business of BNP Paribas Group.
Olivier Cavaleri, 1962, Swiss citizen	Member of the Executive Board with responsibility for the Trading Division since 1 July 2001	Master of Science in electrical engineering from the Swiss Federal Institute of Technology (EPFL) in Lausanne in 1985 MBA from the University of Lausanne in 1989 Executive Program diploma from the Swiss Finance Institute in 1999	Mr. Cavaleri was in charge of IT and economic evaluation at Bernische Kraftwerke AG (an electric utility) from 1986 to 1990. 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. He took over the Trading Division as a joint member of the Executive Board on 1 July 2001 and was appointed a full member of the Board on 1 July 2003.

Pascal Kiener, 1962, Swiss citizen	CFO, member of the Executive Board with responsibility for the Finance and Risks Division since 1 June 2003	Master of Science in mechanical engineering from the Swiss Federal Institute of Technology in Lausanne (1985) MBA from INSEAD in Fontainebleau (1992)	Between 1985 and 1991, Mr. Kiener worked as an engineer for Fides Informatics in Zurich and Hewlett Packard in Geneva. In 1993, he joined the consulting firm McKinsey & Company. In 2000, he was made partner and a member of the Management Committee of McKinsey Switzerland. He acquired experience in financial services, and in banking in particular, over the last few years as an advisor for leading financial institutions in Switzerland and other European countries. He has managed large projects involving strategy, risk management, controlling, and business process re-engineering.
Jacques R. Meyer, 1955, Swiss citizen	Member of the Executive Board with responsibility for the Retail Banking Division since 15 November 2002	Swiss Federal Banking Diploma (1982) Executive Program diploma (1993) and Advanced Executive Program diploma (2000) from the Swiss Finance Institute	Mr. Meyer worked for UBS from 1974 to 1989, where he began his banking career as an intern before becoming a client advisor handling retail banking affairs 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 as Vice-President in charge of loan management and in 1994 was appointed regional manager for the Nyon area. He became Head of BCV West Region when the regional network was restructured in 1998. He took charge of the Retail Banking Division on 15 November 2002 as a joint member of the Executive Board and became a full member of the Board on 1 July 2003.
Christopher E. Preston, 1954, Dual Swiss and British citizen	Member of the Executive Board with responsibility for the Wealth Management Division since 1 January 2004	Law degree from the University of Southampton (UK) in 1975 MBA from Cranfield School of Management and INSEAD in 1980	Mr. Preston began his career in 1976 at Camper & Nicholson Ltd, working in the UK 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 Manager 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 moved to 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.
Jean-François Schwarz, 1955, Swiss citizen	Member of the Executive Board with responsibility for the Corporate Banking Division since 1 March 2003	Degree in economics (with a specialization in business administration) from the Economics and Business Administration Faculty of Lausanne University in 1976	Mr. Schwarz joined BCV's Commercial Division in 1976. He subsequently became assistant to the Head of Division, and, later on, client advisor for business loans, trade finance and export credits. From 1986 onwards, he worked for Credit Suisse in Lausanne, New York, Zurich, Geneva and Sion. He was in charge of five regions for Credit Suisse as Head of Corporate Clients for French-speaking Switzerland before returning to BCV in 2003.

4.2 Other activities and business relations

Executive Board members also perform the following functions:

Alexandre Zeller	• Member of the Board of Directors and the Board Committee of the Swiss Bankers Association • Vice-Chairman of the Board of Directors and Board Committee of the Union of Swiss Cantonal Banks • Member of the Board of Directors and the Steering Committee of the Vaud Chamber of Commerce and Industry • Member of the Board of Directors of Banque Piguet & Cie SA • Member of the Board of Directors of Renault Finance SA • Member of the Board of Directors of Kudelski SA • Chairman of the "Fonds de prévoyance en faveur du personnel de la BCV" • Member of the Board of the BCV Foundation • Member of the Board of the Geneva Financial Center Foundation
Aimé Achard	• Chairman of the Board of Directors of GEP SA • Member of the Board of Directors of Unicible
Olivier Cavaleri	• Chairman of the Swiss Cantonal Bank Issuing Committee • Member of the Board of Directors of Banque Cantonale du Jura • Committee member of the Association for the Development of Banking Expertise, Geneva • Member of the Board of Directors of the Swiss Cantonal Banks' Central Mortgage Bond Institution in Zurich • Member of the Executive Board of BCV's Guernsey branch • Chairman of the Board of the "Fondation complémentaire en faveur de l'encadrement supérieur" • Vice-Chairman of the Board of the "Fonds de prévoyance en faveur du personnel de la BCV"
Pascal Kiener	• Member of the Board of Directors of Unicible • Member of the Board of the "Caisse de Pensions de la Banque Cantonale Vaudoise" • Member of the Board of the "Fonds de prévoyance en faveur du personnel de la BCV"
Jacques R. Meyer	• Member of the Board of Directors of Beaulieu Exploitation SA, Lausanne • Committee member of the Vaud Banking Association and of the Vaud Foundation for Banking Training • Member of the Board of Directors of Domaine du Mont-d'Or SA, Pont-de-la-Morge • Member of the Board of BCV's "Fondation complémentaire en faveur de l'encadrement supérieur"
Christopher E. Preston	• Chairman of the Board of Directors of Swisscanto Holding SA, Bern • Chairman of the Board of Directors of Gérifonds SA, Lausanne • Chairman of Banque Piguet & Cie SA (which has offices in Yverdon-les-Bains, Geneva and Lugano) • Member of the Board of Asesores y Gestores Financieros SA, Spain
Jean-François Schwarz	• Member of the Board of Directors of Défi Développement-Finance Holding SA, Lausanne • Member of the Board of Directors of Défi Gestion SA, Lausanne

Internal organization of the Executive Board

Under applicable laws and in accordance with Swiss Bankers Association agreements, circulars of the Swiss Federal Banking Commission and 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 by-laws.

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

The Executive Board has set up several committees, each of which consists of a chairman and members appointed for an indefinite period by the Executive Board and drawn from its own ranks or among senior executives.

Committee name, composition	Main role
Risk Management Committee Pascal Kiener (Chairman) Alexandre Zeller Olivier Cavaleri Jean-François Schwarz Thomas Paulsen (Chief Risk Officer)	• Submits risk management policy and strategy proposals to the Executive Board • Validates the methodological choices in terms of procedure and organization deriving from implementation of risk management policy and strategy • Validates models used to analyze and monitor risks, including model back-testing • Oversees risk exposure, risk indicators and the overall risk profile • Steers all the Bank's risk management projects
Credit Committee Serge Meyer (Chairman) Alexandre Zeller Jacques R. Meyer Jean-François Schwarz Eric Schneider	• Submits proposals concerning the Bank's lending policy to the Executive Board for approval by the Board of Directors • Submits proposals concerning the rules governing lending powers to the Executive Board for approval by the Board of Directors • Makes decisions regarding the granting and renewing of major lending facilities, within the limits of its powers • Monitors the Bank's loan portfolio, particularly the sector breakdown • Oversees credit-limit and overdraft management
Asset and Liabilities Management Committee (ALCO) Pascal Kiener (Chairman) Olivier Cavaleri Eric Allemann Jacques R. Meyer Michel Aubry Fernando Martins da Silva Christopher Cherdel	• Manages interest-rate risk exposure on the balance sheet • Manages the Bank's liquidity and funding • Makes policy recommendations to the Executive Board concerning the structure of the balance sheet
Information Technology Committee Aimé Achard (Chairman) Alexandre Zeller Pascal Kiener	• Submits proposals concerning IT strategy to the Executive Board for approval by the Board of Directors • Monitors the Bank's IT project portfolio • Monitors major IT projects
Investment Committee Fernando Martins da Silva (Chairman) René-Pierre Giavina Max Roth Christopher E. Preston; for institutional clients: Michel Aubry Frédéric Gardet Michel Cachin; for private clients: Jean-Marie Coquoz Alain Croisier Christian Carron	• Defines asset allocation planning and strategy for the Bank's global investment mandates

4.3 Management contracts

The Bank has not entered into any management contracts.

