



2014 Annual Report



# BCV at a glance

## 2014 highlights

### BCV's net profit was up 6% in a mixed environment

- Business volumes grew in all core businesses on the back of a resilient local economy.
- Revenues were nevertheless flat at CHF 993m, owing to the ongoing decline in interest rates and the impact of the geopolitical environment on our international trade finance activities.
- Operating profit edged up 1% to CHF 476m thanks to firm cost control.

### BCV's credit ratings were reaffirmed, underscoring our financial solidity

- Standard & Poor's reaffirmed BCV's long-term rating of AA and stable long-term outlook.
- Moody's maintained BCV's long-term rating of A1 and raised the outlook on the Bank's stand-alone rating from stable to positive.

### We continued to improve our key processes as part of *stratégie2018*

- We re-engineered our process for managing retail mortgage loans and will complete the roll-out in 2015.
- As part of our multi-channel development strategy, we began redesigning our website in view of the latest trends in internet user behavior.

### Shareholders received CHF 32 per share

- We paid an ordinary dividend of CHF 22 and distributed CHF 10 per share out of paid-in reserves, thus returning a total of more than CHF 275m or CHF 32 per share to our shareholders.
- This payout, together with our share performance, equates to a total return of 17.4% – the best among banking stocks listed on the SIX Swiss Exchange.

## Key figures – 5-year overview

in CHF millions

	2010	2011	2012	2013	2014
<b>Balance sheet at 31 December</b>					
Total assets	35 585	37 903	39 800	40 454	42 068
Advances to customers	25 501	27 965	27 958	28 809	29 769
Customer deposits and bonds	29 323	31 300	33 171	34 396	35 762
Shareholders' equity	3 271	3 301	3 315	3 322	3 341
<b>Assets under management<sup>1</sup></b>	<b>74 426</b>	<b>75 063</b>	<b>79 129</b>	<b>83 850</b>	<b>86 382</b>
<b>Income statement</b>					
Total income	996	1 017	1 010	991	993
Operating expenses	516	531	524	519	517
Operating profit	480	486	486	471	476
Depreciation and write-offs	78	84	86	86	80
Value adjustments, provisions and losses	5	20	4	43	34
Net profit	314	301	311	280	296
<b>Headcount</b>					
Full-time equivalents	1 986	2 042	1 931	1 987	1 946
<b>Ratios</b>					
Shareholders' equity/total assets	9.2%	8.7%	8.3%	8.2%	7.9%
FINMA capital adequacy ratio <sup>2</sup>	175%	165%	180%	224%	215%
FINMA Tier 1 capital ratio <sup>2</sup>	14.0%	13.2%	14.4%	17.8%	17.1%
BIS Total capital ratio <sup>2</sup>	17.6%	16.8%	18.4%	17.9%	17.2%
Operating profit/average shareholders' equity	14.9%	14.9%	14.8%	14.3%	14.4%
Cost/income ratio <sup>3</sup>	59.5%	60.1%	60.0%	60.6%	59.6%
Operating profit per employee (in CHF thousands)	245.0	237.3	246.2	241.0	241.6
ROE	9.8%	9.3%	9.5%	8.5%	9.0%
<b>Credit ratings</b>					
<b>Standard &amp; Poor's</b>					
Long term	AA- / positive	AA / stable	AA / negative	AA / stable	AA / stable
Short term	A-1+	A-1+	A-1+	A-1+	A-1+
<b>Moody's</b>					
Long term	A1 / stable	A1 / stable	A1 / stable	A1 / stable	A1 / stable
Short term	Prime-1	Prime-1	Prime-1	Prime-1	Prime-1

<sup>1)</sup> 2010-2012 figures for assets under management were adjusted to exclude custody-only assets

<sup>2)</sup> Determined according to the Basel III approach since 1 January 2013

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

Starting in 2011, we decided to replace the end-of-the-year gift to our 2,000 employees with an annual donation on their behalf to a humanitarian project in an impoverished area of the world. A group of around ten employee volunteers select the projects and follow up on them. The first organization to receive funding under this initiative, known as BCV Solidarity, was the Swissclinical Foundation in La Tour-de-Peilz. Thanks to our donation in 2012, the Foundation was able to purchase a building and equipment for making orthopedic implants for poor and handicapped children in Stara Zagora, Bulgaria.

In 2013, our donation went to the Nyon-based charity Friends of India to help build a new school in Tirunelveli, in the southern Indian state of Tamil Nadu. The school – named BCV International School in recognition of the Bank – was inaugurated on 9 June 2014. Today it provides an English-language education to 480 students between the ages of 3 and 16. The students include both boys and girls and are drawn from a variety of castes, in order to promote tolerance. Some 30% of the students come from families

that normally could not afford to send their children to school. But thanks to the fees paid by the other students, most of whom come from middle-class families that can afford an education for their children, the poorer students attend the school for free. Five BCV employees traveled to Tirunelveli for the inauguration ceremony. They met the people being helped and visited the premises built with the donation from BCV Solidarity.

This year's annual report features photos taken on their trip (page 6: Pamela Walsh, President of Friends of India; page 18: Xavier Morattel, Credit Analyst; page 46: Andrew Gilbert, client advisor, and Julien Dufour, IT analyst; page 58: Philippe Ethenoz, real-estate expert, page 90: Philippe Ethenoz and Xavier Morattel; page 94: Julien Dufour).

In 2015, BCV Solidarity will help Lausanne-based charitable foundation Achalay refurbish a small farm that provides a home for underprivileged children and teens (orphans, abuse victims, and handicapped children) in San Andrés, Peru.

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# Letter from the Chairman and the CEO

## A rock-solid franchise in Vaud

In 2014, BCV once again kept on a firm track despite the mixed economic and financial environment. While the Vaud economy did well – with full-year growth expected to reach 1.9% – interest rates continued to fall. Financial markets gained ground, but at a more measured pace than in the previous two years. Signs of a slowdown emerged in the Vaud real-estate market, thanks in part to steps taken by BCV since 2012 to prevent this important sector of the local economy from overheating. The risk of a real-estate bubble has now abated.

Our business volumes expanded, with lending up 3.3% and customer deposits rising 3.5%. Assets under management also increased on the back of bullish financial markets.

While Group revenues were flat at CHF 993m, operating profit edged up 1% to CHF 476m and net profit climbed 6% to CHF 296m.

## Successful start for *stratégie2018*

We began implementing our *stratégie2018* plan last year, with the aim of improving service quality across the board for our customers. We completely re-engineered our retail mortgage-lending process and began rolling it out. As part of a comprehensive strategy to expand multi-channel access to our services, we embarked upon a top-to-bottom rebuild of our corporate website, [bcv.ch](http://bcv.ch). Here, the objective is a faster, more user-friendly site, with a state-of-the-art responsive design that is compatible with all devices: PCs, laptops, smartphones and tablets.



Olivier Steimer  
Chairman of the Board of Directors

Pascal Kiener  
CEO

We made several enhancements to our call centers for retail and business customers to better meet their needs. We are now handling calls much more efficiently and have successfully reduced call response times.

### Other key developments

At the BCV Shareholders' Meeting on 1 May 2014, Ingrid Deltenre was elected to replace outgoing Board member Beth Krasna, whose term of office had ended. And in early March, José François Sierdo joined our Executive Board as Head of the Retail Banking Division.

As announced in 2013, BCV and our subsidiary Piguët Galland & Cie opted to join category 2 of the US Department of Justice program aimed at settling the tax dispute between Swiss banks and the United States. We have devoted substantial time and resources to meeting the program's requirements and hope that the matter will be resolved in 2015.

### Strong total return on the BCV share

After a subdued performance in the first half of 2014, the BCV share ended the year up 10.8%. Factoring in the CHF 32 per-share payout, the BCV share generated a total return of 17.4% for our shareholders – the highest among listed Swiss banks.

### Solid financial position

BCV has one of the strongest capital bases of any bank in the world, with a capital ratio of 17.2%. And we already meet the new liquidity requirements laid down by the Basel III agreements. That's the kind of financial strength BCV stakeholders across the board – customers, shareholders, and creditors – have come to expect. Ratings agencies have taken note, too: Standard & Poor's and Moody's both maintained their long-term credit ratings on BCV of AA and A1, respectively, despite the general downward trend in banking industry ratings.

### Swiss National Bank drops currency floor

On 15 January 2015 the Swiss National Bank made the surprise announcement that it was dropping the EUR/CHF

floor. BCV took immediate steps to address the various repercussions of this move. While the Swiss economy appears to be contracting as we write, it is too early to gauge the extent of the contraction. It will very much depend on the EUR/CHF franc exchange rate, which itself will depend on how successful economic stimulus measures are in Europe.

### Distribution policy maintained for the seventh straight year

Despite this uncertainty, we remain confident and are maintaining our distribution policy. We have paid out over CHF 2bn to our shareholders since embarking on our current path of sustainable growth and value creation. For the seventh consecutive year, the Board will propose a total distribution of CHF 32 per share to shareholders at the next Annual Meeting, for a total payout of CHF 275m. The distribution will consist of an ordinary dividend of CHF 22 per share and a special distribution of CHF 10 out of paid-in reserves.

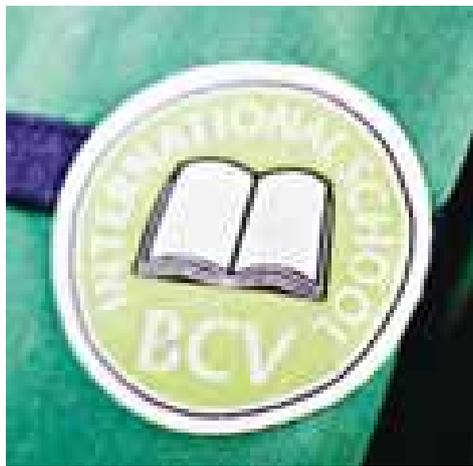
We would like to thank our customers for their trust and our shareholders for their support. On behalf of the Board of Directors and the Executive Board, we would also like to thank our employees for their hard work and achievements throughout the year.



Olivier Steimer



Pascal Kiener





# Who We Are

## Overview of BCV

### Our legal status

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

### Our core businesses

With revenues of CHF 993m in 2014 and total assets of CHF 42.1bn, we rank among Switzerland's top six banks by assets. BCV is the country's second-largest cantonal bank and the largest bank in Vaud, with a network of 66 staffed branches and more than 220 ATMs throughout the Canton. The Bank's organization is based on four client-oriented divisions: Retail Banking, Private Banking, Corporate Banking and Asset Management & Trading. We offer a comprehensive range of financial services to all client segments. BCV Group had 1,946 full-time-equivalent employees at 31 December 2014. At that date, in addition to the parent company, BCV Group comprised a private bank, Piguet Galland & Cie SA, and two fund management firms, Gérifonds SA and GEP SA (Société pour la gestion de placements collectifs). The full scope of consolidation at 31 December 2014 is described on page 119.

### Our missions

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

### Our recent history

Since the Bank was founded in 1845, it has considerably expanded its business in the Canton. In the 1990s, the banking industry in Vaud underwent major consolidation. BCV acquired Banque Vaudoise de Crédit in 1993 and merged with Crédit Foncier Vaudois in 1995. From 1996 to 2000, we moved to diversify our operations, particularly in international trade finance, offshore wealth management, and trading. Total assets more than doubled between 1990 and 2000 as a result. In 2001 and 2002, following an in-depth assessment of loan-book quality, BCV Group carried out two recapitalizations, in 2002 and 2003. The Canton provided most of the funds raised on both occasions.

From 2003 to 2005, we successfully refocused operations on our four core businesses while remaining active in selected niche activities offering strong potential in terms of both growth and profitability. From 2005 to 2008, we implemented the second phase of our strategy, the *CroisSens* growth project, with the aim of taking full advantage of our unrivaled presence in our local market, the Canton of Vaud. This project included the reorganization of our local distribution structure into nine regions in order to strengthen ties with customers.

In 2007, the Bank repurchased the final tranche of participation-certificate capital created in the 2003 recapitalization. On 15 April 2008, the Vaud Cantonal Parliament voted to authorize the Cantonal Government to reduce the Canton's stake in our share capital from 66.95% to 50.12%. The Cantonal Government's decision not to sell any shares, first announced on 25 November 2008 and reaffirmed on 16 July 2010, remains unchanged.

From the end of 2008 to the end of 2013, we carried out our *BCVPlus* strategy, which took a clearly defined and differentiated approach and was based on the business model of a universal bank with solid local roots. This strategy was a great success: almost all the Bank's business lines grew, and through a series of internal initiatives we instilled a performance-based corporate culture and promoted ongoing skills development. We are convinced that operational excellence is a key factor in setting ourselves apart from the competition and driving our success. With this in mind, we introduced measures to simplify our processes, improve customer service and revitalize our sales and marketing approach. Active equity capital management was also a part of *BCVPlus*, with an attractive distribution policy for shareholders.

As part of the growth strategy for the onshore wealth management business, BCV Group acquired Banque Franck Galland & Cie SA in 2011. This bank was merged with Banque Piguet & Cie SA, a BCV subsidiary since 1991, creating Piguet Galland & Cie SA, which is a major wealth manager in French-speaking Switzerland.

In 2013, the Board of Directors and Executive Board once again conducted an in-depth review of the Bank's strategy and trends in the banking sector in general. Management confirmed that the next phase of our strategy – *stratégie2018* – would continue on the same course as *BCVPlus*. In addition, we will aim to make impeccable service quality our differentiating factor, look for new ways to improve our internal operations, and take account of changes in the regulatory environment and customer expectations.

### Our strategy

Our business strategy is guided by our ultimate goal of creating value for shareholders, clients and employees.

Our business model is that of a universal bank with solid local roots, and we believe this is the best way to ensure profitable growth going forward. Our operations are focused on the Bank's four core businesses, but we remain active in selected niche activities offering potential in terms of both growth and profitability. Our risk profile is moderate, and we take an active approach to equity capital management.

In 2014 we began implementing the current phase of our strategy, *stratégie2018*. Like the previous phase, *stratégie2018* aims primarily to continue developing all of the Bank's business lines. We also intend to make impeccable service quality our differentiating factor, further improve our internal operations, and adjust our business-line strategies to take account of rapid changes in the regulatory environment. In addition, we will be working to better meet our customers' changing needs and expectations, by achieving greater integration between our various customer touch points, i.e., our branches, ATMs, call centers, website and apps for tablets and smartphones.

We aim to keep up the positive trend in our various businesses. In particular, we are targeting:

- At-or-above market-rate growth in the retail banking and SME segments
- Above-market growth in onshore private banking
- Pursuit of niche growth drivers in asset management, structured products and trade finance
- Continued development of our other business lines.

We will also work to improve our internal processes and sharpen our focus on the customer experience. This will involve:

- Improving customer-service quality through a series of targeted initiatives
- Expanding multi-channel access to our products and services
- Embarking on various projects to enhance our internal operations

- Pressing ahead with our human resources strategy to continue developing our employees' skills sets.

In 2014, we focused on service quality. We overhauled our retail call center, resulting in shorter response times and a better overall customer experience. We also began overhauling our website (improving such things as the navigation, layout, and available content). It will go online in April 2015.

In early 2013, we adjusted our key financial objectives and our distribution policy. In the prevailing low-interest rate environment, the Group aims to achieve sustainable growth, with revenues and operating profit trending along the same lines as in recent years. We have set long-term targets of 12-13% for ROE, 57-59% for the cost/income ratio, and 13% for Core Equity Tier 1 (CET1). These targets will be reached over a period of several years.

The Bank intends to pay an ordinary dividend of CHF 22-27 per share, as well as a special dividend of CHF 10 per share out of paid-in reserves. In early 2013, we announced that we planned to maintain this distribution level for the next five years, barring significant changes in the economic and regulatory environment or in the Bank's situation.

## Our values

We have defined four values that are central to our strategy and culture: responsibility, performance, professionalism, and close ties with our customers and the broader community. We believe that a key to long-term success is ensuring that all our employees share a common culture built around core values. The values described below underpin all our actions – as well as our interactions with customers and colleagues.

### Close ties

As a Swiss cantonal bank, BCV's deep connection with the local community goes back a century and a half. Our employees use their on-the-ground presence in Vaud Canton and knowledge of the local community to fully appreciate and understand the needs and expectations of BCV's customers.

### Professionalism

Every employee is committed to delivering the best possible service to customers. To achieve this, our people draw on the best practices in their respective fields of expertise and constantly seek to expand their skills and knowledge.

### Performance

At BCV, we set ourselves ambitious goals across the board. Our people are results-oriented. They systematically seek pragmatic and effective solutions to the challenges that arise every day.

### Responsibility

BCV employees demonstrate responsible professional behavior. This includes taking responsibility for their actions, being conscientious in their work and being loyal to the company.

Given the importance that we ascribe to our core values, we have put in place a long-term employee information and training program. Our values are also an integral part of employee performance reviews.

# Who We Are

## Corporate Responsibility: BCV's Missions

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

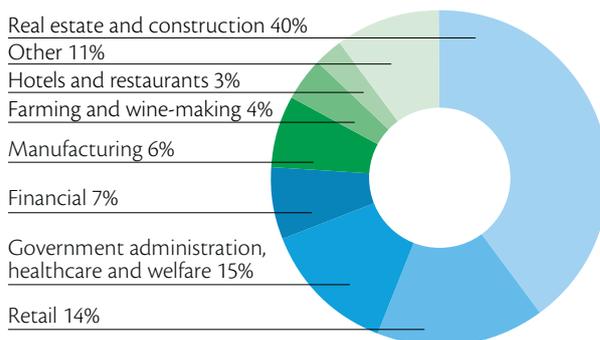
1. Contributing to the development of all sectors of the economy of our home region, the Canton of Vaud, and to the financing of public-sector entities, and helping to meet demand for mortgage lending in the Canton.
2. Meeting our clients' needs with high quality financial products and services.
3. Paying particular attention to the principles of economically, environmentally, and socially sustainable development.
4. Creating lasting value for shareholders.
5. Being a benchmark employer.
6. Playing an active role in the community.

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

At BCV, we are proud to be the leading bank in Vaud. The surveys and studies we regularly conduct to assess our market position, along with the fact that half of the Canton's people and companies bank with us, show that we are an integral part of life in Vaud. Thanks to our concerted and ongoing efforts to improve service quality, and despite increasingly fierce competition, BCV is perceived as solid, reliable and competent. Indeed, since the 2008-2009 financial crisis we have witnessed a significant influx of new funds as a result of expanded business with existing clients and the arrival of many new clients.

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

### Business loans by sector



Source: BCV

As part of our *BCVPlus* strategy, we adopted several concrete initiatives between 2009 and 2013 to align ourselves more closely with the needs of individual and corporate clients in Vaud. This includes ongoing improvements to our products and services. These efforts are continuing as part of *stratégie2018*.