5. Compensation, shareholdings and loans

5.1 Content and procedure for determining compensation levels and share-ownership programs

The current compensation system at BCV aims to promote employee skills and professionalism, as well as individual and team performance.

The individual components of the system are the base salary, the bonus, employee share ownership and the long-term variable salary. No stock-option plans are offered as part of compensation.

Detailed compensation figures can be found in the tables on pages 92 and 93.

Board of Directors

Compensation comprises remuneration, attendance fees and expenses. Only the Chairman of the Board receives a fixed annual salary, along with a performance bonus. The compensation of all members of the Board, except the Chairman, is decided by the full Board of Directors upon the recommendation of the Compensation, Promotions and Appointments Committee. The compensation of the Chairman of the Board is decided by the Board of Directors (excluding the Chairman), taking into account the recommendation of the Vice-Chairman.

Compensation of Board members is reviewed annually.

Executive Board

The compensation of Executive Board members is reviewed annually and determined by the extent to which unweighted quantitative and qualitative objectives, set and evaluated by the CEO for the members and by the Board of Directors for the CEO, have been met. The total compensation of the Executive Board is decided by the Board of Directors, taking into account recommendations submitted to it by the Compensation, Promotions and Appointments Committee.

For the 2007 financial year, the Compensation, Promotions and Appointments Committee also consulted a comparative study carried out by the firm Spencer Stuart.

For the Executive Board as a whole, the ratio of base salary to performance bonus was 67% in 2007.

The compensation of the Executive Board comprises all of the components described below.

Base salary

The base salary of each employee is set 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 for a bonus, which is awarded depending on the extent to which the employee has achieved his or her quantitative and qualitative performance objectives. It is also influenced by the Bank's results and the overall performance of the division and department to which the employee is attached. Part of the bonus may be taken in BCV shares, which are subject to a lock-up period. For the 2007 bonus, the shares have a par value of CHF 62.50 and are allocated at their average market price during the last week of February 2008. Members of the Executive Board must take part of their bonus in shares.

Employee share ownership

The Bank considers employee share ownership to be an essential element in staff loyalty and identification. An in-house subscription program entitles all BCV employees to subscribe to shares. The number of shares which may be purchased is determined by the level of responsibility entailed by an employee's position. The subscription price is set every year by the Board of Directors. With the aim of promoting loyalty, the shares are subject to a three-year lock-up period from the date of subscription. Members of the Board of Directors do not take part in the in-house share subscription program.

Long-term variable salary

The purpose of the long-term variable salary is to further the Bank's development. It is intended for a limited number of managers whose position has a long-term impact.

The system is built around plans which start every year and three-year strategic objectives. As a full-service cantonal bank, BCV selects specific indicators that are not comparable with those of other listed companies.

The long-term variable salary is paid in BCV shares at the end of each plan, fully or partially, depending on the extent to which objectives have been achieved.

A supply of 4,836 shares was created for the 2007-2009 plan. Since the full cost of this operation was charged to the 2007 financial 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 actually distributed to participants and the number originally set aside for this purpose will be paid in and treated as income to be carried under "Profit on disposal of financial investments."

The plan is based on the following five internal objectives:
- Return on equity
- Interest margin
- Cost/income ratio
- Cost of credit risk
- Net new money and net new mortgages.

Share allocation will be governed by the following criteria:
- 5 objectives achieved: 100% of shares awarded
- 4 objectives achieved: 75% of shares awarded
- 3 objectives achieved: 50% of shares awarded
- 2 objectives achieved: 25% of shares awarded
- 0-1 objective achieved: no shares awarded.

The 2005-2007 plan, which ended on 31 December 2007, was based on the following five internal objectives:
- Return on equity
- Interest margin
- Cost/income ratio
- Cost of credit risk
- Basis-point margin on business volumes.

Share allocation was governed by the following criteria:
- 5 objectives achieved: 100% of shares awarded
- 4 objectives achieved: 75% of shares awarded
- 3 objectives achieved: 50% of shares awarded
- 2 objectives achieved: 25% of shares awarded
- 0-1 objective achieved: no shares awarded.

At the end of 2007, four of the five objectives had been achieved. As a result, 75% of the 5,221 shares set aside for this purpose were awarded in March 2008.

Other compensation

Compensation also includes entertainment expenses and a company car for the CEO.

Contracts

Members of the Executive Board work under an employment contract with a 12-month notice period, except for the CEO, who has a notice period of 18 months.

5.2 Transparency concerning compensation, shareholdings and loans by issuers with their registered office abroad

This point does not apply to BCV.

6. Shareholders' rights

Article 18 of the Articles of Incorporation - Voting Rights
Each share entitles the holder to one vote. No shareholder shall be entitled to vote at a Shareholders' Meeting either personally or by proxy, or to exercise associated rights, unless entered in the shareholder register. Shareholder status and the right to appoint a proxy shall be determined on the basis of the share register on the twentieth day prior to the Shareholders' Meeting.

6.1 Restrictions on voting rights and shareholder proxies

6.1.1 Restrictions on voting rights

Restrictions on voting rights are set out in Articles 12 and 13 of the Articles of Incorporation, the main provisions of which are described below.

Article 12 - Shareholder register
The Bank shall recognize as shareholders only those persons validly entered in the shareholder register. Only those whose names appear in the register may exercise the rights attached to BCV shares, subject to the restrictions provided herein.

Shareholders without the right to vote may not exercise such a right or any other associated right. Shareholders with the right to vote may exercise all rights attached to the shares.

Article 13 - Transfers of registered shares
The transfer of any registered share and its entry in the share register shall be subject to approval by the Board of Directors. (...) If the Board of Directors does not reject the request within twenty days, the acquirer shall be recognized as a shareholder with voting rights.

The Board of Directors may refuse to register an acquirer as a shareholder with voting rights:

a) in respect of a shareholding exceeding 5% of the Bank's share capital held by a single shareholder or group of shareholders as defined by the Federal Act on Stock Exchanges and Securities Trading. (...) That limit shall not apply to the Canton of Vaud or any third party to which the Canton of Vaud sells part of its shareholding, or to the takeover of a company or part of a company;
b) if a shareholder does not expressly state, when requested to do so, that he/she has acquired the shares in his/her own name and for his/her own account;
c) if and so long as his/her recognition could prevent the Bank from furnishing proof of the shareholder base required under Swiss law.

Under Article 16 of the Articles of Incorporation (convening a Shareholders' Meeting – see 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 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 before the Shareholders' Meeting.

At any Shareholders' Meeting convened to vote on the removal of a clause relating to restrictions on the transfer of registered shares, such removal shall be decided by an absolute majority of votes attached to the shares represented, where each share shall entitle the holder to one vote (Article 11, paragraphs 3 and 4 of the Cantonal Act of 20 June 1995 Governing the Organization of Banque Cantonale Vaudoise), in compliance with the rules applicable to any resolution of the Shareholders' Meeting.

6.1.2 Exemptions granted during the financial year

During the 2007 financial year, no departure from the above restrictions was made.

The rules governing attendance at Shareholders' Meetings are set forth in Articles 16 and 18 of the Articles of Incorporation, the main provisions of which are shown below.

6.2 Quorum provisions

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

Article 19 - Quorum provisions; Resolutions
The Shareholders' Meeting shall have the power to transact business irrespective of the number of shares represented.

Resolutions put to the vote shall be decided by an absolute majority of votes attached to the shares represented, and in the event of 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 financial year at the headquarters of the Bank or at any other place in Vaud Canton as may be determined by the Board of Directors.

Special Shareholders' Meetings may be convened as often as required (…).

A Shareholders' Meeting may, if necessary, be convened by the Auditors.

6.4 Agenda

Article 16 (Excerpt) - Meetings

One or more shareholders together representing no less than one tenth of the share capital may also request the convening of a Shareholders' Meeting. Shareholders representing shares with an aggregate par value of 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 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. BCV will provide shareholders with an independent proxy for the Shareholders' Meeting of 24 April 2008.

7. Takeovers and defense measures

7.1 Obligation to make a bid

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

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. Auditors

8.1 Term of audit and length of service of lead auditor

Since 2002, KPMG SA has been the external auditor as defined in the Swiss Code of Obligations and in compliance with Article 24 e) of the Articles of Incorporation, as well as the group auditor and parent company regulatory auditor pursuant to the Federal Act on Banks and Savings Institutions. Philippe Cordonier, qualified accountant and auditor approved by the Swiss Federal Banking Commission, head of the banking department of KPMG SA Geneva and member of the Executive Committee of the KPMG SA Financial Services department, and Olivier Gauderon, qualified accountant and auditor approved by the Swiss Federal Banking Commission, have been the lead auditors since April 2006.

8.2 Audit fees

Fees invoiced by KPMG SA for its audits of the parent company and consolidated financial statements, the statutory audit pursuant to the provisions of the Federal Act on Banks and Savings Institutions and the Federal Act on Stock Exchanges and Securities Trading (including audit-related work required by the SFBC) and the audit of BCV as a mutual-fund custodian bank amounted to CHF 2,658,000 for the 2007 financial year.

Fees invoiced by KPMG SA in Switzerland and abroad for financial and statutory audits of other BCV Group companies were CHF 520,000.

Total fees invoiced by KPMG SA for audit services supplied to all the companies which make up BCV Group therefore amounted to CHF 3,178,000 in the reporting year.

8.3 Additional fees

Fees invoiced by companies within the KPMG SA for services related to audits, in particular fees for certificates required contractually or by local law, totaled CHF 203,400 for the parent company and CHF 12,000 for other companies within the Group. Consulting fees, including but not limited to fees for IT-related projects and tax advice, amounted to CHF 41,150 for the parent company.

Total additional fees for the 2007 reporting period invoiced by KPMG in Switzerland and abroad for all BCV Group companies therefore amounted to CHF 256,550.

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

8.4 Monitoring of external auditors

The Audit Committee scrutinizes the work of the external auditors. In particular, it monitors their independence and performance on behalf of the Board of Directors so that the Board can make an informed recommendation to the Shareholders' Meeting on whether to extend the appointment of the auditors. Twice a year, the external auditors submit an activity report to the Audit Committee, which reviews the report at a meeting in the presence of representatives of the external auditors. Furthermore, the Audit Committee conducts a detailed evaluation of the external auditors once a year.

The Audit Committee recommends the Board of Directors to approve the external auditors' fees on the basis of a retainer letter which is reviewed every year. It also discusses how the audit should be planned and approached, as well as risk evaluation procedures and coordination between the Banks' internal and external auditors. Non-auditing assignments are submitted for prior approval to the Audit Committee, which, together with the external auditors, verifies compliance with the rules of independence.

The Chairman of the Board of Directors and the Chairman of the Audit Committee receive copies of all the reports, certifications and opinions issued by the external auditors in the course of their duties. Every year, the Audit Committee reviews the parent company's financial statements and regulatory reports and a summary of the reports submitted by the subsidiaries. The external auditors are regularly invited to attend Audit Committee meetings to discuss the results of their work, make recommendations on internal audit procedures and be informed of reports by other persons invited to the meetings. In 2007, representatives of the external auditors partially attended four meetings of the Board of Directors and all meetings of the Audit Committee.

The Chairmen of the Board of Directors and the Audit Committee hold regular discussions, approximately once every two months, with the auditors in charge of 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 all members of the Board of Directors, the Audit Committee and the Executive Board.

9. Disclosure policy

9.1 Transparency

At their meeting on 28 April 2004, BCV shareholders decided to add 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 the Canton of Vaud."

9.2 Information-exchange agreement
In accordance with the above decision, BCV and the Canton of Vaud entered into an information-exchange agreement on 13 September 2004.

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

9.3 Other information
Regular publications intended for shareholders are the annual report (published in April) and the first-half financial statements at 30 June (published in September). Printed versions of both are available upon request from the following address: BCV, Publications, Post Office Box 300, 1001 Lausanne, Switzerland.

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

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

The annual report, first-half financial statements and press releases are all posted on the BCV website (www.bcv.ch). The annual report and first-half statements are published in French and English, while press releases are normally available in French, German and English.

Data of specific interest to investors may also be consulted in the "Investor Relations" section of the BCV website (www.bcv.ch).

In 2003, the Bank began publishing quarterly consolidated financial statements at end-March and end-September (in addition to its H1 and annual results).

BCV publishes notice of its Annual Shareholders' Meeting approximately sixty days in advance in the FOSC (Feuille officielle suisse du commerce). The invitation and the agenda of the Meeting are also published in the FOSC and several local daily newspapers. Shareholders listed on the shareholder register at least twenty days before the Annual Meeting are also convened by personal letter.

10. Contacts

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Corporate calendar in 2008

5 March	Full-year results press conference
24 April	Annual Shareholders' Meeting
20 May	Press release with first-quarter results
19 August	H1 results press conference
11 November	Press release with third-quarter results

Definition and mission

The Compliance Department ensures that BCV's activities comply with legal and regulatory requirements, as well as internal guidelines. By so doing, it aims to preserve the Bank's reputation through prevention, advice, support and supervision. It has no decision-making powers; these are entrusted solely to line management and the Bank's governing bodies.

Organization

The Compliance Department at BCV is organized into two teams. One team handles compliance-related issues specific to the 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 Group level. It supports the Bank's subsidiaries, issues guidelines regarding the areas under its responsibility and receives regular reports.