### Close ties with our customers

Our local presence is of key strategic importance. We are the Canton's top employer in banking and the most widely accessible bank in Vaud thanks to our dense retail network, which includes nine decision-making centers and 66 branch offices across the Canton (see our retail map and list of branch addresses on pages 160-163). We also offer automated services through our 227 ATMs; 164 are in our branches and 63 are at other convenient spots, for a total of 129 locations in Vaud. In 2014, more than 10 million transactions were carried out via our ATMs.

We believe that this network is the right size to effectively meet the needs of the dynamic and diversified community and economy that we serve. And we continue to enhance our branch network each year to meet those needs. Between 2006 and 2013, most of our branch offices were partially or totally renovated, with the aim of making them more comfortable and user-friendly for our customers. This program came to an end with the completion of the renovation work at our head office at Place Saint-François in Lausanne. In 2014, our Villars and Gland branches were renovated, and the branches in Chailly and at the University of Lausanne (UNIL) were relocated due to construction. Most of our ATMs were replaced with new-generation machines featuring larger touch screens for greater ease of use.

Being close to our customers also means being increasingly accessible and in step with changing lifestyles. This is reflected in the convenient opening hours of our branches, with appointments for financial advice available from 8:00am to 7:00pm. Many of our branches are open non-stop throughout the day, and some stay open later in the evening so that our customers can obtain financial advice at their convenience. Individuals and businesses can also contact us by telephone or email. Our Customer Service Center is available non-stop every weekday from 7:30am to 7:30pm. In 2014, it handled more than 500,000 incoming calls and over 120,000 emails. Our business banking

hotline for companies and self-employed people in Vaud is available between 8am and 6pm, Monday to Friday. This service handled more than 87,000 enquiries in 2014.

We also provide 24/7 access to our services through our BCV-net e-banking platform and our network of ATMs. BCV-net is very popular: 41% of our customers use it, and seven out of every ten payments are made via this platform. Our BCV-net mobile app, which offers access to BCV-net from iPhones, iPads, and Android devices, was used by individual customers for more than 34% of their e-banking sessions. It has been downloaded around 92,000 times since its launch, and with 920,000 payments in 2014, the app has proven its worth. It allows customers to view balances and transactions on current accounts, securities accounts, and debit and credit cards, and to make all types of payments within Switzerland.

BCV has always been a pioneer in online brokerage, and in 2012 we launched our new TradeDirect platform. TradeDirect is one of the most competitively priced online brokers in Switzerland. The [www.tradedirect.ch](http://www.tradedirect.ch) website provides online access to 25 stock exchanges and over 100,000 investment vehicles, and has powerful market-tracking, search and analytical tools. A mobile trading app for iPhones and Android devices is also available. In 2014, the number of net new clients was up 31% on 2013, and new fund inflows were up 75%.

Traffic on our website, [www.bcv.ch](http://www.bcv.ch), held steady year on year with 11.3 million visits.

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

### 79% of our lending is local

Our loan book covers all areas of the Canton, with the people and businesses of Vaud accounting for 79% of total lending volumes.

At end-2014, 51% of our outstanding loans were to individuals, and 49% to companies across all sectors of the economy as well as public-sector entities. The dedication and enthusiasm of our staff enabled us to maintain our market share despite increasingly stiff competition.

### Working with clients in difficulty

In line with our mission, we aim to continue our relationship for as long as possible with individuals and businesses that, for one reason or another, run into temporary difficulties. Specialized staff work with these clients in order to find solutions that will help them restore their financial stability.

Naturally, continuing the business relationship is only possible if the company or individual can be reasonably expected to return to a sustainably sound financial position without any distortion of competition. Our procedures in this respect follow clearly defined rules that meet the highest ethical standards.

We are also continuing efforts to keep impaired loans to a strict minimum of less than 1.5% of our total loan portfolio. We have shown that we can manage difficult cases effectively by looking for constructive solutions and working proactively on a case-by-case basis.

### 2. Meeting our clients' needs

We constantly strive to satisfy the changing needs of our customers – individuals, businesses, pension funds and public-sector entities. Our products and services cover the full range of banking requirements.

In Retail Banking, our offering for students and trainees includes a popular savings account with an attractive interest rate. Customers also appreciate the fact that we get

in touch with them directly at key points in the banking relationship, such as when a mortgage loan is up for renewal, as well as for important life events like retirement.

All individual customers, regardless of their wealth, can also receive comprehensive financial planning advice. In wealth management, we offer a full range of banking and investment solutions and advisory services. Moreover, clients very much appreciate the availability of our advisors, with whom they can discuss the current economic and financial environment.

In Corporate Banking, BCV's offering covers a wide range of products and services, from financing and treasury management to occupational pension solutions and advisory services. That means we can meet the needs of a very diverse clientele, from artisans serving the local market to multinationals conducting business the world over. In 2014, our main emphasis was on providing personalized service at each key point in the banking relationship, such as for designing customized services, renewing them as necessary, and for major events like the sale or transfer of a client's business.

In Asset Management, we offer a range of investment products, from asset allocation funds and structured products to discretionary management mandates for specific asset classes. Equities as a whole performed well in 2014, and BCV's funds and other investment products generated excellent returns overall, both in absolute terms and relative to their benchmark indexes.

### 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%	14%	17%	12%	11%	7%	8%	16%
Other loans	5%	7%	17%	16%	11%	8%	9%	12%	15%
Workforce distribution (secondary and tertiary sectors)	3%	5%	11%	10%	9%	9%	5%	5%	43%

Sources: BCV, Statistique Vaud

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

Workforce distribution: 2008 Federal Census

Given current and upcoming regulatory changes affecting financial products, we have started to analyze and adjust our service model and product range. The aim is to ensure that all retail and corporate customers are well informed and protected.

### 3. Acting on the principles of sustainable development

Sustainable development is one of the core principles framing our activities. Article 4 of the LBCV stipulates that BCV must pay particular attention to the three pillars of sustainable development: economic development, social development and environmental protection. We are therefore mindful of the impact that our activities may have. BCV has a longstanding commitment to these principles – we have been a member of Philias, Switzerland's network of socially responsible businesses, since 2006.

Economic development is, of course, fundamental for a bank. As part of this, BCV works with companies through every stage of their development: from start-up and growth to maturity and succession. Our partnerships with growing and mature businesses are well-known, but our role in business creation and succession is less so. In 2014, we provided around CHF 9m in financing to get 46 start-ups off the ground in Vaud Canton.

In addition, BCV joined Innovaud, the Vaud Cantonal Government's platform for promoting innovation in Vaud Canton. As part of the Innovaud project, we have committed CHF 5m in financing to the Foundation for Technological Innovation (FIT).

To help encourage budding entrepreneurs in Vaud, for the second year in a row BCV organized the Silicon Valley Startup Camp in association with the Swiss Federal Institute of Technology in Lausanne (EPFL), the University of Lausanne (UNIL), and the Canton's universities of applied sciences. Ten students from these local colleges and universities were given the chance to spend a week soaking up the atmosphere of Silicon Valley. They followed a packed schedule of university visits, meetings and workshops, all organized by Swissnex, a Swiss organization based in San Francisco whose mandate is to strengthen ties between Switzerland and North America in the areas of science, education, art and innovation. The students learned the basics of starting a business and were given

first-hand exposure to the entrepreneurial mindset that is so pervasive in Silicon Valley.

These activities are part of an initiative launched several years ago. In 2011, we published a guide to setting up a business, in collaboration with the Vaud Chamber of Commerce and Industry (CVCI). We also conducted a series of seminars for new business owners of all ages, in collaboration with the CVCI, SAWI (a marketing and communications organization) and Genilem (a start-up support organization). The success of these endeavors has shown that we are meeting a real need.

In order to achieve our objective of contributing to the economic development of Vaud Canton, we must ensure that our foundations are solid and that our vision for BCV leads to sustainable profitability going forward. In keeping with this mission, our strategy targets sustainable growth and a low risk profile.

This approach to economically sustainable development benefits all our stakeholders. For the 2013 financial year,

#### Corporate Social Responsibility at BCV

Our latest Social Responsibility Report was published in 2014. This fourth edition looked at some of our key initiatives on the social, environmental, and economic development fronts. In terms of the environment, the report covers the Bank's performance as part of the Carbon Disclosure Project (CDP) and its excellent score of 81 out of 100 in the 2013 ranking. As regards economic development, the report discusses the Silicon Valley Startup Camp, which took ten students from Vaud colleges and universities to Silicon Valley and immersed them in the region's entrepreneurial spirit. The report covers social aspects through a review of the first two BCV Solidarity initiatives.

for example, we paid out CHF 245m to our majority shareholder, the Vaud Cantonal Government. This amount comprised a dividend, a distribution out of paid-in reserves, and cantonal and municipal taxes.

The principles of sustainable development and corporate social responsibility (CSR) are intrinsically linked to our solid presence in all sectors of the Canton's economy. However, these principles are about more than just business and the economy. At BCV, they have an impact across our entire organization. Beyond the ways in which we serve individuals and businesses in Vaud, a commitment to CSR underpins actions like those we take to enable employees to reach their full potential. A further example of this multidimensional approach is our involvement with the local community.

Protecting the environment is another key pillar of sustainable development, and in 2014 we continued our efforts to reduce energy consumption and waste production. We cut our paper consumption by 10% over the year through efforts to promote online services and distribute documents in electronic form. Investments in upgrading our IT infrastructure as well as the mechanical and electrical systems in our main buildings will also have a positive impact on our power consumption.

As we do each year, we commissioned an environmental assessment in order to quantify our impact on the environment and to suggest measures aimed at reducing our environmental footprint. We took numerous concrete steps, particularly regarding insulation at our headquarters in Lausanne, where we installed new windows as well as additional interior peripheral insulation.

As part of our sponsorship activities, we continued in our role as a major sponsor of the PubliBike bike-sharing network.

#### 4. Creating lasting value for shareholders

At BCV, we are committed to creating lasting value for our shareholders. In keeping with this mission, our strategy targets sustainable growth and a low risk profile. We have therefore adopted a dividend policy aimed at generating attractive returns for all our shareholders over the long term.

We paid out more than CHF 2.0bn to our shareholders for the 2007 to 2013 financial years. We distributed an ordinary dividend for each of the seven years: the first three of CHF 14, CHF 20, and CHF 21, and the next four of CHF 22 per share, amounting to a total of CHF 1.23bn. We also made seven special distributions, which were tax free for shareholders. The first distribution was CHF 32.50 per share and the following six were each CHF 10 per share, representing a total of CHF 796m. The first three payments were in the form of par-value reimbursements, while the following four were distributions out of paid-in reserves.

Our financial strength, solid market position and status as a cantonal bank have won recognition from the rating agencies. While several Swiss and European banks have recently been downgraded, both agencies that follow BCV have reaffirmed our ratings. We hold an AA rating from Standard & Poor's and an A1 rating from Moody's, in both cases with a stable outlook. This recognizes the Bank's ongoing efforts in recent years, in terms of both strategy and operations. All of the rating agencies' credit opinions can be found in the Investor Relations section of our website, [www.bcv.ch](http://www.bcv.ch), or via the free BCV Investor Relations iPad app.

#### 5. Being a benchmark employer

BCV is one of Vaud's leading employers and the largest employer in the Canton's banking sector. We consider our dynamic human resources policy to be crucial to both our mission and our strategy. Alongside missions and objectives, skills development is a key employee performance factor. We encourage training as a driver of staff motivation and knowledge management. Moreover, we are dedicated to creating workplace equality and offering the same opportunities to all staff. The issue of women in the workforce is also a focus.

A common corporate culture is an integral part of our human resources policy, which was revised as part of our *BCVPlus* strategy. At the heart of this culture are BCV's four core values: responsibility, performance, professionalism, and close ties with our customers and the broader community. These values are also central to the ethical principles and code of conduct in force within the Group. This code was reviewed and expanded in 2013, and made public in February 2014.

## Staff

At the end of 2014, BCV Group had 1,946 employees on a full-time-equivalent (FTE) basis, 40 fewer than a year earlier.

The parent company accounts for the largest share of the workforce, with a total of 1,940 employees, or 1,741 FTEs. In 2014 BCV filled 267 positions: there were 150 outside hires, 77 internal transfers, and 40 people we kept on after they had completed BCV internships or training programs. Average staff turnover was 9.2% in 2014.

In terms of women in the workforce, the parent company had 761 female employees (41.3% of the workforce) at the end of 2014. Women accounted for 23% of employees with signing authority (222 positions) and 6% of all senior managers (18 positions). In addition, we now have 14 women serving as branch managers, where they play a key role in running our retail network. There were 386 women (50.7% of the Bank's female staff) working part-time at the end of the year.

Each year BCV commissions a third-party polling service to conduct an anonymous survey of all staff members in order to obtain their opinions on working conditions, workplace relations, satisfaction with supervisors and, more generally, to determine employee buy-in and commitment. Nearly 80% of employees took part in the 2014 survey. The results showed that employee buy-in, which had been flat, was now trending upwards. Once again this year, the results were considered very good in comparison with those at other companies. That mainly reflects even greater confidence in the Bank's management, and more favorable impressions regarding the effectiveness and overall quality of management structures.

## Focus on training

In 2014 BCV provided job training for 96 entry-level employees, including 45 trainees, 31 students in their final year of school, 13 university interns and 7 people taking part in the "Rejoignez-nous" training program.

BCV is one of the Canton's main providers of professional training. We have our own training center with around 200 instructors, more than three-quarters of whom work elsewhere within the Bank.

In 2014, the training center focused on skills development for employees throughout the Bank. Client advisors in particular require regular training to be able to keep pace with constant changes in client needs and the regulatory environment. To that end, all employees working in the reception areas of our branch offices received training specifically designed to address changes in their core activities. At the managerial level, particular attention was paid to the prevention and management of operational risk and to scheduling and time management. On that latter point, a custom-tailored workshop was held with the aim of raising managers' awareness of applicable legal provisions and new BCV practices.

The participants in BCV's 2013-2014 "Micro MBA" study program, offered in collaboration with the Entrepreneurship and Business Development program at the University of Geneva's Business School, obtained their diplomas in 2014. These 22 students developed key interdisciplinary and project management skills. In addition, 27 BCV employees received post-secondary degrees from outside institutions, the vast majority with BCV's support. Through these actions, we are laying the groundwork to fill future leadership roles within the Bank.

## Employee benefits

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

At the end of 2014, pension fund members comprised 2,077 employees, 1,868 of whom were working at the parent company, and another 1,220 pension recipients, including 954 retirees.

BCV takes several kinds of action in the interest of employees' health. Our focus is on prevention, for instance by prohibiting smoking in our buildings, providing flu shots and financing a sports association.

## 6. Playing an active role in the community

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

We regularly organize programs allowing staff members to take part in humanitarian and environmental initiatives in association with non-governmental organizations. In 2014, we supported the following programs: Don du Sang, a blood-donation program; the sale of oranges by the NGO Terre des Hommes; and the Red Cross flower-selling initiative Mimosa du Bonheur.

The Bank's sponsorship policy gives preference to activities of public interest in Vaud, focusing on culture, teaching and training, sports, the environment and events of a social nature.

Cultural activities are a fundamental part of life in Vaud and a key component of our sponsorship policy. Last year we supported the following cultural events and organizations: the Paléo Music Festival, Rock Oz'Arènes, the Théâtre du Jorat, the Théâtre de Beausobre, the Cully Jazz Festival, the Festival de la Cité, the Lausanne Chamber Orchestra, the Tous en Choeur not-for-profit choir, the MUDAC modern art museum, the Fondation de l'Hermitage museum of fine arts, the Fondation Bex & Arts open-air exhibition, the Fondation Vaudoise pour la Culture, the Fondation du Conservatoire de Lausanne music school, and the Livre sur les Quais book festival.

We also support a number of outreach initiatives, which help bring together the local community. In 2014, these included: Société Vaudoise d'Utilité Publique (an association of social-service institutions), La Paternelle (a not-for-profit mutual insurance company for orphans), the Vaud Red Cross, Terre des Hommes, Ma Vie Ton Sang, and the Association Vaudoise des Samaritains (a first-aid training organization).

The future of Vaud is taking shape in its schools. Last year we presented prizes at schools across the Canton and provided support for Lausanne's Centre Sports-Etudes for school-age athletes and for the Centre Sport et Santé (a sporting facility shared by the EPFL and the UNIL).

Sports activities are also a key part of the social fabric of Vaud and are central to our sponsorship policy. Last year we sponsored the following sports clubs and events: Lausanne 20K, FC Lausanne-Sport, the Fondation Foot Avenir, the Association cantonale vaudoise de football, the Lausanne Hockey Club, the International Hot Air Balloon Festival in Château-d'Oex, the Fondation d'aide aux sportifs vaudois, the Montreux-Les Rochers-de-Naye mountain race, the Mérite Sportif Vaudois, and the World Cycling Centre.

We also support various other important initiatives in the Canton, including the Forum de l'économie vaudoise, Forum des 100, AIR14, PubliBike, and CHANTIER-le spectacle.

Another event in 2014 deserves special mention. The BCV Solidarity project, begun two years ago, provided support in 2014 for Lausanne-based charity Achalay to refurbish a small farm that provides a home for underprivileged children and teens in Peru. BCV Solidarity grew out of a desire by our employees to make an annual donation in their name to a humanitarian project somewhere in the world, rather than receive a small end-of-the-year gift. Each year's project is chosen by a working group selected from a pool of volunteers. The initiative is set to continue.

In addition, BCV supports its employees' involvement in the community, thereby contributing to their personal development. In 2014, some 218 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 BCV's Social Responsibility Report (available in French only).





# Year in Review

## Economic Environment

The global economy grew 3.3% in 2014, roughly the same pace as in 2013. Fallout from the financial crisis continued to hamper any faster recovery. GDP in the developed world rose 1.8% on average, fueled primarily by the United States. Growth in emerging markets edged down to 4.4% on average; the slowdown was especially notable in China.

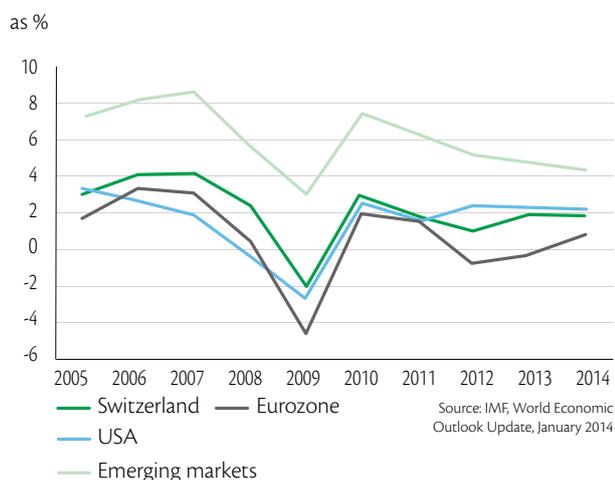
Both Switzerland and Vaud Canton enjoyed another year of economic expansion. Activity was spurred by robust domestic demand and by exporters that on the whole were able to withstand headwinds. Swiss GDP grew 2.0% in 2014, up from 1.9% in 2013, according to March 2015 estimates from Switzerland's State Secretariat for Economic Affairs (SECO). Vaud's economy expanded 1.9% in 2014, slightly below the 2013 figure of 2.1%, according to the January 2015 report from the CREA Institute of Applied Macroeconomics (part of the University of Lausanne's Faculty of Business and Economics).