2007 highlights

Further steps were taken to implement the Swiss Federal Banking Commission's Circular 06/6 on Supervision and Internal Control in the year under review, including the installation of a database on regulatory risks. The Compliance Department developed a more systematic approach to collecting information on procedures which may not be in keeping with the regulatory framework, and introduced specific surveillance for certain areas. These measures provided the Department with the appropriate methodology and instruments needed to compile a report on compliance risk for the Bank's governing bodies and draw up an action plan. Given the inherently structural nature of this important exercise, its effects on the organization of our compliance activities will extend well beyond 2007.

The Department also devoted significant resources to the fight against money laundering last year. Continuous improvements were made to the mechanisms put in place to detect suspicious transactions and monitor customers at risk. This enabled us to take full account of the Bank's different customer segments. In addition, we reviewed all business relationships that involve a higher degree of risk, in accordance with the provisions of the Swiss Federal Banking Commission's Ordinance on the Prevention of Money Laundering.

In connection with the endeavors to combat money laundering, BCV revised staff training programs in order to include the latest findings and offer an online course dealing with the main risks facing employees in the diffferent areas of banking business.

The Department pressed ahead with moves to update the Bank's internal directives in 2007. Even though most of this work had been completed in 2006, the changes in the regulatory framework and the efforts to improve compliance led us to review a certain number of directives, particularly those dealing with disclosure of shareholdings, cash transactions and dormant assets.

With regard to conflicts of interest, the Department gives its full support to all BCV employees and divisions in order to prevent inappropriate developments in terms of meeting due diligence requirements.

While most of the Department's duties are influenced by the Swiss regulatory framework, a growing number of international reference texts such as the European MIFID Directive and the US Patriot Act must also be taken into account. These texts in turn give rise to numerous indirect influences, e.g. the questionnaires from our correspondent banks on the legal framework in Switzerland.

Outlook for 2008

The current year will be marked by regulatory changes (in particular, the new version of the Swiss banks' agreement concerning due diligence) at the end of the first half, which we will have to incorporate in BCV regulations and activities. Even though a major part of the Compliance Department's work consists of ensuring the continuity of measures introduced in previous years, the completion of the first financial year under the SFBC's Circular 06/6 on Supervision and Internal Control, together with the amended due diligence agreement, will increase the Bank's requirements in matters of compliance.

Governing bodies and business sectors	Directives adopted	Directives under consideration for adoption	Main issues dealt with
Governing bodies	3	3	Principles of internal control system, compliance function, dormant assets, suspicious operations and movements, securities transactions
Business sectors:			
Retail Banking	2	4	Automatic teller machines, safe deposit boxes, lost property
Corporate Banking	2	–	Lombard loans, management of interbank agreements
Wealth Management		1	Inheritances
Trading	2	–	Principles and competences, trading limits; new products
Corporate Center	2	–	Mail retention, authorizations
Total	**11**	**8**	

Risk management crucial to the banking business. BCV Group allocates substantial resources to continually improving this core skill.

1. Global risk management

1.1 Objectives

The business of banking is to take on exposures to credit risk and market risk in order to create added value. Indirectly, this entails exposure to operational risk. Managing these various risks requires a process that encompasses all of the Bank's activities. The goals of the risk management process at BCV are to:

- ensure that risks are properly understood and evaluated, and that they correspond to the relevant risk factors for BCV;
- ensure that BCV's actual risk level is in line with its available equity capital;
- ensure that BCV earns optimal returns on the risks that it takes.

1.2 Principles

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

1. BCV takes on credit risk and market risk with the aim of making a profit.
2. BCV seeks to minimize its exposure to operational risk.
3. Every risk that BCV takes must fall clearly within the purview of the Group's businesses.
4. BCV ensures transparency in all the risks that it takes and enters into a transaction only when it knows how to manage the resulting risks.
5. BCV's risk management process looks at all sources of risk in a consistent way and monitors their potential impact.
6. BCV applies uniform definitions, methodological approaches and organizational principles in managing risk.
7. BCV continually improves its risk management.
8. The maximum level of risk taken by BCV is in line with its available capital, taking into account all of the risks to which the Bank is exposed and going beyond pure regulatory compliance.
9. BCV works constantly to foster a culture of risk management and to develop its skills in this field. In particular, the Bank follows industry best practices and the recommendations of the Basel Committee.
10. BCV is committed to having full in-house expertise in all the risk management techniques that it uses.

1.3 Classification of risks

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

- strategic and business risk, which arises from the uncertainty inherent in any major decision on business strategy and in any large investment expenditure;
- credit risk, which arises from the possibility that a counterparty might not meet its financial obligations to the Bank, i.e., that it defaults. Credit risk exists before and during settlement of a credit transaction;
- market risk, which arises from potential adverse changes in market conditions. Market risk exists on the trading book and, particularly in the form of interest-rate risk, on the banking book. Liquidity risk is considered here as a component of market risk;
- operational risk, which arises from inadequacies or failures relating to processes, people and/or information systems within and outside the Bank.

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

- the financial impact on the Bank's net profit, on the value of its capital and/or on its share price;
- the regulatory impact, that is, the effect in terms of measures taken and restrictions imposed by the regulator;
- the reputational impact on the image the Bank projects to the outside world.

1.4 Governance

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

- The Board of Directors establishes BCV's policy for managing risk and decides the strategy it will pursue in taking on risk.
- The Audit Committee ensures that risks are being managed in accordance with the policy set by the Board of Directors.
- The Executive Board is responsible for implementing the risk management policy. The Executive Board Risk Committee is responsible for proposing a risk policy and strategy for approval by the Board, keeping a close watch on the Bank's risk profile, and steering all development and enhancement of the Bank's risk management. The committee is chaired by the Chief Financial Officer (CFO), and includes the CEO, the head of the Trading Division, the head of the Corporate Banking Division, and the Chief Risk Officer (CRO).
- The CRO works in BCV's Finance and Risks Division. He monitors compliance with the aggregate risk limits (at the portfolio level) and develops the methods and models of management for credit risk, market risk and operational risk. The CRO is responsible for the Bank's risk reporting.
- As part of their business policies, the divisions – Corporate Banking, Retail Banking, Trading and Wealth Management – are responsible for assuming and monitoring the risks associated with their respective activities. In all divisions, responsibilities for business development and execution are separated from responsibilities for analysis and control of risk taking.
- For all credit risk exposures taken by the Bank, the Chief Credit Officer (CCO), who is part of the Corporate Banking Division, is responsible for risk analysis and, up to the limit of his approval authority, for the granting of credit as well as monitoring risk exposures on a counterparty basis.
- Every BCV staff member is responsible for monitoring the risks relating to his or her area of activity.

1.5 Risk Management Department

The Risk Management Department, created in 2002, reports to the CRO. Initially, this department focused its efforts on improving BCV's management of credit risk. Today it is the central pillar of the Bank's credit-, market- and operational risk management.

Risk Management's mission is to develop and continually improve the Bank's methods and guidelines for managing risk; to foster a culture of risk management among staff in all the Bank's divisions; to monitor the Bank's risk profile and risk-taking strategy; and to oversee and execute risk reporting.