### Disappointing, uneven global recovery

2014 was a disappointing year for those hoping to see a swifter recovery in the global economy. At the start of the year, the International Monetary Fund (IMF) predicted global growth would accelerate to 3.7%. But that estimate proved to be too optimistic as the year wore on. The recovery turned out to be weaker than expected in industrialized nations, especially in the eurozone, and output in developing countries eased further. The IMF cut its forecasts several times during the year, and in January 2015 issued a global growth estimate of 3.3% for 2014 – around the same rate reached in 2013.

GDP in the eurozone expanded 0.8% in 2014 after contracting for two consecutive years (–0.7% in 2012 and –0.4% in 2013). The weak recovery highlights the region's ongoing structural problems, especially at a time of deflationary pressure and extremely low long-term interest rates.

### Global GDP trends



### Exchange rates



The USA was once again the growth engine for the developed world. The country's economy expanded 2.4% in 2014, up from 2.2% in 2013. That reflects a vibrant job market and an improved financial situation for US households, as home prices picked up and interest rates remained low.

In emerging markets, growth slackened from 4.7% in 2013 to 4.4% in 2014. That was due to more moderate growth in China (+7.4%) and to heightened geopolitical tension, especially between Russia and Ukraine (with several countries imposing economic sanctions against the former).

**Rallies in financial markets**

Stockmarkets broadly ended 2014 in positive territory, continuing the 2013 trend. Switzerland's SMI blue-chip index added 9.5% to end the year at 8,983. The Euro Stoxx 50 eurozone blue-chip index gained a more modest 1.1%, reflecting the eurozone's fragile recovery.

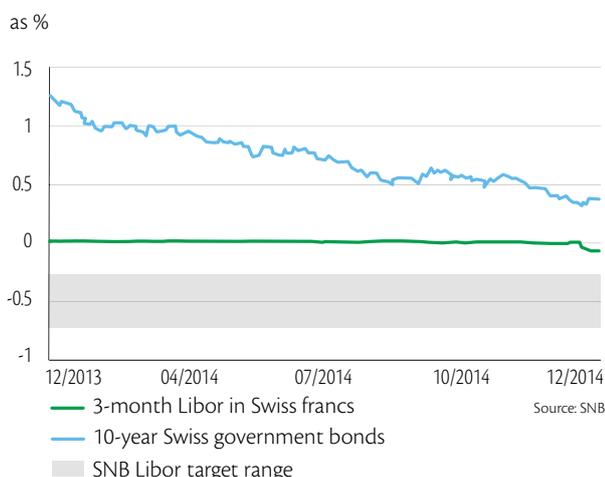
US stockmarkets outstripped their European peers, consistent with the USA's more robust economic growth. The S&P 500 rose 11.4% over the year. Stockmarkets in developing countries, on the other hand, disappointed. The MSCI Emerging Markets index lost 2.2% owing largely to an economic deceleration in those regions.

Bond yields fell throughout 2014, cutting short the rise witnessed in 2013. The yield on the 10-year Swiss Confederation bond dropped from 1.3% at end-2013 to 0.4% at end-2014; in Germany, the 10-year Bund yield went from 1.9% to 0.5%; and in the USA, the 10-year T-bond yield slid from 3.0% to around 2.2%. The general downward trend continued into 2015. After the Swiss National Bank (SNB) removed its currency floor against the euro in January 2015, yields on Swiss government bonds turned negative over a large part of the yield curve. At the time of writing, they are negative all the way up to 10-year maturities.

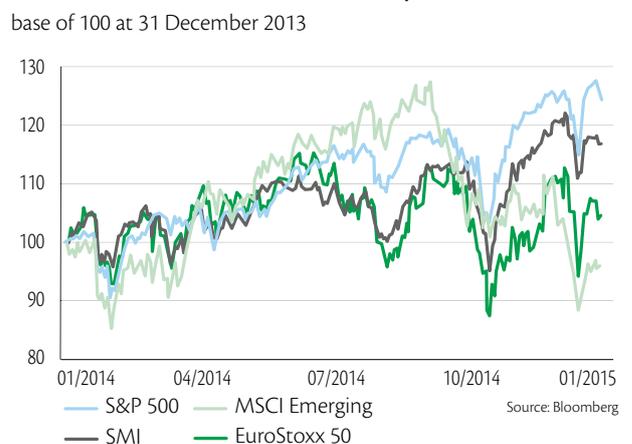
The price of gold rose in the first quarter of 2014 only to decline over the rest of the year. Gold ended the year down just 1.5% at USD 1,184 per ounce or CHF 37,824 per kilo.

In the forex market, movements in the Swiss franc were dictated largely by the EUR/CHF 1.20 floor rate set by the SNB in September 2011. The euro traded close to that level but lost 1.9% against the Swiss franc over the year. Because of the floor rate, the Swiss franc moved in tandem with the euro against the US dollar. The greenback rose in the second half of 2014 to end the year at parity with the franc; this 11.1% year-on-year gain reflects the USA's brighter economic prospects relative to the eurozone.

**Interest rates**



**Stockmarket indexes in local currency terms**



### Continued resilience in Switzerland

The Swiss economy was a bright spot in an otherwise uncertain global recovery. GDP grew 2.0% in 2014, up from 1.9% the prior year, according to March 2015 estimates from SECO. The expansion was fueled by investment in capital goods and construction, along with public- and private-sector spending.

Foreign trade remained firm as well despite sluggish export markets and a persistently strong Swiss franc. Exports grew 3.5% in nominal terms to CHF 208.3bn.

All these factors were good news for the Swiss job market. Unemployment ticked down from 3.5% in December 2013 to 3.4% in December 2014, and job creation continued. Secondary- and tertiary-sector jobs were up 1.0% year-on-year, at 4.2m in the fourth quarter of 2014. These trends were largely unaffected by price movements; the Swiss consumer price index remained flat in 2014.

### Strong Vaud economy

Vaud Canton also stood out in 2014 thanks to its robust economy. The Canton's GDP expanded 1.9% over the course of the year according to January 2015 figures from the CREA Institute. This figure is down slightly from 2013 and less than analysts forecasted at the beginning of the year, but noteworthy in light of the current economic climate.

Industries serving the domestic economy saw the best performance, while exporters held up well in the face of weak eurozone markets and the strong Swiss franc. The Canton's exports grew 0.7% in nominal terms to CHF 13.8bn, driven by the watch-making, precision instruments and the chemical and pharmaceutical industries. Falling demand in western Europe was more than offset by higher sales to North America and Asia.

The Vaud Chamber of Commerce and Industry (CVCI) autumn survey underscored the Canton's bright prospects. Some 40% of companies surveyed said they found business trends either good or excellent; a further 46% found them satisfactory. A mere 14% thought business trends were poor or mediocre. Companies facing stronger headwinds were small businesses, manufacturers, and mainly export-oriented firms.

The Vaud job market remained buoyant in 2014. Unemployment in the Canton hardly budged, echoing the trend in Switzerland as a whole: it inched down from 5.3% in December 2013 to 5.1% in December 2014. However, that figure masks significant regional differences, with unemployment well below average in Gros-de-Vaud (3.2%), Lavaux-Oron (3.6%), Nyon (3.8%), and Morges (4.0%); figures were higher in Aigle (6.1%), West Lausanne (6.5%), and Lausanne (6.6%). Job creation continued apace, with the number of secondary- and tertiary-sector jobs in the Canton growing to 361,000 in the fourth quarter of 2014 (+1.4% versus end-2013).

### Vaud Canton and Swiss GDP



### Real estate market stable

After cooling in 2013, the Vaud real estate market held steady in 2014. According to Wüest & Partner, selling prices of single-family homes were largely unchanged while the prices of condominium apartments rose 1.3%. Price appreciation in Vaud was behind the national average for the second year in a row. All these signs point to a soft landing for the Canton's real estate market.

Construction activity subsided further in 2014. Building permit applications totaled CHF 4.5bn, down 10.7% from 2013 according to data from the Vaud Canton statistics

office. And continuing the trends from 2013, applications for residential property fell (–22.0% to CHF 2.7bn) while applications for industrial and commercial property rose (+19.0% to CHF 916m).

Although the factors that have traditionally supported Vaud's real estate market – favorable demographics, a healthy economy, and low interest rates – are still present, they are being challenged by high property prices and by measures introduced by banks in 2012 to prevent overheating (most notably by requiring a cash downpayment of at least 10%).

#### 2014 growth by economic segment in Vaud

##### Growth above 2%

Finance and insurance  
Chemicals, pharmaceuticals, rubber, glass, metallurgy, etc.  
Food, textiles, leather, wood, paper  
Machinery, instruments, watches, etc.

##### Growth of 0.5% to 2%

Government administration, healthcare, education, sports, etc.  
Real estate, business services, etc.  
Wholesale and retail sales, repairs, etc.  
Construction  
Transport, postal services, telecommunications, publishing

##### Growth of –0.5% to 0.5%

Hotels and restaurants  
Water and electricity production and distribution

##### Growth below –2%

Primary sector

Source: CREA, FSO, SECO

#### Vaud Canton and Switzerland in figures

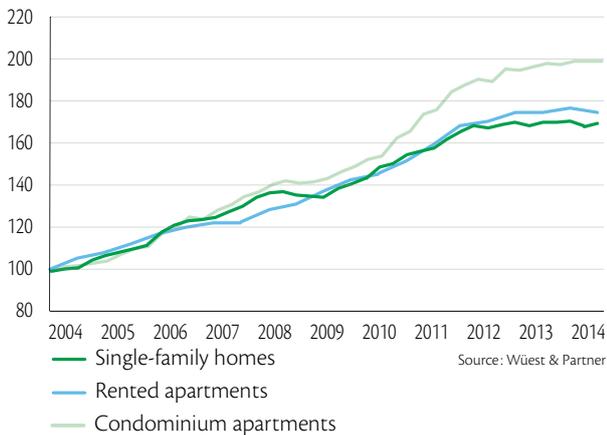
	Vaud	Switzerland
Area	3,212 km <sup>2</sup>	41,285 km <sup>2</sup>
Population (end-2014 est.)	755,369 inhabitants	8,194,526 inhabitants
Population density	235 inhabitants/km <sup>2</sup>	198 inhabitants/km <sup>2</sup>
Working population (2013)	394,965	4,471,701
Number of companies (2012)	56,190	647,957
Primary sector	7.3%	9.0%
Secondary sector	14.2%	14.7%
Tertiary sector	78.5%	76.3%
Jobs (2012)	414,575	4,905,389
Primary sector	3.3%	3.4%
Secondary sector	17.5%	22.2%
Tertiary sector	79.2%	74.4%
Unemployment rate (2014 average)	4.9%	3.2%
GDP (2014 est.)	CHF 54.2bn	CHF 648.0bn
GDP/inhabitant	CHF 71,703	CHF 79,079

Sources: 2012 federal business survey, FSO, CREA, Statistique Vaud

In a further effort to prevent Switzerland’s real estate market from overheating, the Swiss Federal Council decided in 2013 to partially activate a countercyclical capital buffer at the request of the Swiss National Bank (SNB). Under this measure, which is being implemented in two phases in 2013 and 2014, Swiss banks are required to hold additional equity capital equal to 2% of their risk-weighted mortgages secured by Swiss residential property.

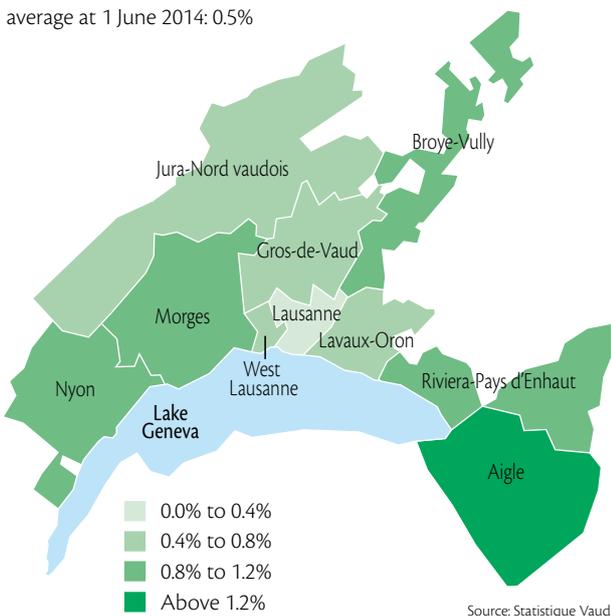
**Real-estate prices in Vaud Canton**

indexes, base of 100 in Q4 2004



**Housing vacancy rates in Vaud**

average at 1 June 2014: 0.5%



**Outlook**

Economic projections for 2015 are relatively mixed. While lower oil prices should provide the global economy with a lift, other factors – such as geopolitical tensions and structural adjustments in some parts of the world – could dampen the recovery. Japan and the eurozone are still facing lackluster growth and deflationary pressures; only the USA has bright prospects. Global GDP should expand by around 3.5% in 2015, according to the IMF.

The outlook for Switzerland and Vaud Canton has been affected by the SNB’s 15 January 2015 decision to remove the EUR/CHF 1.20 floor rate and the franc’s ensuing rise. In March, SECO trimmed its 2015 growth forecast for

**Rising population**

Population growth in Vaud reflects the Canton’s buoyant economy. The Canton’s population grew by 16.1% between the start of 2005 and the end of 2014, outpacing the national average of 10.4%. Net inflows into the Canton peaked in 2008 at 14,063 and have since declined. That year, the total population grew by 16,341 people, an increase of 2.4%. In 2014, the Canton welcomed 12,052 net new residents, bringing the total population up 1.6% to 755,369. The “against mass immigration” initiative that passed in a nationwide referendum on 9 February 2014 will probably affect the Canton’s population growth in the coming years.

Switzerland from 2.1% to 0.9% (i.e. around half the 2014 growth figure). The effects of the strong franc could be mitigated, however, by a gradual improvement in Europe and economic strength in the USA. SECO expects unemployment to rise only slightly, to 3.3%. Numerous risk factors remain, however, including a further rise in the franc or additional economic weakening in Europe.

For Vaud Canton, the revised forecast following the SNB's move is not available at the time of writing. It appears, however, that the impact expected for the country as a whole applies to the Canton as well.

Interest rates are unlikely to rise substantially in Europe, and therefore Switzerland, over the next twelve months.

### Economic sectors in the Canton

Vaud Canton has a highly diversified economy, which enabled it to endure the difficult years of the global economic crisis and return to healthy growth rates. Most of the Canton's main economic sectors expanded in 2014, although to varying extents.

#### Primary sector

2014 was a good year for Vaud's farmers, following a lackluster 2013. Data from the Federal Statistics Office (FSO) show that the value of farming output rose 5.6% to CHF 1.1bn in 2014, while total farm income increased 24.7% to CHF 326m. The improvement reflects favorable, albeit atypical, weather conditions – a mild winter, exceptionally hot spring, and cold, dreary summer with several hailstorms, especially in Lavaux. In mid-August the weather turned hot and dry. The Canton's agricultural industry also saw an increase in the value of milk production.

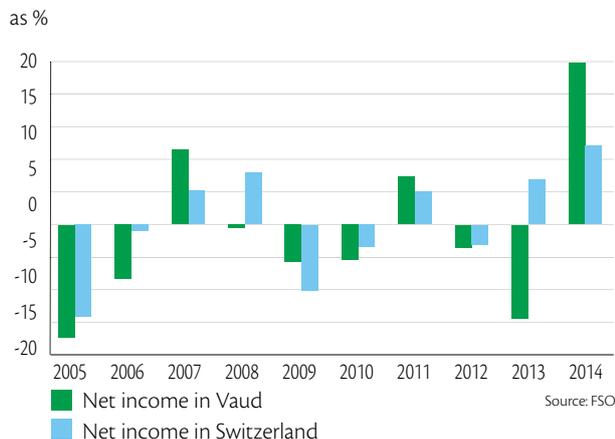
In the winegrowing industry, the volume of grapes harvested in 2014 corresponded to 24.7m liters of vin clair production. That was higher than last year's 21.1m liters, but still 3.9m liters below the 10-year average. The favorable weather conditions were offset by virulent fungal diseases and infestations of the *Drosophila suzukii* fly, which required widespread manual grape-sorting. Nevertheless, according to the Cantonal Office for Viticulture, the grapes now stored in cellars are in excellent condition and should be enough to meet demand.

Vaud is a major contributor to Swiss farming output (11% by value), second only to Bern. The Canton accounts for the largest share (18%) of the country's crop production. It is Switzerland's leading producer by value of grain, fresh vegetables, industrial crops, fruit, and wine (including both high-quality and standard grades), but is less active in meat and in feed crops.

#### Secondary sector

2014 was a mixed year for the secondary sector. While exporters struggled with a strong Swiss franc and subdued foreign demand, domestically-oriented firms were buoyed by Vaud's strong economy. According to the CVCI autumn 2014 survey, eight out of ten companies found business trends at least satisfactory.

### Farming income



## Manufacturing

The Vaud market observer, the Commission Conjoncture Vaudoise (CCV), described 2014 as having “a tough second half after an encouraging first half.” The conclusions of its 2014 economic review went in the opposite direction of those for 2013. The CCV’s manufacturing business climate indicator rose in the beginning of the year only to fall back in the summer. Conditions were better for large and medium-sized businesses (those with at least 200 employees) and for food and machinery companies than for businesses with fewer than 200 employees and precision-instruments and metalworking companies.

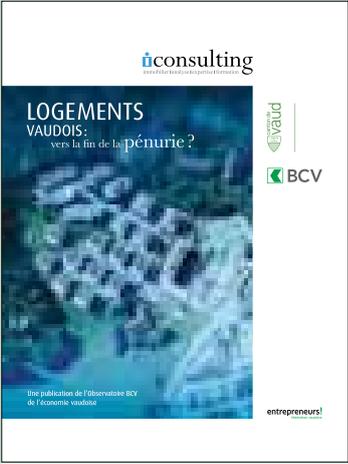
Vaud exports grew by 0.7% in 2014, with some industries doing better than others. Machinery exports decreased, but shipments of precision instruments, watches, chemicals, and pharmaceutical products increased.

## Construction

The construction industry saw a sustained level of activity throughout 2014. Unfavorable weather conditions including a wet summer did not hamper progress. The CCV’s business climate indicator for the structural works segment of the construction industry moved higher, while the indicators for the finishing works and architecture & engineering segments held flat in positive territory.

As in previous years, two-thirds of construction investment was in residential property. Construction investment in commercial and industrial property continued the upward trend started in 2013 after several years of decline. However, pricing pressure remained for structural works. Vaud construction companies became slightly pessimistic towards the end of 2014 due to the slowdown in the real estate market and a drop in the number of new orders.

Construction companies in the Vaud Alps braced themselves for the negative consequences of a new Swiss law that restricts the number of second homes in the country.



The image shows the cover of a study titled "LOGEMENTS VAUDOIS: vers la fin de la pénurie?". The cover features a blue and white abstract pattern. Logos for "iconsulting", "vaid", "BCV", and "entrepreneurs!" are visible. Text on the cover includes "Une publication de l'Observatoire BCV de l'économie vaudoise".

In 2014, BCV’s Observatoire de l’économie vaudoise published a study on the impact of the Vaud Canton Master Development Plan and ongoing urban development initiatives. The study was carried out by iConsulting (which carried out a 2011 study on the housing shortage in Vaud) with the support of the Canton, BCV, and the Vaud building contractors’ association (Fédération vaudoise des entrepreneurs). The study found that new home construction would likely increase – potentially leading to an oversupply – and that the current housing shortage in Vaud could ease by 2016–2018.

The study (available only in French) may be downloaded from the BCV Observatoire webpage at [www.bcv.ch](http://www.bcv.ch).

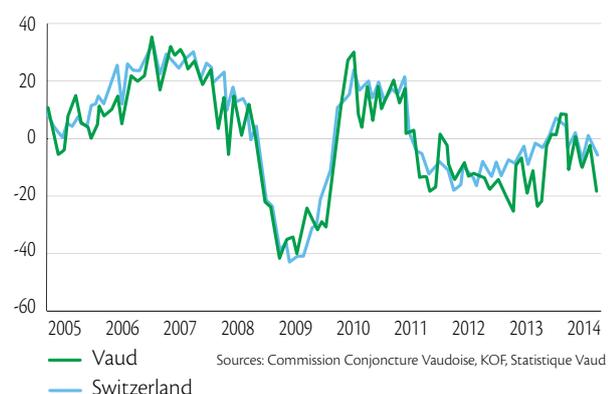
## Structure of the Vaud economy

Sectors and segments	Share of Vaud GDP (2004-2014)	Full-year growth (2004-2014)	Jobs (2012)	Share of total jobs (2012)
<b>Primary sector</b>	<b>1.2%</b>	<b>-1.8%</b>	<b>13,570</b>	<b>3.3%</b>
Agriculture, forestry, hunting, fishing	1.2%	-1.8%	13,570	3.3%
<b>Secondary sector</b>	<b>21.1%</b>	<b>2.9%</b>	<b>72,469</b>	<b>17.5%</b>
Food, textiles, leather, wood, paper	2.9%	1.2%	11,997	2.9%
Chemicals, pharmaceuticals, rubber, glass, metallurgy, etc.	5.8%	6.0%	11,042	2.7%
Machinery, instruments, watches, etc.	6.0%	1.9%	17,919	4.3%
Water and electricity production and distribution	2.0%	1.8%	3,796	0.9%
Construction	4.6%	1.8%	27,715	6.7%
<b>Tertiary sector</b>	<b>77.7%</b>	<b>2.6%</b>	<b>328,536</b>	<b>79.2%</b>
Wholesale and retail sales, repairs, etc.	16.4%	4.0%	56,257	13.6%
Hotels and restaurants	2.1%	0.3%	20,343	4.9%
Transport, postal services, telecommunications, publishing	6.3%	0.9%	23,451	5.7%
Finance and insurance	7.8%	2.8%	17,563	4.2%
Real estate, business services, etc.	14.9%	3.4%	76,455	18.4%
Government administration, healthcare, education, sports, etc.	22.4%	2.1%	127,800	30.8%
Other (including rental values)	7.8%	1.4%	6,667	1.6%
<b>Total Vaud GDP (after adjustments)</b>	<b>100.0%</b>	<b>2.6%</b>	<b>414,575</b>	<b>100.0%</b>

Sources: CREA, Statistique Vaud, FSO

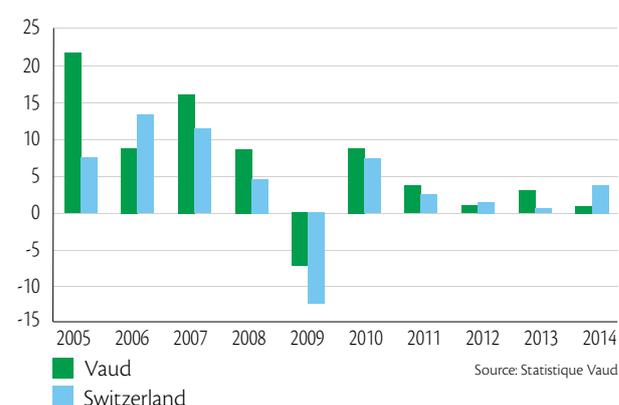
## Composite index of business sentiment in manufacturing

net positive responses



## Exports by year

as %



**Tertiary sector**

Vaud’s robust economy was a boon for most of its services companies. Echoing the optimism of the secondary sector, nearly nine out of ten tertiary-sector companies surveyed by the CVCI last autumn were at least satisfied with current business trends.

**Wholesale and retail distribution**

Weak consumer spending started to take a toll on wholesalers and retailers in 2014, and the CCV survey showed a deteriorating business climate. Consumers were increasingly on the lookout for promotional offers and lower prices in neighboring eurozone countries, and this added to downward pressure on prices. Companies in the food industry generally had an easier time than those in non-food industries. And large retailers typically fared better than small and medium-sized shops.

**Hospitality services**

Trends in hospitality services varied in 2014. The number of hotel guest-nights rose 2.0% as more travelers visited from Vaud Canton, the rest of Switzerland, and other countries – primarily India, the USA, the United Arab Emirates, Saudi

Arabia, Italy, France, and Germany. However, price pressure remained strong. The biggest increases in hotel nights were in areas outside Lausanne and the lake and mountain regions due to the successful AIR14 Air Show in Payerne. Vaud restaurants suffered from the poor summer weather; their customer traffic, revenue, earnings, and outlook all worsened during the year.

**Regional roundup**

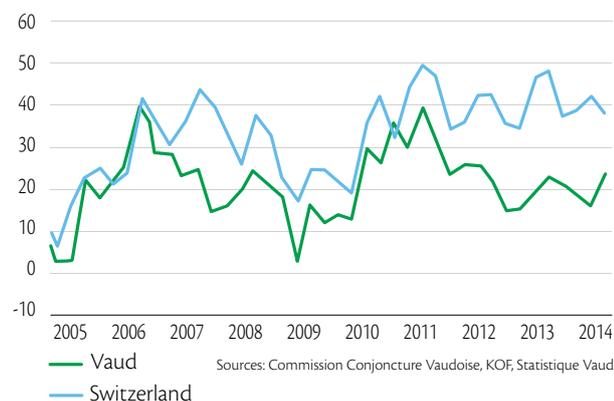
The broad trends discussed in the previous pages were reflected in the various regions of Vaud Canton. However, each region has specific points worth mentioning.

**Broye**

Over 400,000 people headed to Broye in late summer for the AIR14 Air Show in Payerne. The region’s development continued apace with a faster Fribourg-Yverdon train line that can make the trip in just 30 minutes; the Avenches-Lausanne line will also be upgraded in 2017. Property construction slowed due to stricter conditions for potential buyers, but the construction industry as a whole remained strong with full order books for 2015. Grain harvests were slightly affected by the inclement summer weather.

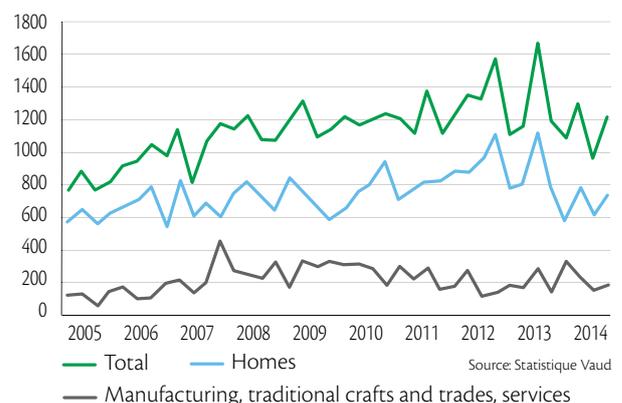
**Business sentiment in construction**

net positive responses



**Value of work from building permit applications in Vaud**

in CHF millions



**Chablais**

The Chablais tourism industry had an off year owing to inadequate snowfall over the winter and discouraging weather conditions. However, the region’s SMEs were supported by the vibrant economy. Winemakers continued to struggle due to the scant harvest in 2013 and ongoing price pressure.

**Gros-de-Vaud**

Gros-de-Vaud farmers had a good year across the board. Construction activity was underpinned by the region’s growing population, although signs of a slowdown started to appear in the second half. The region’s services companies reaped the benefits of the strong economy.

**Lausanne**

Lausanne saw brisk activity in 2014 as the region pressed ahead with numerous development initiatives. For example, the new Swiss Tech Convention Center at the EPFL capable of holding up to 3,000 people for a wide range of events was inaugurated; a district development plan for Cèdres, including a new tower, was approved by the residents of Chavannes-près-Renens; construction of

the Aquatis Aquarium & Water Museum, slated to open in 2016, was begun; the architect for the new La Tuilière soccer stadium was chosen; the Léman 2030 initiative involving a CHF300m real estate investment near the Renens train station was kicked off; construction work for a new rapid-transit bus service was started; and the renovation of several neighborhoods in and around Lausanne continued. With these and other projects under way, the region will see some major changes in the coming years.

**Lavaux**

The real estate sector – one of the key industries in the region – saw opposing trends in the north and south. In the south, activity slowed further and prices for high-end property continued to decline. In the north (around Mézières and Oron), the market continued to expand although it took longer to find buyers and tenants than in previous years. Lavaux winemakers felt the combined effects of poor weather and crop diseases in 2014, which reduced grape harvests but did not diminish the high quality of the region’s wines.

**Morges**

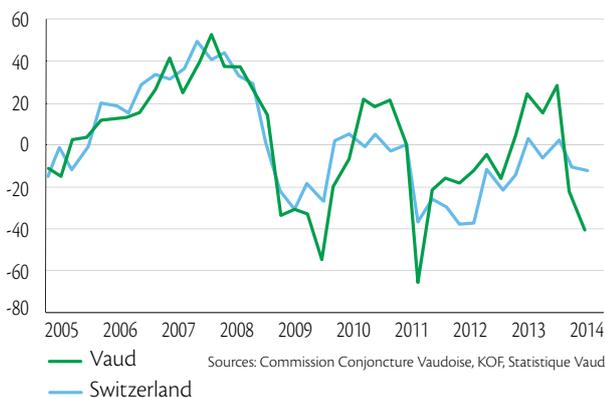
Morges’ business parks saw growth slow in 2014, as international firms wait to see the impact of Switzerland’s corporate tax reform before they decide whether to move into the region. Real estate prices remained high but showed signs of cooling in the middle and at the high end of the market. Construction companies had a good year with numerous projects underway. Exporters and subcontractors saw business levels hold steady in spite of the strong Swiss franc. And winegrowers furthered their efforts to fend off foreign competition by expanding their product ranges and offering high-quality wines at competitive prices.

**Nord Vaudois**

The Nord Vaudois watchmaking industry chalked up further growth in 2014, which also ensured a good year for its subcontractors. Exporters, on the other hand, continued to grapple with price pressure. Activity waned in the construction industry, while farmers did well despite the poor summer weather. The tourism industry got a boost from the reopening in 2014 of the Hôtel des Sources in Yverdon-les-Bains.

**Sales index in the hotel and restaurant industry**

net positive responses



## **Nyon**

Construction firms had a busy year in 2014, with several major projects in the region's towns. However, home prices levelled off, especially at the high end of the range, and the number of transactions fell sharply despite the low interest rates. Retailers, restaurants, and the tourism industry were hurt by inclement weather in July and August. Business slowed in the tertiary sector, putting an end to several years of growth driven by new arrivals to the region. Firms providing business services felt the pinch of their customers' cost-cutting efforts. But Nyon's companies remain in good health despite the challenging economic climate.

## **Riviera**

The Riviera real estate market cooled further in 2014, particularly for luxury properties. Nevertheless, the region remains attractive to home buyers in spite of efforts to curb mortgage demand with the requirement that part of the downpayment be made in cash. Uncertainty about the future has prompted the region's businesses to be cautious about investment spending, but revenues and profit margins remain high.

*Economic structure by BCV region*

	Broye	Chablais	Gros-de-Vaud	Lausanne	Lavaux	Morges	Nord Vaudois	Nyon	Riviera
Population at end-2014	30,899	47,798	60,225	222,000	58,524	73,252	88,537	93,200	80,934
Population growth in 2014	+3.0%	+1.5%	+2.8%	+0.9%	+0.9%	+1.4%	+2.1%	+2.5%	+1.4%
Proportion of Canton's population	4.1%	6.3%	8.0%	29.4%	7.7%	9.7%	11.7%	12.3%	10.7%
Jobs (2012)	14,087	21,418	22,042	177,329	20,316	36,483	44,330	40,952	37,618
Proportion of Canton's jobs	3.4%	5.2%	5.3%	42.8%	4.9%	8.8%	10.7%	9.9%	9.1%
Jobs in the primary sector	11.3%	7.9%	7.2%	0.1%	6.8%	6.1%	5.9%	4.1%	1.6%
Jobs in the secondary sector	27.0%	23.4%	32.2%	11.7%	17.4%	21.1%	31.7%	14.8%	12.0%
Jobs in the tertiary sector	61.7%	68.7%	60.6%	88.2%	75.9%	72.8%	62.4%	81.1%	86.3%
Unemployment in December 2014	5.4%	5.9%	3.6%	6.7%	3.6%	3.9%	4.9%	3.8%	5.2%
Change in unemployment in 2014	+0.1%	-0.3%	-0.1%	-0.1%	-0.1%	+0.1%	-0.2%	-0.6%	-0.4%

Sources: Statistique Vaud, FSO, SECO

# Year in Review

## BCV in 2014

BCV Group delivered solid 2014 results in an environment that remained mixed. Business volumes continued to expand on the back of a resilient local economy and bullish stockmarkets. However, the ongoing decline in interest rates, our prudent approach to liquidity management and moderate growth in mortgage lending again weighed on revenues. Thanks to firm cost control, operating profit remained solid at CHF 476m (+1%). Net profit rose 6% to CHF 296m.

The current phase of our strategic initiative, *stratégie2018*, began in 2014. It builds on the Bank's existing strategy while also taking account of changes in the market and regulatory environment. In this phase, we aim to improve our internal processes and make impeccable service quality our differentiating factor.

### A mixed economic environment

Global economic growth was 3.3% in 2014, similar to the 2013 level, weighed down by the lingering effects of the financial crisis. However, the economy in Vaud and Switzerland as a whole stayed strong, even though exports and tourism were hit by the EU's economic downturn and the strong Swiss franc.

In the offshore wealth management business, numerous open questions about future developments remain unresolved, particularly regarding the talks to create an international standard for the automatic exchange of information. However, as BCV is primarily focused on the onshore market, we are less affected by this issue than other banks.

There were further signs of cooling on the Vaud real estate market, as the rise in house prices flattened. Price increases had been above the Swiss average from 2008 to 2012 and have been just below average since then.

### Continued growth in customer-driven business volumes

Mortgage lending rose 3% (+CHF 680m) to CHF 24.1bn. Other loans increased by 5% to CHF 5.7bn. On the liabilities side, the expansion in customer savings and investment accounts continued, with a rise of 2% to CHF 13.0bn. Other customer accounts grew by 5% to CHF 16.3bn. Total assets expanded by 4% to CHF 42.1bn.

Group assets under management grew 3% to CHF 86.4bn. Strong stockmarket gains offset net fund outflows of CHF 1.9bn. The CHF 1.9bn aggregate net outflow comprises an inflow of CHF 0.8bn from SMEs in the region and onshore retail and private banking customers, coupled with outflows of CHF 1.5bn among large corporate and institutional clients and CHF 1.2bn among offshore clients.

## Financial results

Total revenues were unchanged year-on-year at CHF 993m. Despite the ongoing decline in interest rates, interest income held steady at CHF 504m thanks to expanding business volumes and effective balance sheet management. Fee and commission income increased 1% to CHF 343m. Trading income retreated 6% to CHF 106m, reflecting low client-driven forex activity over the year. Other ordinary income rose to CHF 40m.

Operating expenses were stable at CHF 517m. Personnel costs were up 1% to CHF 339m following the absorption of 80 IT specialists from IBM in 2013. Other operating expenses were down 2% to CHF 178m. Operating profit was up 1% to CHF 476m. Depreciation and write-offs fell 7% to CHF 80m owing to cost savings associated with the absorption of IBM's IT specialists. Value adjustments, provisions and losses declined 20% to CHF 34m. Credit-risk provision releases generated CHF 19m in extraordinary income. Net profit rose 6% to CHF 296m.

The cost/income ratio improved, declining from 61% to 60%. Our prudent approach to liquidity management continued to push down the net interest margin, which stood at 1.22% – a slightly lower level than in 2013 (1.23%). Shareholders' equity was stable at CHF 3.3bn. The Group's CET1 capital ratio at 31 December 2014 stood at 17.1%. Return on equity increased to 9.0% thanks to the rise in net profit.

## Business sector overview

### Retail Banking

The Retail Banking Sector maintained its strong development in 2014, at a time of historically low interest rates and a slowing real-estate market. The mortgage book grew by 2.7% to CHF 7.4bn, and customer deposits were up 3.4% to CHF 8.3bn. Sector revenues increased by 4.6% to CHF 193m, and operating profit rose 11% to CHF 96m. As in previous years, the Retail Banking Sector continued to improve service quality in order to meet customers' needs ever more effectively.

### Corporate Banking

Corporate Banking's business development showed mixed trends across its three departments in 2014. Business developed in the SME segment thanks to positive economic conditions, while Large Corporates saw a decline in volumes and Trade Finance was affected by the international geopolitical situation. Lending and commitments were stable at CHF 15.2bn, while deposits grew by 5.4% to CHF 7.6bn. Revenues remained at their 2013 level (CHF 273m), as did operating profit (CHF 230m). The corporate loan book remained resilient, with low net new provisioning needs.

### Wealth Management

All areas of Wealth Management made progress, with the exception of offshore private banking, where the regulatory environment is seeing some far-reaching changes. Assets under management were up 3.4% to CHF 67.6bn, and mortgage lending increased 4.0% to CHF 6.9bn. Revenues were stable at CHF 370m and operating profit was up 2.2% to CHF 212m.