BCV risk profile

		31.12.04	31.12.05	31.12.06	31.12.07
BCV Group equity capital	• SFBC capital adequacy ratio	184.6%	196.3%	198.8%	179%
	• BIS risk-weighted assets (CHF bn)	17.22	17.61	18.14	18.96
	• BIS Tier I ratio	16.5%	17.8%	18.3%	16.3%
	• BIS Tier II ratio	17.4%	18.5%	18.5%	16.3%
Non-impaired loans (parent company)	• Customer loans, on- and off-balance-sheet[1] (CHF bn)	19.2[2]	19.8[2]	21.5	22.7
	• Expected loss ratio	26 bps[2]	26 bps[2]	28 bps	23 bps
Impaired loans (parent company)	• Impaired loans (CHF bn)	2.7	1.9	1.3	0.8
	• % of total customer loans and due from banks	10%	7%	5%	3%
	• Specific provisioning level	56%	62%	65%	61%
Market risk on the trading book (parent company)	• Trading Division: VaR (CHF m, 1-day, 99%)	0.4[3]	1.7[3]	1.6[3]	2.4
	• Nostros: VaR (CHF m, 180-day, 97.5%)	14.3	13.7	16.3	5.8
Market risk on the banking book (parent company)	• VaR (% of equity capital, 90-day, 99%)	2.6%	3.1%	3.4%	3.9%
Operational risk (parent company)	• Provisions (CHF m)	23.5	22.4	15.0	13.1

[1] Excluding OTC derivatives
[2] Excluding documentary credits
[3] Former VaR model transposed to 1-day horizon

This department now has a staff of 18 that combines highly developed technical skills with extensive experience in managing banking risks. The risk management staff works in close collaboration with the Bank's various divisions to implement and maintain controls commensurate with the risks that are taken.

1.6 BCV risk profile - key indicators

The main indicators of the Bank's risk profile are summarized on page 154.

2. Managing credit risk

2.1 Customer credit risk

Managing credit risk is a core competence at BCV. Each phase of the business of extending credit calls for particular expertise in managing risk.

- First, the lending decision is based on processes and methods of credit risk analysis that ensure an objective and factual assessment while still meeting the operational imperatives of the business.
- Second, outstanding loans are continuously monitored, not just on an individual basis but also at the level of the portfolio as a whole. This approach allows monitoring of the credit risk profile to ensure that it remains consistent with strategic objectives and makes possible early detection of increases in risk indicators.
- Third, loans that have become impaired are managed differently, following clearly defined procedures. These procedures are designed to assist the debtor in distress as much as possible, and thereby protect the interests of the Bank, as well as those of its depositors, creditors and shareholders.

The three phases of customer credit activities are described in more detail below.

2.1.1 The lending decision

Risk strategy and credit policy

Loans to customers represent the Bank's largest asset position. BCV takes on credit risk with the aim of building a quality loan portfolio, primarily by lending to counterparties in Vaud Canton. For each of the various customer segments, the Bank sets limits in terms of maximum exposure, types of credit services offered and targeted average quality as expressed in terms of expected loss. The risk strategy and credit policy are reviewed annually.

Separation of powers and lending authority

Sales (i.e., front-office) functions are kept strictly separate from credit analysis and approval functions. Employees of the front-office departments are responsible for developing customer relationships, as well as pricing and promoting loan products. Credit analysis and approval are the domain of the credit management departments, which report to the CCO. The analysis of credit risk is based on tools (rating models) developed by Risk Management and on assessments by credit analysts. Some low-risk forms of loan such as standard mortgage loans are directly approved by the front office on the basis of scores obtained from rating models defined by the Risk Management Department.

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

Analysis of default risk

The counterparty's credit rating is the centerpiece of default risk analysis. BCV assigns each counterparty to a risk category reflecting a certain probability of default. The Bank's risk scale comprises seven main risk categories that are further divided into 17 clearly defined sub-categories.

Reaching the top.

Reconciliation of BCV's default-risk categories with agency credit ratings

BCV	S&P	Moody's	Fitch
	AAA	Aaa	AAA
B1	AA	Aa	AA
	A	A	A
B2	BBB	Baa	BBB
B3	BB	Ba	BB
B4			
	B	B	B
B5			
	CCC	Caa	CCC
B6	CC	Ca	CC
	C		C
B7		C	
	D		D

A credit rating is obtained by applying a rating model and supplementing this evaluation with analysts' assessments, which are based on established guidelines and criteria. Different rating models are used to rate counterparties with different characteristics, but the choice of rating model for a particular counterparty is governed by strictly defined considerations. The main rating models are those for individuals, small business borrowers, SMEs, real estate investors, large corporations, public-law entities and banks. The models are of the type known as "scoring" models and use both financial and qualitative variables. They are based on statistical techniques and have been developed to meet the requirements of the Basel II agreement for Internal Ratings-Based (IRB) approaches. The CRO is responsible for development, continuous supervision and ongoing maintenance of the rating models.

Analysis of collateral

For any loan, the calculated loan-to-value ratio and expected loss given default (LGD) depend directly on the valuation of the risk mitigants pledged by the borrower. Collateral is valued at current market conditions. The valuation is reviewed at predetermined intervals and whenever certain clearly defined events occur. The Bank determines the value of real estate in accordance with the recommendations of the Swiss Bankers Association (SBA). Individual housing units are valued by a method that takes into account the characteristics of the building, its age, state of upkeep and local market conditions. Multi-unit residential and commercial properties are valued on the basis of their revenue yield. When a loan is granted, the loan-to-value ratio and expected loss given default are established on the basis of the current value of the collateral. The Bank applies loan-to-value criteria that are in line with common practice in the Swiss banking industry.

Expected loss and risk-adjusted pricing

For all customer segments, loan interest rates are determined individually, taking into account the cost of the loan provided. The cost of the loan includes the refinancing cost, the administrative cost, the expected loss and the Bank's equity cost. Expected loss is determined as a function of the counterparty's probability of default (i.e., credit rating) and the loss that would be incurred in the event of default. The loss given default depends in turn on the limit and the value of the collateral. In trade finance, expected loss is calculated for each transaction in accordance with a model based on the Basel II slotting criteria. With this approach, the Bank is able to price all loans in a way that best reflects the quality of each transaction.

2.1.2 Credit monitoring

Monitoring

A system of early warnings and internal renewal reviews is used to detect individual situations on which risk has increased. The warning system is based on close monitoring for instances of limits being exceeded and for other factors that may indicate situations of increased risk or even impairment. Whenever instances of limits being exceeded are detected, specific actions are taken by BCV's credit advisors and analysts. These actions are overseen by a supervisory entity in the CCO's organization. The system of internal renewal reviews sets maximum time intervals between credit analyses on credit positions of a given size and on counterparties for which no intervention has been required subsequent to an alert from the warning system. The renewal review interval is set according to the nature of the credit and the type of counterparty.

Analyzing the credit portfolio

The risk profile of the loan portfolio is reviewed quarterly. Credit risk exposures, distribution by risk class, distribution by loss given default, and distribution by expected loss are analyzed for each customer segment and reported to management.