### Trading

Business levels in currency trading fell relative to 2013 but remained high thanks to strong client-driven currency-hedging and other transactions. The structured products business remained firm. The Sector's revenues fell by 8.3% to CHF 49m, and operating profit was down 16% to CHF 27m. Risk levels stayed very low, as trading activities were focused primarily on customer-driven transactions.

## Highlights of the year

### Dividend payment and special distribution

We intend to pay an ordinary dividend of CHF 22-27 per share as well as a special distribution of CHF 10 per share out of paid-in reserves. Barring significant changes in the economic and regulatory environment or in the Bank's situation, we plan to maintain this distribution level until 2018.

In 2014, we maintained our dividend and capital-management policy for the sixth consecutive year. In May, we distributed CHF 189m to shareholders in the form of an ordinary dividend and made a special distribution of CHF 86m out of paid-in reserves. The Canton of Vaud received CHF 185m of the CHF 275m paid out to shareholders in 2014. For the period 2007 to 2013, BCV returned over CHF 2.0bn to its shareholders.

### Credit ratings reaffirmed

During their annual review, both Moody's and Standard & Poor's kept their ratings unchanged. Standard & Poor's affirmed BCV's AA rating despite downgrading the Swiss commercial banking anchor by one notch. Moody's also affirmed BCV's A1 long-term rating and increased its standalone outlook to positive.

### Tax dispute

Like many other Swiss banks, we examined the US Department of Justice's program aimed at settling the tax dispute between Swiss banks and the USA. Our location in the highly-international Lake Geneva region means that we do have clients who qualify as US Persons. Most of these clients are Swiss people living in the USA, Americans living in the Canton of Vaud, or dual citizens. US Persons have never been a target market for BCV, and we have never conducted business or client acquisition activities on US soil. However, given the uncertainties surrounding the program, we cannot determine with certainty whether the US authorities will find fault with our handling of US clients. As a result, and in keeping with the Bank's sound approach to risk management, we announced in December 2013 that we would participate in the program as a category 2 financial institution.

### Sale of our share in Swisscanto

BCV has sold its 7.3% share in Swisscanto, the cantonal banks' joint investment-fund venture, to ZürcherKantonalbank (ZKB). This sale was part of a deal under which all the cantonal banks are selling their holdings in Swisscanto to ZKB. This transaction did not affect BCV clients holding or wishing to purchase Swisscanto fund units. The profit contribution on this transaction will be booked in 2015 and will amount to approximately CHF 18m. BCV is one of the custodian banks for Swisscanto funds, with roughly CHF 10bn in Swisscanto assets. BCV's role as custodian will evolve as from 2016, but this will have no material impact on the Bank's results.

### Agreement with PostFinance

PostFinance has ended its agreement with BCV for online brokerage services after a partnership that lasted 14 years. It will team up with Swissquote beginning in fall 2015.

### Changes on the Executive Board and the Board of Directors

At the Shareholders' Meeting of 1 May 2014, Ingrid Deltenre was elected to BCV's Board of Directors to replace Beth Krasna, whose term was ending. In early March, José François Sierdo was named to head up BCV's Retail Banking Division.

## Key projects and investments

### Stratégie2018

The Bank's new strategic phase – *stratégie2018* – aims to continue developing all of the Bank's business lines. We will also work to improve our internal processes, making impeccable service quality our differentiating factor and ensuring our business lines keep pace with the quickly changing regulatory environment. In response to our customers' changing habits, we are also seeking enhanced integration among the Bank's distribution channels: our branch offices, ATMs, our call center, online banking and smartphones and tablets.

In 2014, we focused on improving customer-service quality through changes to our retail call center. This led to shorter response times and faster resolution. We also

began overhauling our website (improving such things as the navigation, layout, and available information). It will go online in April 2015.

### FATCA agreement

On 14 February 2013, Switzerland and the USA signed a FATCA (Foreign Account Tax Compliance Act) implementation agreement under which the US IRS will obtain identifying information on all bank accounts held abroad by US taxpayers. This agreement, a unilateral initiative of the US government, applies to all financial institutions worldwide. As a participating financial institution, BCV complies with the obligations contained therein. Our Global Intermediary Identification Number (GIIN) is shown on the back cover of this report.

### Investments

In each of the past three years, we invested between CHF 50m and CHF 70m in infrastructure, equipment and IT maintenance and development.

### Strategy and outlook

We aim to keep up the positive trend in our various businesses, even as the environment remains challenging for banks.

For the business lines, we are targeting:

- At-or-above market-rate growth in the retail banking and SME segments
- Above-market growth in onshore private banking
- Pursuit of niche growth drivers in asset management, structured products and trade finance
- Continued development of our other business lines.

With *stratégie2018*, we will also work to improve our internal processes and sharpen our focus on the customer experience. This will involve:

- Improving customer-service quality through a series of targeted initiatives;

- Expanding multi-channel access to our products and services in line with our customers' changing expectations;
- Embarking on various projects to enhance our internal operations;
- Pressing ahead with our human resources strategy to continue developing our employees' skills sets to keep pace with increasing customer needs.

In addition, the focus on service quality and our core values reflects our belief that a common culture shared by all employees is one of the key success factors for our strategy. From this foundation, we intend to generate sustainable growth and stable earnings going forward.

### Financial targets

In today's low-interest-rate environment, we are seeking lasting growth, with revenues and operating profit trending along the same lines as in recent years. Long-term targets include an ROE of 12-13%, a cost/income ratio of 57-59%, and a Core Equity Tier 1 (CET1) ratio of 13%. These strategic objectives should be viewed from a multi-year perspective.

We intend to pay an ordinary dividend of CHF 22-27 per share as well as a special distribution of CHF 10 per share out of paid-in reserves. As announced in early 2013, we plan to maintain this distribution level for five years, barring significant changes in the economic and regulatory environment or in the Bank's situation.

### Business trends at the main subsidiaries

#### Piguet Galland & Cie SA

Piguet Galland & Cie SA, a private bank with its headquarters in Geneva and Yverdon-les-Bains, caters to wealthy clients throughout French-speaking Switzerland. In 2014, it continued implementing its sales and marketing strategy in French-speaking Switzerland. It expanded its product and service offering through the addition of advisory mandates and continued to grow in institutional asset management.

Operating profit was stable at CHF 14m thanks to a CHF 5m decline in operating expenses. Net profit amounted to CHF 3m after provisions. AuM remained stable at CHF 7bn.

## Gérifonds SA

Gérifonds administers BCV's funds and those of other fund managers. Assets of funds under management rose 12% to CHF 10.1bn, a record level. The number of Luxembourg-registered funds under administration increased, with the inclusion of some Piquet Galland & Cie funds. The Banque Cantonale du Valais also launched its first fund with Gérifonds in 2014. At year-end, Gérifonds managed 108 funds, 64 of which were registered in Switzerland and 44 in Luxembourg.

Revenues fell by 1% to CHF 13.2m, while net profit rose 9% to CHF 2.2m. Half of Gérifonds' revenues came from the nine distributors other than BCV.

## GEP SA

GEP SA manages the Fonds Immobilier Romand (FIR). FIR, which was launched in 1953, invests exclusively in residential property in French-speaking Switzerland, focusing on the Lake Geneva region in particular. It follows a very selective development strategy and adopts a long-term approach to rental pricing. It holds more than 3,600 properties for total assets of CHF 1.04bn (+3.4%) and rental income of CHF 64.4m (+4.9%). FIR also spent close to CHF 8m on renovation work and energy-efficiency improvements to its properties in 2014. FIR is listed on the SIX Swiss Exchange (CH0014586710), and in 2014 its units generated an overall performance of 17.9% (including price gains plus a CHF 3.90 distribution).



# Year in Review

## Business Sector Reports

### Retail Banking

- The Retail Banking Sector maintained its strong development in 2014, at a time of historically low interest rates and a slowing real-estate market.
- The mortgage book grew by 2.7% to CHF 7.4bn, and customer deposits were up 3.4% to CHF 8.3bn.
- Sector revenues increased by 4.6% to CHF 193m, and operating profit rose 11% to CHF 96m.
- As in previous years, the Retail Banking Sector continued to improve service quality in order to meet customers' needs ever more effectively.

### Business and strategy

In 2014, Retail Banking employed 386 people. They serve the banking needs of individuals with assets of up to CHF 250,000 or mortgages of up to CHF 1.2m. In addition to the usual current accounts, savings accounts, credit cards and home loans, BCV offers a full range of banking products such as investments, financial planning services and trading via our online platform, TradeDirect, which is available at [www.tradedirect.ch](http://www.tradedirect.ch).

Most of BCV's customers first came to the Bank for retail banking services. We offer a comprehensive range of distribution channels: 66 branch offices providing dense coverage of Vaud, a network of over 220 ATMs across the Canton, a highly efficient call center and an internet banking platform – BCV-net – that can also be accessed using mobile devices such as smartphones and tablets. BCV-net is used by nearly 40% of our customers, and seven out of every ten payments are made via this platform. Our retail banking operations are an integral part of our image as the bank of choice for the people of Vaud. We work closely with customers in all phases of their lives, providing ongoing support through our broad array of products and

services. Retail Banking also generates a pool of potential customers for Private Banking.

Retail Banking's experienced management and wide product range make it a key training ground for BCV's staff. Many employees working in BCV's other business areas started their careers as trainees, interns or employees in Retail Banking. Retail continues to fulfill this role and frequently transfers staff to BCV's other divisions.

### Market and competitive environment

The Vaud economy grew at a revised rate of 1.9% in 2014, slightly below the 2.1% figure seen in 2013 and the 2.0% growth rate in Switzerland as a whole.

Although Swiss interest rates rose slightly between mid-2013 and the start of 2014, they then decreased again to historically low levels. Combined with population growth, this helped to keep house prices high. The mortgage market continued to grow, albeit at a slower rate than in previous years.

Although stockmarkets rose, fund inflows into traditional savings accounts continued throughout the year, showing the importance of safe, liquid investments.

### 2014: business report

Retail Banking maintained its momentum in 2014, with further growth in business volumes. The mortgage book expanded by 2.7% to CHF 7.4bn, fully in line with the target of controlled growth set in 2012. Customer deposits were up 3.4% to CHF 8.3bn.

Revenues showed an increase of 4.6% to CHF 193m, and operating profit was up 11% to CHF 96m.

The project to improve the call center's service quality was one of many pursued by the Retail Banking Sector in 2014.

Numerous changes were made at the center to decrease response times and provide better overall customer service. The impact of these efforts was felt immediately, with major improvements and higher customer satisfaction.

José François Sierdo took charge of the Retail Banking Division on 3 March 2014.

**2015: objectives and outlook**

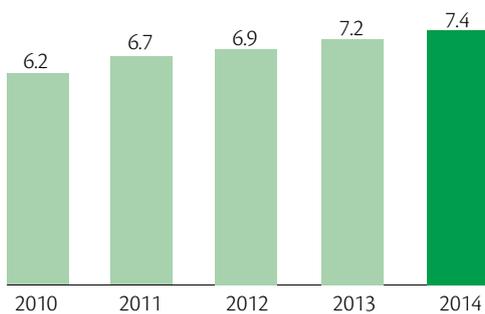
As part of *stratégie2018*, Retail Banking will continue to focus on operational excellence. The Sector will focus on evolving its various touch points with customers, whether they are in branches, at home or on the move.

The Sector will continue to pursue its goal of maintaining BCV’s position as the bank of choice for the people of Vaud Canton through its close community ties and professional approach, actively seeking to provide straightforward, easy-to-use products and services that meet the needs of each individual customer.

**2010–2014 financial data**

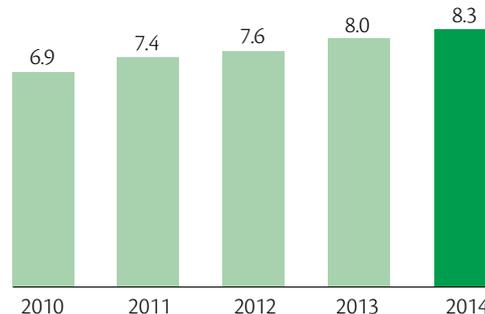
**Mortgage loans**

in CHF billions



**Customer deposits**

in CHF billions



**Key figures**

	2014	2013
Total revenues (CHF millions)	193.0	184.6
Operating profit (CHF millions)	96.5	87.2
Cost/income ratio (excluding goodwill amortization and write-downs)	84%	87%
ROE (based on operating profit after depreciation and write-offs and interdivisional billing)	15.6%	13.1%
Headcount	386	397

2013 figures were adjusted to facilitate like-for-like comparisons

## Corporate Banking

- Corporate Banking's business development showed mixed trends across its three departments in 2014.
- Business developed in the SME segment thanks to positive economic conditions, while Large Corporates saw a decline in volumes and Trade Finance was affected by the international geopolitical situation.
- Lending and commitments were stable at CHF 15.2bn, while deposits grew by 5.4% to CHF 7.6bn.
- Revenues remained at their 2013 level (CHF 273m), as did operating profit (CHF 230m).
- The corporate loan book remained resilient, with low net new provisioning needs.

### Business and strategy

Our Corporate Banking Sector comprises three frontline departments: SMEs, Large Corporates and Trade Finance. The product range covers all financing needs (e.g., construction loans, financing of production equipment, working capital and international trade finance) and provides cash-management services along with instruments for hedging exchange-rate and interest-rate risk.

Corporate Banking continues to expand its SME customer base in order to consolidate its already-strong presence in the Vaud economy. More than half of the Canton's SMEs bank with BCV, and BCV has relationships with two-thirds of Vaud's major corporations. The Sector's Large Corporates Department offers a broad range of services to companies elsewhere in French-speaking Switzerland and, on a more selective basis, in German-speaking areas of the country. The Lake Geneva region is a global center for commodities trading and is home to a large number of trading firms. BCV has recognized strengths in serving these companies, particularly in the key markets in which we specialize, such as metals and softs, and is working to grow its business in petroleum derivatives. The Sector focuses on certain key markets and systematically monitors all transactions that it finances.

## Market and competitive environment

In 2014, Vaud Canton's SMEs maintained their momentum in a supportive economic climate. Export industries proved robust despite the strong Swiss franc and ongoing very weak growth in neighboring economies. Initial signs of a slowdown in the real-estate sector appeared, including a decrease in the published asking prices in the Canton.

In the Large Corporates segment, average loans outstanding fell by almost 9% compared with 2013. These companies had large amounts of liquidity, and so had less need to borrow. Low interest rates also led to greater volatility in this client segment, prompting companies to become more proactive in seeking the best return on their cash.

Conditions in the commodity markets remained difficult throughout 2014. BCV sharply reduced its exposure to Russia and Ukraine due to geopolitical tensions between the two countries. In North Africa, political instability weighed on commodity transactions.

### 2014: business report

There was firm growth across the business despite the mixed operating environment. Lending and commitments were stable at CHF 15.2bn, while deposits grew by 5.4% to CHF 7.6bn.

The Sector had strong traction in the SME segment, with growth in the mortgage book as Corporate Banking drew around 1,280 new customers and experienced an expansion in lending activities. In the Large Corporates segment, lending fell in 2014, while short-term treasury deposit volumes were highly volatile. Trade Finance business volumes remained low, due in particular to weak global demand for steel and the international geopolitical situation. Average loans outstanding in Trade Finance fell by close to 11%, reaching a cyclical low.

The Sector's revenues and operating profit were stable, at CHF 273m and CHF 230m respectively.

Credit-risk provisions in Corporate Banking were well below long-term average values.

## 2015: objectives and outlook

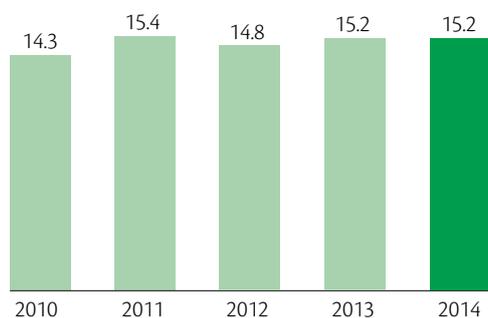
The Vaud economy, like that of Switzerland as a whole, is set to slow in 2015 on account of the rise in the value of the Swiss franc against the euro. Interest rates are unlikely to increase significantly during 2015. Accordingly, Corporate Banking will aim for maximum responsiveness to the needs of its SME customers, continuing to stand with them in still-uncertain economic times.

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

## 2010–2014 financial data

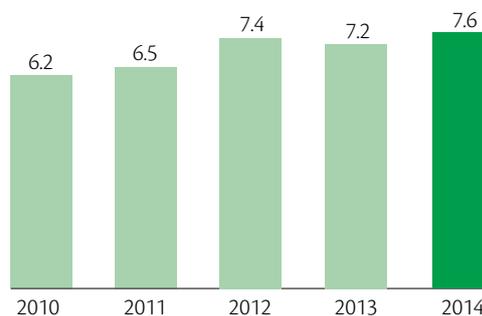
### Lending and off-balance-sheet commitments

in CHF billions



### Customer deposits

in CHF billions



## Key figures

	2014	2013
Total revenues (CHF millions)	273.2	273.2
Operating profit (CHF millions)	230.3	229.4
Cost/income ratio (excluding goodwill amortization and write-downs)	36%	37%
ROE (based on operating profit after depreciation and write-offs and interdivisional billing)	14.3%	14.2%
Headcount	184	186

2013 figures were adjusted to facilitate like-for-like comparisons

## Wealth Management

- All areas of Wealth Management made progress, with the exception of offshore private banking, where the regulatory environment is seeing some far-reaching changes.
- Assets under management were up 3.4% to CHF 67.6bn, and mortgage lending increased 4.0% to CHF 6.9bn.
- Revenues were stable at CHF 370m and operating profit was up 2.2% to CHF 212m.

## Business and strategy

BCV Group's wealth management business comprises the activities of the parent company and those of its subsidiaries Piguët Galland & Cie SA, G rifonds SA and GEP SA. Within the parent company, wealth management is shared by two divisions. The Private Banking Division serves affluent and high-net-worth individuals, whereas the Asset Management and Trading Division works with institutional clients. With 583 employees in wealth management, BCV Group has a major regional presence in private banking. We are also the Canton of Vaud's leading institutional asset manager.

In light of the Vaud region's strong potential in private banking, the Wealth Management Sector is maintaining the growth strategy initiated in 2009. Because BCV operates in all areas of banking, efforts to attract private clients can be coordinated with other business sectors, creating valuable synergies. For example, the Bank's private banking business benefits from a steady stream of high-potential referrals from Retail Banking, whose client base includes over half the 740,000+ people living in the Canton, and from Corporate Banking, which is very active on the local business scene. BCV is already the leading institutional asset manager in Vaud Canton. We are now pressing ahead with our strategy to grow this business elsewhere in Switzerland. To achieve this, we are capitalizing on the occupational pension expertise we have gained through Fondation BCV deuxi me pilier, which has around 550 member companies. Another strength lies in the discretionary management agreements we offer to pension funds. Having previously focused our activities in French-speaking Switzerland, we are seeking to expand our business in the German-

speaking part of the country in order to maximally leverage our investment policy and our ability to create high-value-added financial products.