2.1.3 Managing impaired loans

Credit recovery management policies

Impaired loans are managed by the Credit Recovery Department within the Finance and Risks Division. Each case is handled according to one of five possible strategies. The choice of strategy is based on established criteria that, for business borrowers, take into account the possibility of successful turnaround as well as the borrower's willingness to collaborate actively with the Bank. For the impaired-loan portfolio as a whole, the Credit Recovery Department has been given specific objectives targeting impaired loan ratios that are comparable to those of other Swiss cantonal banks.

Provisioning

The Bank establishes specific provisions for each impaired loan, the majority of which are classified as non-performing, i.e., in default. The need for provisions is determined individually for each loan based on an analysis performed according to a clearly defined procedure. In this analysis, collateral is taken at its liquidation value. This is the net amount that the Bank could expect to obtain by liquidating the collateral at current market conditions, after deducting the expenses of realizing the transaction and any costs of owning the collateral. Liquidation value is obtained by applying a discount determined by Risk Management to current value.

2.2 Interbank credit risk

2.2.1 Risk strategy and credit policy

Credit risk exposure on other banks arises mainly from BCV's trading activities in over-the-counter derivatives, from treasury management, and from bank guarantees on trade-finance operations. Every year, the Bank reviews all bank-counterparty limits.

2.2.2 Lending authority and monitoring

Authority to approve bank-counterparty limits is expressed in terms of limits on exposures before settlement and maximum settlement exposure. Depending on the magnitude of the limit, interbank credit may require the approval of the Board of Directors, the Executive Board Credit Committee or the Bank-Counterparty Committee. Approval limits are specified in the Bank's lending policy rule book.

The Corporate, Trade Finance and Bank Credit Management Department of the Corporate Banking Division is responsible for analyzing interbank credit risk and monitoring utilization of the interbank credit limits.

2.2.3 Collateral management

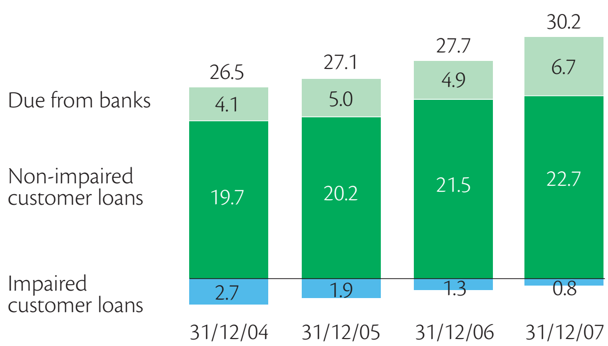
BCV has entered into collateral management agreements with its main bank counterparties that cover all its trading activities in over-the-counter derivatives. These agreements significantly reduce the Bank's exposure to credit risk.

2.3 Exposure to credit risk

BCV's exposure to credit risk has been reduced in line with the strategy adopted in 2003. Its risk profile in this category has accordingly improved significantly over the past four years. Since the end of 2004, the sharp reduction in impaired loans (CHF 1.9bn) has been more than offset by the increase in non-impaired loans (CHF 3bn).

Customer loans and amounts due from banks

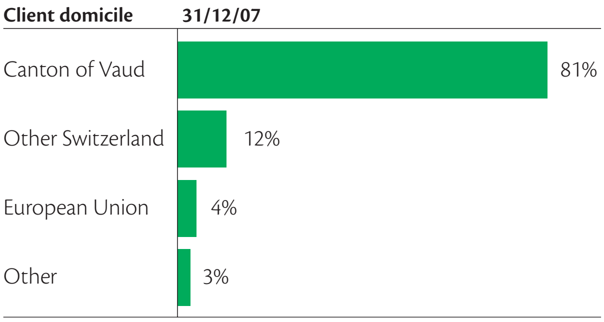
CHF billions, on- and off-balance sheet, parent company



The Bank's credit business is largely with customers located in Vaud Canton and primarily reflects the economic structure of the Canton.

Customer loans by geographical zone

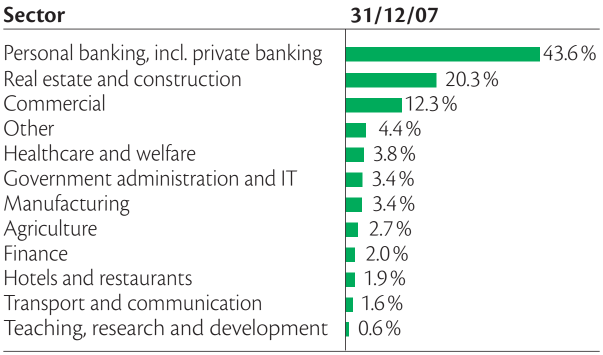
% of on-balance-sheet customer loan exposure, parent company



Individuals account for more than 40% of the Bank's credit exposure, and this underscores the importance of retail banking and private banking at BCV. For corporates, credit exposure is relatively well diversified by sector.

Customer loans by economic sector

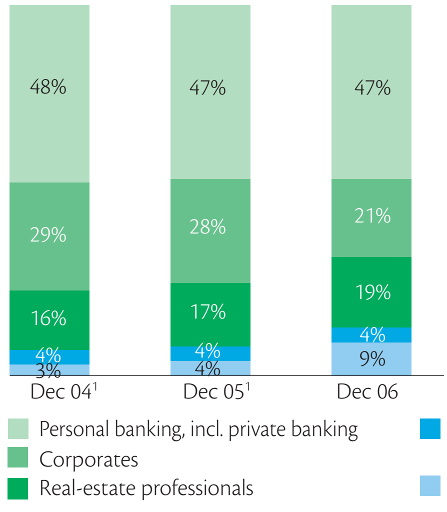
% of on-balance-sheet customer loan exposure, parent company



Compared with the past, BCV's non-impaired loan portfolio (i.e., excluding impaired loans) shows a stable trend in loans to individuals, with client-relationship reallocations between the corporate and real-estate professional segments, as well as ongoing growth in trade finance, an area in which BCV has recognized expertise.

Breakdown of non-impaired customer lc

% of total non-impaired customer loans, excludin derivatives, parent company

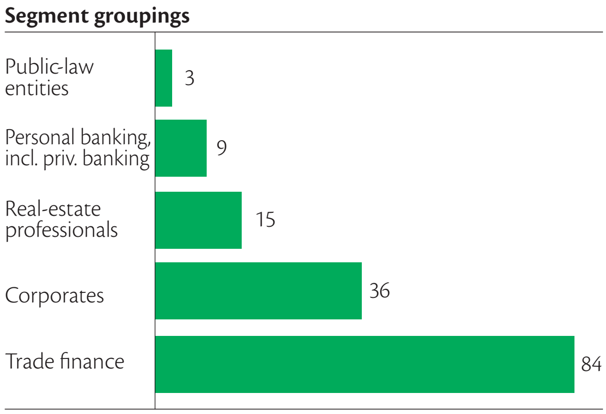


[1] Excluding documentary credits

The expected loss ratio relative to the use of credits reflects counterparty quality, the degree of credit coverage and the amount of unused limits. For non-impaired customer loans as a whole, the expected loss ratio is 23 basis points, or 17 basis points excluding trade finance.

Expected loss rate

Expressed in basis points of total customer loans, excluding OTC derivatives, at 31 December 2007



The distribution of credit exposure to non-impaired borrowers across the main risk categories also shows that BCV has a solid loan book.