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

G rifonds SA, which is a wholly owned subsidiary, provides BCV and other partners with valuable expertise in creating, distributing, managing and administering investment funds. Its expertise and leading position in the fund market in French-speaking Switzerland have enabled it to build a solid portfolio of clients outside BCV Group.

GEP SA, founded in 1953, is a wholly owned subsidiary of BCV. It has unique expertise in real-estate fund management. It manages Fonds Immobilier Romand (FIR), a Swiss-registered real-estate fund listed on the SIX Swiss Exchange that invests exclusively in residential properties in French-speaking Switzerland.

## Market and competitive environment

Overall, financial markets were on the rise in 2014, with trading volumes also increasing as investors returned to the equity markets.

The Swiss banking industry is experiencing a period of major change following recent pressure on banking confidentiality. Banks are facing a raft of regulatory changes with far-reaching consequences. We are closely monitoring these developments and allocating the necessary resources to prepare for the challenges they entail. Many of the resulting projects are long-term in nature and set to continue going forward. BCV's private wealth management business has been focused for many years on onshore clients living in Vaud Canton.

## 2014: business report

Strong financial markets enabled Wealth Management to maintain good results in 2014. Despite increasingly fierce

competition, BCV's onshore private banking business continued to grow in Vaud, while international private banking contracted, as expected. In institutional asset management, we achieved firm growth in business volumes in both discretionary management mandates and investment fund distribution. After initial successes in 2013, we continued our strategic initiative to win new customers in German-speaking Switzerland, and efforts in this area remain ongoing.

In 2014, the sector's assets under management grew 3.4% to CHF 67.6bn. Although the Vaud real-estate market slowed, mortgage lending remained brisk and the mortgage book grew 4.0% to CHF 6.9bn last year. Overall, higher revenues from onshore business offset the decline in international private banking. Total sector revenues were stable at CHF 370m and operating profit rose 2.2% to CHF 212m.

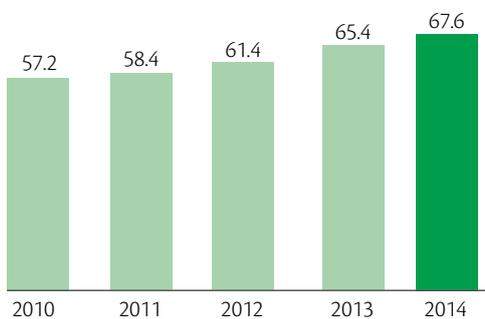
**2015: objectives and outlook**

In 2015, we will press ahead with our growth strategy in onshore wealth management, aiming to become the market leader in Vaud Canton. We will continue to leverage our representative office in Zurich and our early successes in German-speaking Switzerland in institutional asset management. Here, our aim is to approach new clients and win new business in the region. As a creator and distributor of investment products, Asset Management will continue to design its investment strategies with a sharpened focus on the risk/return profile. The product range will be expanded in an effort to offer investors a more diverse choice of regions, asset classes and investment styles.

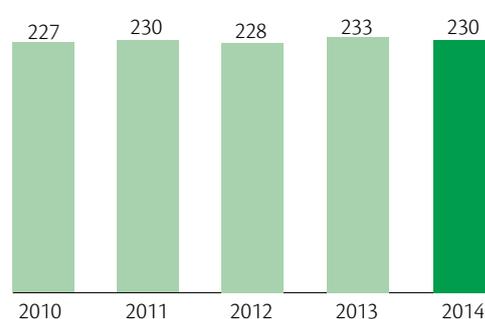
We have unlocked major synergies between Piquet Galland & Cie SA and the Bank, particularly in financial and regulatory management. Piquet Galland & Cie SA is also aiming to develop its business in French-speaking Switzerland's wealth management market.

**2010–2014 financial data**

**Assets under management**  
in CHF billions



**Fee and commission income**  
in CHF millions



**Key figures**

	2014	2013
Total revenues (CHF millions)	369.6	369.7
Operating profit (CHF millions)	211.7	207.2
Cost/income ratio (excluding goodwill amortization and write-downs)	62%	63%
ROE (based on operating profit after depreciation and write-offs and interdivisional billing)	45.7%	44.6%
Headcount	583	591

2013 figures were adjusted to facilitate like-for-like comparisons  
2010-2012 figures for assets under management were adjusted to exclude custody-only assets

## Trading

- Business levels in currency trading fell relative to 2013 but remained high thanks to strong client-driven currency-hedging and other transactions.
- The structured products business remained firm.
- The Sector's revenues fell by 8.3% to CHF 49m, and operating profit was down 16% to CHF 27m.
- Risk levels stayed very low, as trading activities were focused primarily on customer-driven transactions.

### Business and strategy

We aim to meet our customers' trading needs and to offer them a broad array of products and services. To achieve this, we have one of the largest trading rooms in French-speaking Switzerland, and we took steps to modernize it in 2014 by updating the technology and adding ergonomic workstations. Our traders operate directly on the following exchanges: SIX Swiss Exchange, Eurex and Scoach (Switzerland). Our Trading Sector focuses on investment and hedging products (currencies, equities, bonds, derivatives and structured products) that are denominated primarily in Swiss francs and aimed at clients based mainly in Switzerland. More than a third of customers who trade currencies with BCV use our e-FOREX trading platform.

Our trading room focuses on client transactions. This means that the Bank's market risk levels are low.

The Sector's activities come under the Asset Management & Trading Division, which encompasses asset management, investment policy and trading. This combination enables us to make the most of synergies between the trading room and the Asset Management Department, helping us to provide investment products that are responsive to customer needs and consistent with our investment policy.

## Market and competitive environment

Stockmarkets saw a broad-based increase last year, as in 2013. The SMI rose 9.5% to 8,983, while the Euro Stoxx 50 posted a more modest increase of 1.1%. The S&P 500 gained 11.4% and the Nikkei 7.1%. There was also an increase in trading volumes. In the Swiss stockmarket, for example, trading was up 14% in value terms and 12.6% in terms of the number of transactions.

In the forex market, the euro's movements against the Swiss franc were limited throughout 2014 and the exchange rate remained close to the CHF 1.20 floor set by the Swiss National Bank (SNB) in September 2011. The economic outlook was brighter in the USA than in the eurozone, and the US dollar rallied in the second half of 2014. It ended the year at parity with the Swiss franc, making an 11.1% gain over the year as a whole.

### 2014: business report

Trading volumes fell relative to 2013, although they remained strong. Overall, trading revenues declined 8.3% to CHF 49m, and operating profit fell 16% to CHF 27m.

The SNB maintained its floor EUR/CHF exchange rate throughout 2014, greatly reducing volatility in all Swiss-franc exchange rates and depressing currency trading volumes and income.

Issuance of structured products remained stable compared with 2013, while issuance of certificates almost halved.

The Sector's risk profile remained very low, with VaR (1-day, 99%) of less than CHF 150,000 at 31 December 2014.

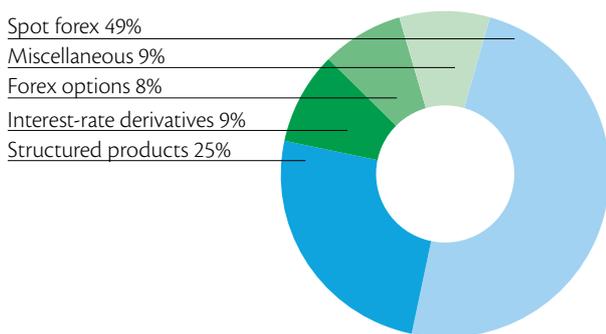
**2015: objectives and outlook**

With renewed volatility on the forex market, the Trading Sector will further develop its range of services to focus on customers’ core trading needs. BCV will continue to offer thorough, clear documentation on its products for both hedging and investment purposes.

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

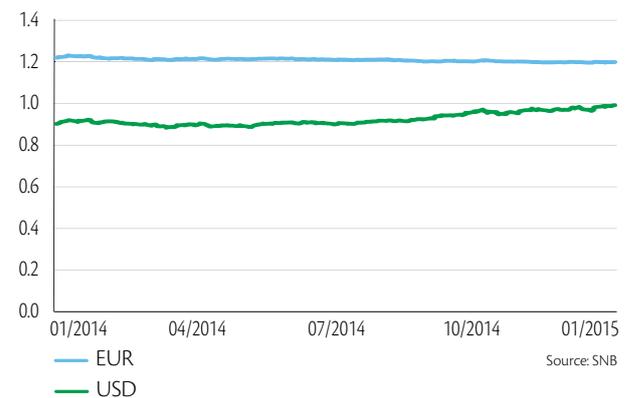
**2014 financial data**

*Breakdown of trading revenues by market segment*



*Exchange rates*

versus CHF



*Key figures*

	2014	2013
Total revenues (CHF millions)	49.4	53.8
Operating profit (CHF millions)	27.0	32.1
Cost/income ratio (excluding goodwill amortization and write-downs)	53%	46%
ROE (based on operating profit after depreciation and write-offs and interdivisional billing)	29.8%	41.4%
Headcount	60	60

2013 figures were adjusted to facilitate like-for-like comparisons





# Risk Management

## 1. Risk Management

### 1.1 Objectives

The business of banking is to take on strategic and business risk, market risk and credit risk in order to create economic profit. Indirectly, this entails exposure to operational risk. BCV manages these risks in an integrated and coherent manner, using a process that encompasses all of the Bank's activities. The goals of the risk management process at BCV are to ensure that:

- BCV's risk exposure is evaluated, monitored and reported in a manner that is appropriate to the economic and regulatory environment
- BCV's risk-taking capacity is in line with its risk profile
- BCV earns optimal returns on the risks that it takes and hence on the equity capital committed.

### 1.2 Principles

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

1. BCV takes on strategic and business risk, credit risk and market risk with the aim of generating economic profit.
2. BCV seeks to minimize its exposure to the operational risk it is exposed to arising from its activities.
3. Every risk that BCV takes must fall clearly within the purview of the Bank's businesses and be in line with the targeted risk profile.
4. The level of risk taken by BCV is in keeping with its risk tolerance with regard to net profit fluctuations and the targeted level of equity capital.
5. BCV takes and maintains positions only when it knows the risks and is able to manage them.
6. BCV assesses and monitors all risks for their potential financial impact (decreases in profit and/or in equity capital), regulatory impact (that could lead to restrictions on the right to conduct business), and impact on the Bank's reputation.
7. The same definitions, the same methodological approaches and the same organizational principles are applied in managing risk bankwide.
8. BCV continually refines its methods and its risk assessment and monitoring processes, selecting the most appropriate approach for each set of risks taken.
9. BCV pursues a culture of risk management and aims to be highly skilled in this field. The Bank follows industry best practices and the recommendations of the Basel Committee.
10. BCV strives for full in-house expertise in all the risk management models and tools that it uses.

### 1.3 Classification of risks

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

- **Strategic and business risk**, which arises from economic or regulatory changes that have an adverse effect on the Bank's strategic choices in the case of strategic risk, or from competitive changes that have an adverse effect on business decisions for a given strategy in the case of business risk
- **Credit risk**, which arises from the possibility that a counterparty may default. Credit risk exists before and during unwinding of a transaction
- **Market risk**, which arises from potential adverse changes in market parameters, particularly prices, implied volatility and other market base effects (e.g., correlation between asset prices and market liquidity). Liquidity risk, both in terms of possible difficulties with structural funding of activities and potential problems with short-term liquidity management, is also deemed to be a component of market risk
- **Operational risk**, which arises from a possible inadequacy or failure relating to processes, people and/or information systems within and outside the Bank. Operational risk includes the risk of non-compliance, i.e., the risk of the Bank breaching legal requirements, standards and regulations.

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

- The financial impact, that is, a decrease in the Bank's net profit, the book value of its capital and/or the economic value of its capital
- The regulatory impact, that is, intervention by the supervisory authorities in the form of inquiries, sanctions, increased monitoring or a restriction on banking activities
- 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 in the area of risk management may be summarized as follows:

- The Board of Directors establishes BCV's fundamental risk management principles and decides the strategy it will pursue in taking on risk.
- The Audit and Risk Committee ensures that risk management at BCV is implemented and operational, as decided by the Board of Directors.
- The Executive Board is responsible for ensuring that risk management procedures are implemented and operational, and for monitoring the Bank's risk profile. It monitors strategic and business risk and supervises the Executive Board Risk Management Committee in monitoring and reporting these risks. The committee is chaired by the Chief Financial Officer (CFO), and includes the CEO, other division heads, and the head of the Financial Risk Management Department.
- Division heads are responsible for conducting and monitoring the activities of their divisions, regardless of whether the division has a front-line, steering or business-support role. They have initial responsibility for overseeing, identifying and managing the strategic, business, credit, market and operational risks arising from the activities of their divisions.
- The CFO also assumes the role of Chief Risk Officer. The CFO puts forward risk-management policy and strategy, monitors the Bank's aggregate risk profile, is responsible for capital adequacy, and helps foster a culture of risk management among staff, with the support of the Financial Risk Management Department and the Operational Risk Unit, which report to the CFO.
- The Credit Management Division, under the Chief Credit Officer (CCO), is responsible for analyzing risk for all types of credit risk assumed by the Bank and, up to the limit of its approval authority (see below), for credit decisions, as well as for monitoring risk exposures on a counterparty basis.

## 1.5 Financial Risk Management Department

The Financial Risk Management Department's mission is to develop and continually improve the Bank's methods and principles for managing risk, to monitor the Bank's risk profile, and to oversee and execute risk reporting. The Department is also responsible for the overnight monitoring of market risk for BCV's trading floor.

## 1.6 BCV risk profile - key indicators

The main indicators of the Bank's risk profile are summarized in the table below.

## 2. 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 involves processes and methods for analyzing credit risk that ensure an objective and factual assessment while still meeting the operational imperatives of the business.

- Second, outstanding loans are continuously monitored, not just on an individual basis but also at the level of the loan portfolio as a whole. This approach allows the credit risk profile to be monitored to ensure that it remains consistent with strategic objectives, and makes early detection of increases in risk possible.
- Third, impaired loans are managed differently, following clearly defined procedures which are designed to assist the debtor in distress as much as possible and thereby protect the interests of the Bank, as well as those of its depositors, creditors and shareholders.

The three phases of customer credit activities are described in more detail below.

### BCV risk profile

		31/12/11	31/12/12	31/12/13	31/12/14
BCV Group capital adequacy <sup>1)</sup>	• FINMA risk-weighted assets (CHF billions)	21.6	20.2	16.4	16.8
	• FINMA capital ratio	13.2%	14.4%	17.9%	17.2%
	• BIS risk-weighted assets (CHF billions)	16.9	15.8	16.4	16.8
	• BIS Tier 1 capital ratio	16.8%	18.4%	17.8%	17.1%
	• BIS Total capital ratio	16.8%	18.4%	17.9%	17.2%
Non-impaired loans (parent company)	• Customer loans, on and off balance sheet <sup>2)</sup> (CHF billions)	28.9	28.9	29.8	30.8
	• Expected loss ratio (relative to amount drawn)	14 bps	13 bps	13 bps	13 bps
Impaired loans (parent company)	• Impaired loans <sup>3)</sup> (CHF billions)	0.4	0.4	0.3	0.2
	• As a % of total customer loans and due from banks	1.3%	1.2%	0.9%	0.7%
	• Specific provisioning ratio	44%	41%	41%	34%
Market risk on the trading book (parent company)	• Trading Dept.: VaR <sup>4)</sup> (CHF millions, 1-day, 99%)	0.3	0.3	0.2	0.2
	• Asset mgt. nostro portfolio: VaR <sup>4)</sup> (CHF millions, 180-day, 99%)	3.8	3.0	1.9	0.8
Market risk on the banking book (parent company)	• VaR (% of economic value of equity capital, 90-day, 99%)	4.2%	3.4%	4.2%	4.8%
Operational risk (parent company)	• New provisions and direct losses (CHF millions)	1.4	2.4	20.8	0.7

<sup>1)</sup> Determined according to Basel II in 2009-2012 and according to Basel III since 2013

<sup>2)</sup> Excluding financial investments (bonds)

<sup>3)</sup> Net commitments (commitments to impaired borrowers for which the provision is above 0)

<sup>4)</sup> Average VaR for the year

### 2.1.1 The lending decision

#### Risk strategy and credit policy

Loans to customers represent the Bank's largest asset position. BCV takes on credit risk with the aim of building a quality loan portfolio, primarily by lending to counterparties in Vaud Canton. For each of the various customer segments, the Bank sets limits in terms of maximum exposure, types of credit services offered, and targeted average quality expressed in terms of expected loss and required capital. The risk strategy and credit policy are reviewed regularly.

#### Separation of powers and lending authority

Sales (i.e., front-office) functions are kept strictly separate from credit analysis and approval functions. Employees in front-office departments are responsible for developing customer relationships, loan products, and loan-product pricing, whereas credit analysis and approval are the domain of the Credit Management Division, headed by the CCO. Analysis of credit risk is based on tools (rating models) developed by the Financial Risk Management Department, and on assessments by credit analysts. Some low-risk forms of lending such as standard mortgage loans are directly approved by the front office on the basis of scores obtained from rating models defined by the Financial Risk Management Department.

Approval limits for customer lending are based on the amount of the loan and the level of expected loss. Depending on the magnitudes of these two factors, a loan may require the approval of an analyst, a sector credit committee, the CCO, the Executive Board Credit Committee or the Board of Directors. Approval limits are specified in the Bank's lending policy rule book, which is validated by the Board of Directors.

#### Analysis of default risk

The internal counterparty default rating is the centerpiece of credit-risk analysis. Each counterparty is assigned an internal default rating that reflects its probability of default. The Bank applies seven main ratings, which are divided into a further 17 clearly defined sub-ratings. The 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 for counterparties with different characteristics, but the choice of rating model for a particular counterparty is governed by strictly defined considerations. The main rating models are those for individuals, businesses borrowing small amounts, SMEs, real-estate professionals, large corporates, public-sector

entities and banks. The models are "scoring" models and use both financial and qualitative variables. They are based on statistical techniques and meet the requirements of the Basel III Accord for Internal Ratings-Based (IRB) approaches. The models are under the responsibility of the Financial Risk Management Department and are subject to independent validation and continuous improvement.