3. Market risk

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

3.1 Market risk on the trading book

3.1.1 Risk strategy and trading policy

BCV's trading activities are conducted by the Trading Division (for the trading portfolio) and the Wealth Management Division (for the nostro asset management portfolio).

The Trading Division takes the role of counterparty in transactions undertaken to hedge market risks on other activities of the Bank. In addition, it conducts issuing, market-making, arbitrage and directional trading strategies, with a specialization in structured products and equity derivatives. Its trading positions are limited to underlyings in equities, fixed-income, and FX (including precious metals). The Division does not trade in instruments with commodity underlyings.

Wealth Management manages a portfolio of directional investment positions, which may be in equities, bonds, simple derivatives, structured products, funds and funds of funds.

All of BCV's trading positions (apart from those in funds and funds of funds) are on recognized exchanges or representative markets.

Exposure by main risk category

% of total non-impaired loans, excluding OTC derivatives, documentary credits and trade finance, parent company

Risk category	Personal, including private banking clients	Corporates	Real-estate professionals	Public-law entities
B1	15% 23%	9% 9%	9% 10%	59% 54%
B2	37% 42%	27% 28%	26% 28%	34% 39%
B3	42% 30%	51% 53%	57% 56%	5% 6%
B4	6% 7%	12% 10%	8% 6%	2% 1%
B5 (excl. B5.3)	1% 1%	1% 1%	1% 1%	– –

31/12/06 31/12/07

3.1.2 Organization

Since June 2007, all new products and trading instruments have been validated by the New Trading Product Committee (NTPC). This committee is chaired by the CRO, and includes the head of the Trading Division, the heads of FX, equity and fixed-income trading, and the head of the Trading Back Office. The process ensures that, before a product is launched, all requirements have been met in the areas of risk management, ALM, treasury management, accounting, back offices, legal, compliance and IT.

Market risk on trading positions is monitored overnight by the Risk Control unit of the Trading Back Office Department, which is part of the Business Support Division. This ensures that control of market risk is performed independently of the Trading and Wealth Management Divisions, which are responsible for risk-taking on the trading portfolio. The CRO defines the risk control measures and validates the appropriateness of risk control for new trading products. As such, the development of risk measurements and the operational tasks of market-risk controlling are separated.

3.1.3 Exposure to market risk on the trading book

Various techniques are used to measure exposure to market risk on the Trading Division's trading portfolio:

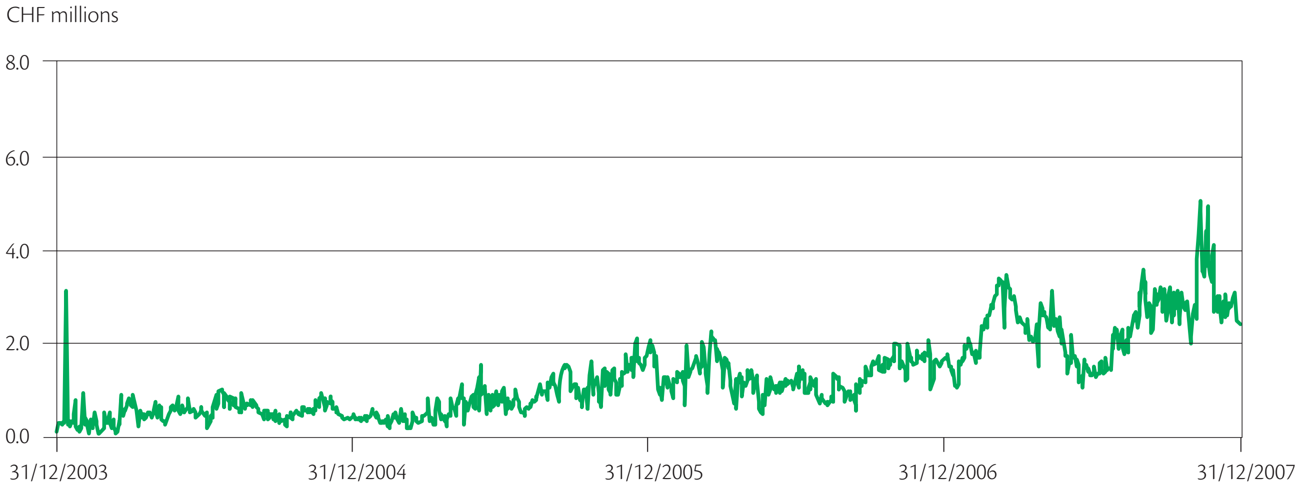
- historical overnight Value-at-risk (VaR) with a 1-day time horizon and a confidence interval of 99%;
- stress-test loss analyses calculated daily on a set of pre-defined scenarios;
- sensitivity measures such as delta, gamma, vega, theta and rho.

Limits have been established for each of the measures currently in use. Limit utilization is controlled and reported daily by the Trading Back Office. For the Trading Division portfolio, VaR (1 day, 99%) fluctuated mainly between CHF 1m and CHF 4m in 2007, with peaks of CHF 5m in November (see graph below). Figures from April 2007 onward are based on an improved VaR method that is more appropriate for risks related to equity derivatives, particularly changes in implied volatility.

3.2 Market risk on the banking book

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

Value-at-risk on the Trading Division's trading portfolio (1-day, 99%)



3.2.1 Interest-rate risk on the banking book

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

The Asset and Liability Management Committee of the Executive Board (ALCO) sets the strategy and the limits for interest-rate risk in line with BCV's financial strategy. The Asset and Liability Management and Financial Management Department (ALM-FM) of the Finance and Risks Division is responsible for operational management of interest-rate risk.

The goal of managing the banking book's interest-rate risk is to improve the interest margin and raise the present value of future cash flows. In pursuit of this goal, BCV seeks a moderate level of interest-rate risk on the banking book.

Exposure to interest-rate risk is measured in terms of Value-at-risk (VaR), equity duration, yield-curve sensitivity of equity capital, and loss of interest margin in stress scenarios.

3.2.2 Liquidity risk on the banking book

Exposure to liquidity risk arises from the Bank's obligation to be able to deal with the potential outflow of funds that might occur on any day as a result of the liabilities that it holds. BCV's strategy is to minimize liquidity risk and to meet all regulatory requirements at all times.

The framework for liquidity management is set by the ALCO. The ALM-FM Department is responsible for operational management of liquidity risk and short-term funding. The Bank's treasury management team in the Trading Division has a functional reporting line to ALM-FM.

4. Operational risk

In 2007, the Bank implemented its new operational risk management concept in line with the Basel Committee's principles of best practice. This concept is based on a Bank-wide approach that yields a coherent, integrated view of these risks and that seeks to identify and improve control of factors that may trigger potential operational-risk events. The factors are the following:

- inappropriate or malicious actions taken by employees, external service providers, banking counterparties, customers or other parties external to the Bank;
- inadequacies of information systems, infrastructure and/or the Bank's organization.

As a component of the internal control system, potential improvements in terms of processes, IT systems, infrastructure and organization are sought as part of a self-assessment approach that involves the Bank's upper management and is managed by the Risk Management Department.

If an important operational risk event actually occurs, the Bank bases its response on putting into action clearly defined incident management plans, such as the Business Continuity Plan (BCP), and using financial instruments to transfer operational risk, including insurance-related instruments.