#### Analysis of collateral

For any loan, the calculated loan-to-value ratio and expected loss given default depend directly on the valuation of the collateral. Collateral is valued according to current market conditions and the assessments of real-estate experts. The valuation is reviewed at predetermined intervals and whenever certain clearly defined events occur. The Bank determines the value of real estate in accordance with the recommendations of the Swiss Bankers Association. Single-family homes are valued 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 loan products, interest rates are determined individually, taking into account the cost of the loan and the Bank's ROE objectives. The cost of the loan includes the funding cost, the administrative cost and the expected loss. Expected loss is determined as a function of the counterparty's probability of default (i.e., its internal counterparty default rating) and the loss given default. The loss given default depends in turn on the 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 III slotting criteria. This approach enables the Bank to price all loans in a way that best reflects the quality of each transaction.

### 2.1.2 Credit monitoring

#### Monitoring

A system of alerts and internal renewal reviews is used to detect individual situations in which risk has increased. The system of alerts is based on close monitoring of exceeded

limits and on other factors (including automatic re-ratings) that may indicate situations of increased risk or even impairment. Whenever instances of exceeded limits are detected, specific actions are taken by BCV's credit advisors and analysts. These actions are overseen by a supervisory entity in the CCO's organization. The system of internal renewal reviews sets a maximum time interval between credit analyses for positions of a given size and for counterparties for which no intervention has been required because no alert has been triggered. This time interval is set according to the nature of the credit and the type of counterparty.

### Analyzing the loan portfolio

The risk profile of the loan portfolio is reviewed quarterly. Credit-risk exposures, and distribution by internal counterparty default rating, by loss given default, by expected loss, and by risk-weighted assets 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 Management Department within the Credit Management 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.

#### Provisioning

The Bank establishes specific provisions for each impaired loan. The need for provisions is determined individually for each impaired loan based on an analysis performed according to a clearly defined procedure. In this analysis, collateral is taken at its liquidation value. This is the net amount that the Bank could expect to obtain by liquidating the collateral at current market conditions, after deducting the expenses of realizing the transaction and any costs of owning the collateral. The liquidation value is obtained by applying a haircut determined by the Financial Risk Management Department.

## 2.2 Interbank credit risk

### 2.2.1 Risk strategy and credit policy

Credit-risk exposure on other banks arises mainly from treasury management, from BCV's trading activities in

over-the-counter derivatives, from securities and payment transactions (unwinding), and from bank guarantees on trade-finance operations. The Bank reviews the limits applicable to each bank counterparty at least once a year.

### 2.2.2 Lending authority and monitoring

Authority to approve bank-counterparty limits is expressed in terms of limits on exposures before settlement and maximum settlement exposure. Depending on the magnitude of the limit, interbank credit lines may require the approval of the Board of Directors, the Executive Board Credit Committee or the Bank-Counterparty Committee. Approval limits are specified in the Bank's lending policy rule book.

The Corporate, Trade Finance and Bank Credit Analysis Department, which reports to the CCO, is responsible for analyzing interbank credit risk and monitoring drawdowns on interbank credit limits.

### 2.2.3 Collateral management

BCV has entered into collateral management agreements with most of its bank counterparties that cover all its trading activities in over-the-counter derivatives. These agreements significantly reduce the Bank's exposure to credit risk.

## 2.3 Exposure to credit risk

The Parent Company's total lending commitments amounted to CHF 33.4bn at 31 December 2014, a year-on-year rise of 4%. At CHF 2.4bn, bank-counterparty exposures represented 7% of total commitments.

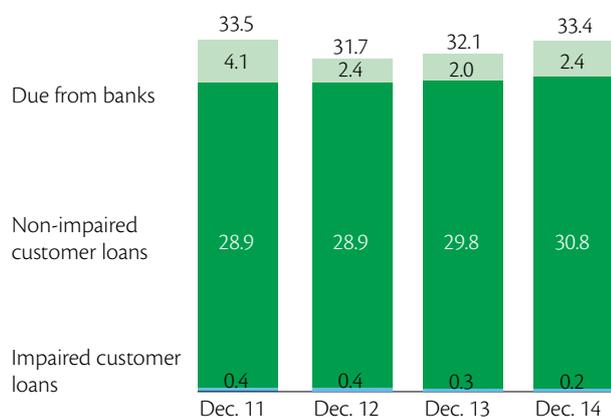
For non-bank-counterparty lending, the Bank's business is largely with customers located in Vaud Canton and accounts for 79% of total lending.

BCV's corporate loan book reflects the economic structure of the Canton, albeit with a somewhat larger exposure to real estate and construction (40%).

The 2014 breakdown by sector was stable compared with 2013. Retail and private banking clients remained the largest sector in total non-impaired loan-book exposures, at 51%.

### Customer loans and amounts due from banks

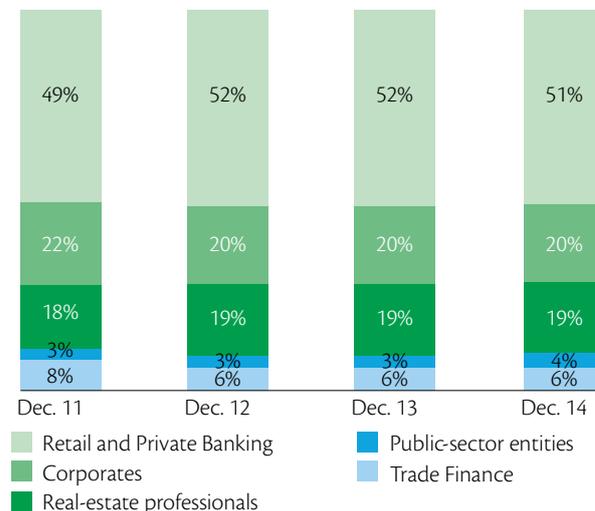
CHF billions, on and off balance sheet, for the parent company<sup>1)</sup>



<sup>1)</sup> Excluding financial investments

### Customer loans by segment

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



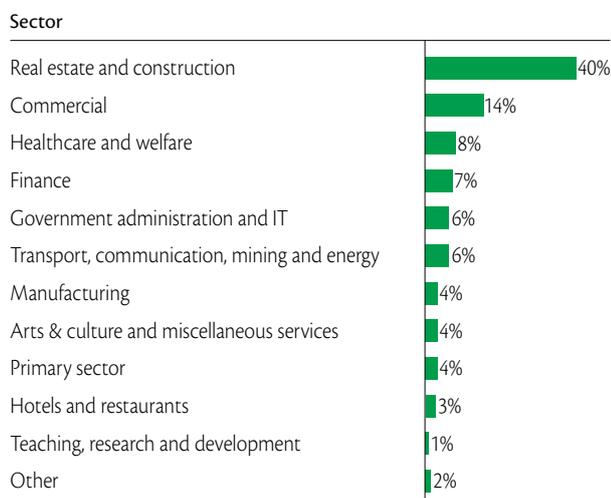
### Customer loans by geographical zone

as a percent of on-balance-sheet customer loan exposure, for the parent company

Client domicile	31/12/2013	31/12/2014
Vaud Canton	80%	79%
Rest of Switzerland	13%	14%
European Union + North America	2%	2%
Other	5%	5%

### Customer loans by economic sector

as a percent of on-balance-sheet customer loan exposure, for the parent company, at 31 December 2014

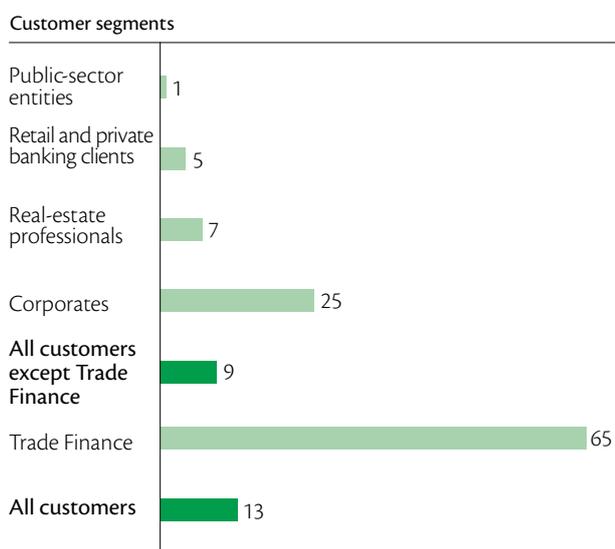


The low expected loss ratio and impaired loan level attest to the quality of the Bank's loan book. The expected loss ratio on drawn loans reflects counterparty quality, the degree of credit coverage and the amount of undrawn limits. For non-impaired customer loans as a whole, the expected loss ratio was 13 basis points, or 9 basis points excluding trade-finance exposures. Impaired loans were CHF 226m and represented 0.7% of total exposures.

The Basel III Pillar 3 Report, available on the BCV Investor Relations iPad app and the Bank's website, [www.bcv.ch](http://www.bcv.ch), contains more detailed information on the risk profile of the Bank's loan portfolio.

**Expected loss rate**

expressed in basis points of drawn customer loans, including OTC derivatives, at 31 December 2014



**3. Market risk**

BCV takes on market risk in conducting its trading activities and also in managing its interest-rate risk on the banking book. With appropriate risk management, the Bank can expect to earn a return commensurate with the risk that it takes.

**3.1 Market risk on the trading book**

**3.1.1 Risk strategy and trading policy**

All trading activities are managed within the Asset Management & Trading Division. A distinction is made between the trading portfolio, which includes all the Trading Department’s positions, and the financial management nostro (i.e., proprietary) portfolio, which is managed by the Asset Management Department.

The Trading Department carries out market operations in equities, fixed-income instruments, forex and precious metals on behalf of internal and external counterparties. It has also acquired expertise in structured products. The Trading Department is active along the entire structured product value chain, from issuing to market-making. The Trading Department focuses primarily on customer-driven operations.

The Asset Management Department is responsible for the financial management nostro portfolio, which may be invested in equities, bonds, simple derivatives, structured products, funds and funds of funds. All transactions (apart from those in funds and funds of funds) are conducted on regulated exchanges or representative markets. This portfolio is used to assist in the creation of new asset management funds and to maintain a certain amount of liquidity, while keeping risk-taking to a minimum.

**3.1.2 Organization**

All new products and instruments issued by the Asset Management & Trading Division are validated by the Division’s Product and Instrument Committee (PIC), which is chaired by the Executive Board member in charge of the Asset Management & Trading Division and includes the Division’s department heads, the head of the Financial Risk Management Department and the head of the Back Office Department. This process ensures that before a product is launched, all requirements in the areas of risk management, ALM, treasury management, back offices, legal, compliance, tax and IT have been met.

For all trading positions, overnight monitoring of market risk is under the responsibility of the Market Risk Unit within the Finance and Risks Division’s Financial Risk Management Department. This ensures that control of market risk is performed independently of the Asset Management & Trading Division. The Market Risk Unit also defines the risk control measures and monitors the appropriateness of risk control for new trading products.

**3.1.3 Exposure to market risk on the trading book**

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

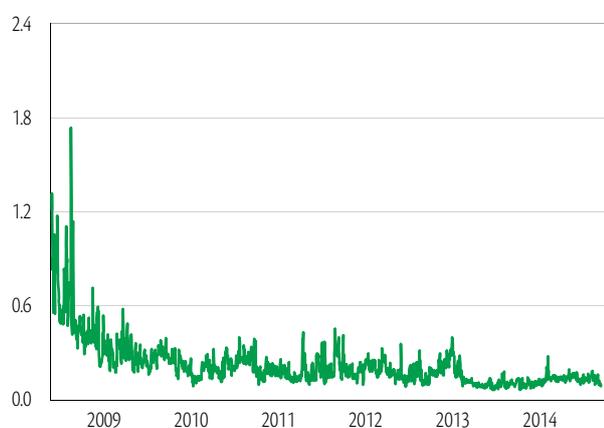
- Historical overnight value-at-risk (VaR) with a 1-day time horizon and a confidence level of 99%
- Analysis of potential losses using static stress tests
- Sensitivity metrics such as delta, gamma, vega, theta and rho.

Limits have been established for each of the metrics currently in use. Limit utilization is monitored and reported daily by the Market Risk Unit.

The decision made at the end of 2008 to withdraw from proprietary equity-derivative trading led to a significant reduction in VaR in 2009 as these positions were liquidated. VaR dropped from over CHF 2m at the start of 2008 to below CHF 0.7m, where it has remained since the end of 2009. Throughout 2014, VaR for the trading book stayed close to CHF 0.2m.

### ***VaR on the trading portfolio (1-day, 99%)***

in CHF millions



## **3.2 Market risk on the banking book**

The main components of market risk on the banking book are interest-rate risk and liquidity risk.

### **3.2.1 Interest-rate risk on the banking book**

The exposure to interest-rate risk on the banking book arises from differences between the size and term maturities of assets and liabilities. Movements in the yield curve and changes in customer behavior give rise to interest-rate risk, which has a direct effect on the Bank's interest income and the economic value of its equity capital.

The strategy and limits for interest-rate risk are defined by the Executive Board's Asset and Liability Management Committee (ALCO) and then approved by the Board of Directors. The ALM and Financial Management (ALM-FM) Department of the Finance and Risks Division is responsible for operational management of interest-rate risk on the banking book. Here, the goal is to control the interest margin and the duration of equity.

Exposure to interest-rate risk is measured in terms of value-at-risk (VaR), equity duration, yield-curve sensitivity of the economic value of equity capital, and loss of interest margin under interest-rate and client-behavior stress scenarios.

### **3.2.2 Liquidity risk on the banking book**

Exposure to liquidity risk arises from the Bank's obligation to honor its commitments to its clients and counterparties, meet regulatory requirements, and ensure that it can continue funding its activities. Liquidity risk is addressed through short-term liquidity management and long-term funding management. BCU's strategy is to minimize liquidity risk using these two dimensions. The Bank limits its exposure to liquidity risk by ensuring that it has a sound balance sheet, including a liquidity reserve to cover the impact of a major liquidity outflow, as well as a sustainable and diversified long-term funding structure so that it can expand its activities. This involves maintaining the safety margins set by the Board of Directors relative to regulatory requirements and balance sheet ratios.

The framework for liquidity management is drawn up by the Executive Board's ALCO and approved by the Board of Directors. The ALM-FM Department, which includes

the Bank's treasury management team, is responsible for operational management of long-term funding and short-term liquidity.

Exposure to liquidity risk is calculated using a broad spectrum of indicators, including components of the liquidity reserve, market indicators, regulatory ratios, and simulations of funding needs based on several scenarios.

### 4. Operational risk

The Bank's operational risk management concept is based on the Basel Committee's principles of best practice. This concept is built around a Bank-wide approach that yields a coherent, integrated view of these risks and seeks to identify and improve control of factors that may trigger potential operational-risk events. The factors are the following:

- Erroneous or malicious actions taken by employees, suppliers, bank counterparties, customers or other parties external to the Bank
- Inadequacies of information systems, infrastructure and/or the Bank's organization.

Potential improvements in terms of processes, IT systems, infrastructure and organization are sought through self-assessments, which involve all the Bank's upper management and are managed by the Operational Risk Unit, which reports to the CFO.

If an important operational-risk event occurs, the Bank bases its response on applying clearly defined incident management measures, such as the Business Continuity Plan (BCP).

Operational-risk events are logged, reported and analyzed for the purpose of improving the risk control system.

### 5. Compliance

The activities and operations of a full-service bank must meet a large number of legal and regulatory requirements. Various entities within the Bank, depending on the scope of their authority, are responsible for incorporating these requirements into the Bank's directives and other internal procedures and for independently overseeing their application. Regulations concerning dealings with clients, the fight against money laundering and the financing of

terrorism, financial market supervision, and institutional transparency all fall under the remit of the Compliance Department, which reports directly to the CFO. Other entities with a compliance role include the Financial Risk Management, Financial Accounting, Information Systems Management, Human Resources and Security departments.

The role of Compliance is to ensure that the Bank operates in accordance with the requirements that fall within Compliance's purview. Compliance aims to limit the risk that strategic choices, business decisions, procedures and day-to-day operations will be non-compliant.

Accordingly, Compliance has four key objectives:

- **To monitor regulations on two levels:** Compliance coordinates the monitoring of all changes in banking and financial legislation. It also detects, analyzes and informs the governing bodies of any changes in requirements concerning dealings with clients, the fight against money laundering and the financing of terrorism, financial market supervision, and institutional transparency
- **To adapt internal regulations:** Compliance adapts internal regulations within its purview (directives and other procedures) to new requirements
- **To provide support for the Bank's business lines:** drawing on its extensive knowledge of the Bank's different businesses, Compliance contributes to preventing situations of non-compliance
- **To conduct level-two oversight and reporting:** Compliance ensures that the rules within its purview are being applied. It reports its findings to the Bank's governing bodies and auditors; this report contains a thorough assessment of the risk factors that may lead to non-compliance and also identifies potential improvements.

### Internal control system (ICS)

The Bank's internal control system (ICS) was developed in accordance with the recommendations of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the Basel Committee, and pursuant to FINMA circular 08/24 and Swiss auditing standard No. 890. The purpose of the ICS is to ensure that the Bank's activities are in line with its overall objectives. More specifically, the ICS enables the Bank to:

- Achieve its performance objectives both in terms of profit and controlling profit fluctuations
- Provide reliable information both internally and externally
- Comply with legal, regulatory and self-regulatory requirements.

The ICS is an integrated bank-wide system. It covers all functions and all hierarchical levels. In addition to the Bank's front-line activities, the system also applies to business-support, steering and monitoring functions as well as to external service providers, particularly those falling under the scope of FINMA circular 08/7 on outsourcing.

BCV works to foster a culture of oversight among its staff so that each employee understands his or her role in the ICS. Oversight is thus part of employee performance assessment and skills development.

The Bank's ICS comprises three levels. The Executive Board is responsible for the first two levels, while the Board of Directors oversees the third level.

- Level one: operational oversight by employees and managerial oversight by their superiors
- Level two: controlling the appropriateness and effectiveness of level-one oversight by entities independent of the chain of command. This oversight is carried out by functional skills centers, including the Compliance, Financial Risk Management, Financial Accounting, Controlling, Information Systems Management and Human Resources and Security departments
- Level three: a periodic review of levels 1 and 2 by the Internal Audit Department.

The Operational Risk Unit, which reports to the CFO, analyzes the appropriateness and effectiveness of the ICS annually and submits the findings to the governing bodies and the external auditor.





# Corporate Governance

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## General principles

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

- Communicate transparently. The information provided in this chapter complies with the information-disclosure requirements contained in the Corporate Governance Directive issued by the SIX Swiss Exchange on 1 September 2014.<sup>1</sup>
- Apply the principal standards of corporate governance. BCV follows the recommendations contained in the Swiss Code of Best Practice for Corporate Governance<sup>2</sup> whenever they are compatible with its status as a corporation organized under public law.
- Carry out regular reviews of its organization with regard to the Bank's present needs and future growth, and ensure that all members of management are involved in its operational procedures.
- Materially and continuously improve the information it publishes, in particular by means of its annual report and a separate report on corporate social responsibility, which is issued every two years.