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

5. Main developments in risk management

Beginning with the formation of the Risk Management Department in 2002, BCV has followed an ambitious development program in this area. This program is based on our conviction that keeping risk under control is a strategic skill at BCV. As in past annual reports, a brief overview of past-year achievements and work planned for the current year is provided below.

In 2007, improvements in all areas of risk management were achieved, in particular:

- The Bank took important steps in preparing for the IRB-F approach (i.e., the internal ratings-based foundation approach to be used to calculate equity capital requirements under the Basel II agreement). BCV is targeting approval for the 2009 reporting period. In 2007, corporate and individual rating models were improved, allowing the Bank to estimate the default rate on these portfolios more precisely. As part of the IRB-F preparation, our credit-risk management principles and, in particular, our rating models underwent significant audits by the Swiss Federal Banking Commission (SFBC) and our external auditors.

- A state-of-the-art IT application for analyzing credit risk in all credit exposures and administering provisions went online last year. This application monitors credit risk and ensures highly efficient and controlled provision management.

- A new VaR model for the Trading Division's trading positions was implemented at the start of the year. It offers a better method for taking into account implied volatility as a risk factor.

- The validation process for new trading products was overhauled and improved with the establishment of a New Trading Product Committee (NTPC) chaired by the CRO.

- Self-assessments were carried out on all front-to-back functions involved in delivering products to SMEs, trading and custody activities. Managers of the respective functions were closely involved in these assessments. In a reflection of the Bank's focus on constantly improving risk management, potential improvements of processes and systems were identified and will be handled by the units concerned.

BCV will continue to invest in risk management in 2008. The Bank has the following main targets:

- Finalization of the IRB-F review by the SFBC in order to obtain IRB-F approval by early 2009.

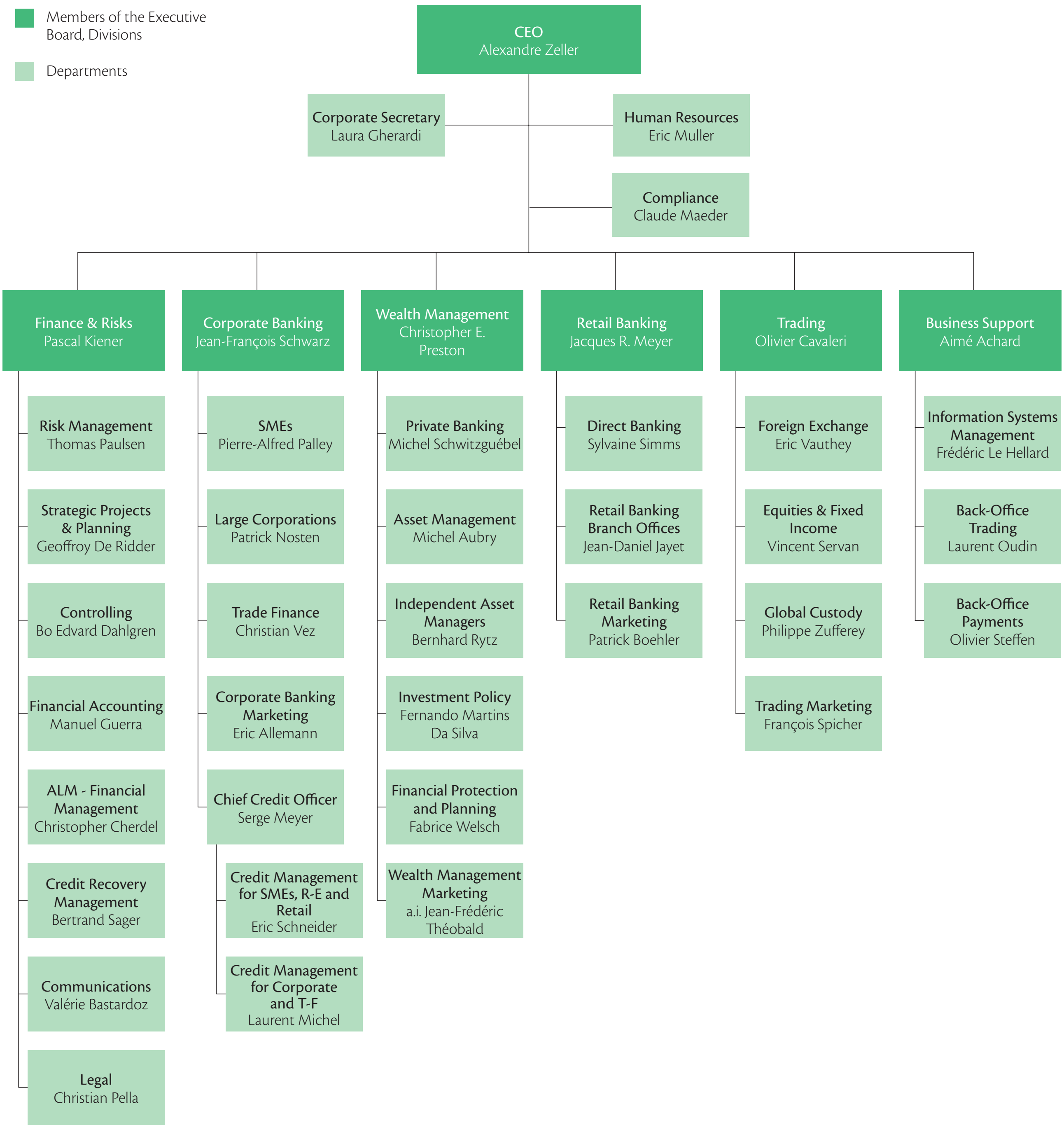
- Continued improvement of internal rating models on the basis of the annual model reviews and other developments.

- Ongoing adaptations and improvements to market-risk measurements in response to evolving risk factors and increasingly sophisticated trading products. New stress scenarios will be implemented.

- Continued roll-out of self-assessments of operational risk management within BCV.

Organization Chart

As of 1 January 2008



Retail Network

As of 1 January 2008

Regional Managers

As of 1 January 2008

Broye region

Retail banking	Francis Collaud
Private banking	André Cherbuin
SME	Eric L'Eplatennier

Chablais/Alpes Vaudoises region

Retail banking	Gérard Mottet
Private banking	Vincent Mottier
SME	Patrick Baud

Gros-de-Vaud region

Retail banking	Pascal Udry
Private banking	Pierre-Yves Zimmerman
SME	Alexandre Berthoud

Lausanne region

Retail banking	Didier Python
Private banking	Pascal Aubry
SME	Martial Décoppet

Lavaux region

Retail banking	Sébastien Rod
Private banking	Olivier Engler
SME	Cédric Ottet

Morges region

Retail banking	Philippe Diserens
Private banking	Daniel Vuffray
SME	Patrick Blanc

Nord Vaudois region

Retail banking	Philippe Guignard
Private banking	Yves Marguerat
SME	Bernard Mettraux

Nyon region

Retail banking	Steve Magnenat
Private banking	Jean-Michel Isoz
SME	Jean-Daniel Gebhard

Riviera region

Retail banking	Pierre-Alain Favre
Private banking	Patrick Botteron
SME	Didier Muller

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