This chapter explains how the Bank puts these principles into practice. Additional information can be found in the Articles of Incorporation, the BCV Statement of Core Values and the Cantonal Act of 20 June 1995 Governing the Organization of Banque Cantonale Vaudoise ("LBCV"), all of which are available on the BCV website.<sup>3</sup>

<sup>1</sup>) See the English translation of this text on the SIX website: [www.six-exchange-regulation.com/obligations/governance\\_en.html](http://www.six-exchange-regulation.com/obligations/governance_en.html)

<sup>2</sup>) An English translation of this text, by Prof. Peter Böckli, may be found at [www.economiesuisse.ch](http://www.economiesuisse.ch)

<sup>3</sup>) [www.bcv.ch](http://www.bcv.ch) (some website pages are only available in French)

As a public-sector entity within the meaning of Article 763, paragraph 2 of the Swiss Code of Obligations, BCV is not subject to the Ordinance against Excessive Compensation in Publicly Listed Companies (ORAb), which went into effect on 1 January 2014. Nevertheless, in the interest of good governance and given that BCV is publicly listed on the SIX Swiss Exchange, the Board of Directors decided to incorporate the principles of the ORAb into the Articles of Incorporation insofar as they were compatible with BCV's specific status and without amending the LBCV. These changes were approved at the Shareholders' Meeting held on 1 May 2014. Although the ORAb provisions on the election and term of office of members of the Board of Directors were not incorporated into the Articles of Incorporation, many others were adopted. These include the principles regarding the Independent Proxy (Article 18a of the Articles of Incorporation); electronic voting (Article 18a, paragraph 5 of the Articles of Incorporation); the maximum number of board positions outside BCV that may be held by members of the Board of Directors (Article 23 of the Articles of Incorporation) and the Executive Board (Article 29 of the Articles of Incorporation); the duties of the Compensation, Promotions and Appointments Committee (Article 30a of the Articles of Incorporation); the length of the employment contracts of the members of the Executive Board (Article 28, paragraph 2 of the Articles of Incorporation); the compensation structure (Article 30b of the Articles of Incorporation); the approval of compensation (Article 30c of the Articles of Incorporation); and unauthorized compensation (Article 30d of the Articles of Incorporation). In addition, as BCV is not subject to the ORAb, it is required to continue providing compensation reports in the form of a section of its Annual Report (Article 30e of the Articles of Incorporation).

## 1. Group structure and shareholders

### 1.1 Group structure

#### 1.1.1 Group operational structure (at 31 December 2014)

Details of all BCV Group companies are shown in sub-chapter 11 (Scope of Consolidation) on page 119 of the consolidated financial statements. 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, 30 January 2007 and 2 March 2010
Registered office	Place Saint-François 14, 1003 Lausanne, Switzerland
Stock exchange listing	BCV shares are listed on the SIX Swiss Exchange
Market capitalization	At 31 December 2014, the value of BCV's listed shares with a par value of CHF 10 was CHF 4.6bn
Security number	1.525.171
ISIN code	CH0015251710

#### 1.1.3 Unlisted companies included in the scope of consolidation (at 31 December 2014)

The parent company's Board of Directors and Executive Board also serve as the Board of Directors and Executive Board of the Group, which is not a holding company. Furthermore, relations between the Bank and its subsidiaries are governed by a Group directive.

At the operational level, each of the subsidiaries reports to a BCV division according to the type of business in which it engages.

In principle, each head of division is also a member and/or chair of the board of directors of each subsidiary attached to his or her division.

The share capital of BCV's subsidiaries and the holdings of the parent company are shown in sub-chapter 11 on page 119 of the consolidated financial statements.

### 1.2 Major shareholders

At 1 January 2015, the Canton of Vaud held 66.95% of the Bank's share capital. No other shareholder is known to hold an interest of 5% or more in either the voting rights or capital. BCV Group is currently unaware of any shareholders' pacts. Registered shareholders other than the Canton of Vaud represented 19.62% of the Group's capital at 31 December 2014.

### 1.3 Cross-shareholdings

There are no cross-shareholdings between the Bank and any other company which exceed the limit of 5% of either the voting rights or capital.

## 2. Capital structure

Equity capital (registered shares)	CHF 86,061,900
Authorized capital	None
Conditional capital	None
Employee stock options	None

### 2.1 Share capital

Information on the Bank's share capital and changes in 2012, 2013 and 2014 may be found in notes 5.5 and 5.6 to the parent company financial statements (pages 152 and 153). Additional information on the Group's capital is shown on page 107 of the consolidated financial statements.

At 31 December 2014, the Bank's share capital stood at CHF 86,061,900 and consisted of 8,606,190 registered shares with a par value of CHF 10.

### 2.2 Authorized and conditional capital

There was no authorized or conditional capital at 31 December 2014.

### 2.3 Capital structure at the end of the 2012, 2013 and 2014 financial years

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

#### Number of shares

Equity capital	31/12/2012	31/12/2013	31/12/2014
Share capital (fully paid-in registered shares)	8,606,190	8,606,190	8,606,190

#### Equity – Group

CHF millions

Equity	31/12/2012	31/12/2013	31/12/2014
Equity capital (fully paid-in)	86	86	86
Capital reserves and retained earnings	2,524	2,532	2,551
Reserves for general banking risks	704	704	704
Minority interests in shareholders' equity	1	0	0
<b>Total</b>	<b>3,315</b>	<b>3,322</b>	<b>3,341</b>

## 2.4 Shares and participation certificates

Registered shares at 31 December 2014

Number of shares	8,606,190
Proposed ordinary dividend	CHF 22
Distribution out of paid-in reserves	CHF 10
Par value	CHF 10
Stock exchange listing	SIX Swiss Exchange
Voting rights	One voting right per share

## 2.5 Dividend-right certificates

BCV has not issued any dividend-right certificates.

## 2.6 Restrictions on transfers and registration of nominees

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

### 2.6.1 Restrictions on transfers

*Excerpt from the Articles of Incorporation:*

#### Article 13 – Transfers of registered shares

The transfer of any registered share and its entry in the share register shall be subject to approval by the Board of Directors. (...) If the Board of Directors does not reject the request within twenty days, the acquirer shall be recognized as a shareholder with voting 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/she expressly states, when requested to do so, that he or she has purchased the shares in his/her name and for his/her own account.

### 2.6.4 Privileges under the articles and transfer restrictions

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

## 2.7 Convertible bonds and options

At 31 December 2014, there were no outstanding convertible bonds, warrants, structured products or OTC options involving the BCV share and issued by BCV.

## 3. Board of Directors

### 3.1 Members of the Board of Directors

At 31 December 2014, the Board of Directors comprised only non-executive members. The Chairman and members of the Board perform no other functions within BCV Group, and have not done so during the past three years

apart from Olivier Steimer's role as Chairman of the Board of Directors of Piguet Galland & Cie SA (which ended on 25 May 2012). They maintain normal business relations with BCV and Group companies.

In accordance with Article 12, paragraph 2bis, of the LBCV and Article 21, paragraph 3, of the Bank's Articles of Incorporation, the Vaud Cantonal Government (VCG) assigns a written mission to the members that it appoints to the Board of Directors. The VCG appoints four of the seven members of the Board; its current appointees are Olivier Steimer, Stephan A. J. Bachmann, Luc Recordon and Paul-André Sanglard. The purpose of this "mission letter" is to describe the general framework of the mission entrusted to these members as VCG appointees to the Board and to define the full extent of their relationship with the Canton of Vaud in this regard. It addresses, in particular, the issues of loyally safeguarding the interests of both BCV and the Canton, complying with BCV's legal mandate, and exercising the VCG's power to appoint certain members of the Bank's governing bodies. The letter sets out the various factors that must be considered with respect to the governing bodies' organization, operation and composition, as well as BCV's mission and strategy. Board members are called upon to ensure the implementation of a strategy that will allow the Bank to carry out its mandate under the best possible conditions, while generating a sufficient return to guarantee its financial soundness over the long term, and contribute to defining objectives that take into account both its mission and its profitability (see also Article 24, paragraph 2 of the Bank's Articles of Incorporation). It also states what the VCG expects in terms of communication with Vaud Canton, BCV's shareholders, the financial community and the public, bearing in mind the information-exchange agreement pursuant to the above Act and the Bank's Articles of Incorporation (see in particular Article 24, paragraph 2). The Audit and Risk Committee includes two Board members appointed by the VCG (Mr. Bachmann, Committee Chairman, and Mr. Sanglard) – who therefore hold such mission letters – and one elected by shareholders (Reto Donatsch). The Board members are assigned to the various committees on the basis of their personal and professional abilities and their preferred fields, the aim being to protect the interests of the Bank, its shareholders and all of its partners.

Name, year of birth 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. 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.
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 and Risk Committee since that date. He has also been Vice Chairman of the Board of Directors since 5 May 2011. After his initial banking training and periods in French-speaking Switzerland, England and Italy, he continued his career with PricewaterhouseCoopers Ltd and its predecessor firms. In 1969, he joined the Schweizerische Treuhandgesellschaft (STG) in Basel. This position led him to New York in 1975 to work for Coopers & Lybrand SA before returning to the Lausanne and Geneva offices. He was the head of Audit and Advisory in Switzerland from 1991 to 2006, first as a member of the Management Board of STG-Coopers & Lybrand SA and then, beginning in 1998, as a member of the Board of Directors of PricewaterhouseCoopers Ltd. As a certified public accountant and former licensed bank auditor, Mr. Bachmann has extensive experience in auditing both financial and manufacturing companies.
Ingrid Deltenre, 1960, Dual Swiss and Dutch citizen	Degree in humanities from the University of Zurich	Ingrid Deltenre was elected at the Annual Shareholders' Meeting on 1 May 2014 and joined the Board on that date. After graduating from the University of Zurich with a humanities degree, Ms. Deltenre held various executive positions in publishing before becoming CEO of Publisuisse in 2000. She was appointed to head up Schweizer Fernsehen (SF), the leading public TV broadcaster in German-speaking Switzerland, in 2004, and held this position for six years. In 2010, Ms. Deltenre became Director General of the Geneva-based European Broadcasting Union (EBU), an organization with close to 400 employees.
Reto Donatsch, 1950, Swiss citizen	Degree in economics from the University of Geneva	After completing his studies and two banking internships, Reto Donatsch started his career in the wealth management business at Credit Suisse in 1978. He first worked at the head office in Zurich, where he stayed for ten years and reached the rank of Deputy Director. In 1989, he was promoted to Director and head of the Finance Department of Credit Suisse Geneva. He joined Bank Leu AG, Zurich, in 1993 and became CEO in 1996. He also served on the Executive Board of Credit Suisse Private Banking from 1997 to 2001, representing the Group's independent banks. From 2004 to 2007, he was Vice Chairman of the Board of Directors of Bank Leu AG. Since then, Mr. Donatsch has served on the boards of several companies and foundations.

<p><b>Beth Krasna,</b> 1953, Dual Swiss and U.S. citizen</p>	<p>Degree in chemical engineering from the Swiss Federal Institute of Technology in Zurich (EPFZ)</p> <p>Masters in Management from the Sloan School of the Massachusetts Institute of Technology</p>	<p>Beth Krasna was elected by shareholders at the Annual Shareholders' Meeting held on 30 October 2002 and joined the Board of Directors on that date. She was Chair of the Innovation &amp; Opportunities Committee from 2009-2014. 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. She served as CEO of Sécheron SA in Geneva (1998-2000) and of Lausanne-based software company Albert-Inc. SA (2001-2003). Since 2004, she has been an independent non-executive director for various companies. Ms. Krasna stepped down from the Board of Directors at the Shareholders' Meeting on 1 May 2014.</p>
<p><b>Pierre Lamunière,</b> 1950, Swiss citizen</p>	<p>Degree in economics and business administration from Lausanne University</p> <p>MBA (specializing in finance and marketing) from the Wharton Business School of the University of Pennsylvania</p>	<p>Mr. Lamunière was elected by shareholders at the Annual Shareholders' Meeting held on 24 April 2008 and joined the Board of Directors on that date. Since 1 September 2011, he has also been Chairman of the Compensation, Promotions and Appointments Committee. After starting his career in 1971 as an auditor at Coopers &amp; Lybrand in Basel and Milan, he occupied various posts at Edipresse Group beginning in 1977. Mr. Lamunière served as Vice Chairman of the Edipresse Board of Directors from 1982-2002 and has been Chairman of the Board since that time. He was also a member of the Board of Swiss Post from 1997 to 2002.</p>
<p><b>Luc Recordon,</b> 1955, Swiss citizen</p>	<p>Doctorate in law from Lausanne University and member of the Bar of Vaud Canton</p> <p>Degree in physics and a certificate in business management, both from the Swiss Federal Institute of Technology in Lausanne (EPFL)</p>	<p>Mr. Recordon worked as a lawyer for the Federal Office for Spatial Planning from 1980 to 1981 and spent the next two years as a sales engineer with Granit SA in Lausanne before setting up his own legal and technical consultancy. Mr. Recordon was admitted to the Bar in 1989 after two years as a trainee lawyer and was subsequently made a partner in a Lausanne law firm.</p>
<p><b>Paul-André Sanglard,</b> 1950, Swiss citizen</p>	<p>PhD in economics with a specialization in political economy from the University of Geneva</p>	<p>After working as an assistant in the Department of Political Economy at the University of Geneva, Mr. Sanglard was employed as an economist in the Swiss Federal Office of External Economic Affairs. From 1978 to 1979, he was a Research Fellow at Stanford University and the Massachusetts Institute of Technology. In 1979, he was appointed Head of Jura Canton's public revenue office. He became a lecturer in public finance at the University of Geneva in 1982, and between 1984 and 1989 he was a member of the World Economic Forum Executive Committee. Mr. Sanglard has been a freelance economist since 1989.</p>

### 3.2 Other activities and business relations

<p><b>Olivier Steimer</b></p>	<ul style="list-style-type: none"> <li>• Vice Chairman of the Bank Council of the Swiss National Bank, Bern and Zurich</li> <li>• Member of the Board of Directors of Allreal Holding AG, Baar</li> <li>• Member of the Board of Directors of ACE Limited, Zurich</li> <li>• Member of the Board of Governors of Switzerland's Federal Institutes of Technology</li> <li>• Chairman of the Foundation Board of the Swiss Finance Institute, Zurich</li> <li>• Member of the Committee of the Board of Directors of economiesuisse, Zurich</li> <li>• Board member of the following foundations: BCV Foundation, Lausanne; Avenir Suisse, Bern (Vice Chairman); Aide sportive suisse (Vice Chairman); and the Centre for Humanitarian Dialogue, Geneva</li> </ul>
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<b>Stephan A.J. Bachmann</b>	<ul style="list-style-type: none"> <li>• Chairman of the Ethics Committee of the Chambre Fiduciaire</li> <li>• Chairman of the Board of La Longeraie Foundation, Morges</li> </ul>
<b>Ingrid Deltente</b>	<ul style="list-style-type: none"> <li>• Director General of the European Broadcasting Union (EBU)</li> <li>• President of Eurovision Americas Inc (an EBU subsidiary)</li> <li>• Member of the University of Zurich's Executive MBA advisory board</li> <li>• Member of the Board of Directors of Givaudan SA, Vernier</li> </ul>
<b>Reto Donatsch</b>	<ul style="list-style-type: none"> <li>• Member of the Board of Directors of Constellation Capital AG, Freienbach</li> <li>• Partner at Constellation Flore Fröhlich &amp; Cie, Freienbach</li> <li>• Member of the Investment Committee of the Bern Canton Pension Fund, Bern</li> <li>• Board member of the Swiss Red Cross Humanitarian Foundation, Bern</li> </ul>
<b>Beth Krasna</b>	<ul style="list-style-type: none"> <li>• Member of the Board of Governors and Chair of the Audit Committee of Switzerland's Federal Institutes of Technology</li> <li>• Vice Chair of the Foundation Board of the Graduate Institute of International and Development Studies, Geneva</li> <li>• Member of the Board of Directors and Chair of the Audit Committee of Bonnard &amp; Gardel Holding SA, Lausanne</li> <li>• Member of the Board of Directors and of the Audit Committee of Coop, Basel</li> <li>• Member of the Board of Directors of Raymond Weil SA, Geneva</li> <li>• Member of the Board of Directors and the Risk and Compliance Committee of Symbiotics SA, Geneva</li> <li>• Member of the Executive Board of The Roberto Giori Company Limited, Pully</li> <li>• Member of the Swiss Academy of Engineering Sciences</li> </ul>
<b>Pierre Lamunière</b>	<ul style="list-style-type: none"> <li>• Chairman of the Board and Managing Director of Edipresse Group, Lausanne</li> <li>• Member of the Board of Directors of Tamedia SA, Zurich</li> <li>• Chairman of the Board of Directors of Lamunière Holding SA and its subsidiary undertakings, Lausanne</li> <li>• Member of the Board of Directors of QoQa Services SA, Bussigny-Lausanne</li> <li>• Member of the Management Board of the International Federation of the Periodical Press (FIPP)</li> </ul>
<b>Luc Recordon</b>	<ul style="list-style-type: none"> <li>• Member of the Board of Directors of SEG Swiss Education Group SA, Lausanne</li> <li>• Chairman of the Board of Directors of the Coopérative Tunnel-Riponne, Lausanne</li> <li>• Member of the following boards of directors: Clavel SA, Bern, and NECC SA, Lausanne</li> <li>• Consultant for the municipality of Jouxteins-Mézery and for ASIGOS</li> <li>• Chairman of the following committees: Verein Energieallianz, Solothurn, and Association Pro AI Vaud, Lausanne</li> <li>• Member of the following foundation boards: Swiss Federation of Private Schools, Bern, and Fondation 50e of the Centre Social Protestant, Lausanne</li> <li>• Chairman of the committee of the Association romande pour le développement et l'intégration des médecines complémentaires (RoMedCo), Lausanne</li> <li>• Chairman of the general meeting of AVDEMS, Pully</li> <li>• Chairman of the committee of the Association des Amis du Peintre André Gasser, Lausanne</li> <li>• Committee member of the following organizations: Lausanne section of the Swiss Tenants' Association (ASLOCA), Lausanne; the Vaud Section of the Swiss Transport and Environment Association (ATE-VD), Lausanne; E-Changer, Partenaires dans l'échange et pour le changement, Fribourg; Nicefuture, Lausanne; Dachverband Komplementärmedizin (Dakomed), Bern; and Agile.ch, Bern</li> <li>• Member of the Foundation Board of Fondation intégration pour tous (IPT), Lausanne</li> <li>• Local councilor for Jouxteins-Mézery</li> <li>• Member of the Committee of the Board of Directors of ASIGOS, Prilly</li> <li>• Member of the upper house of the Swiss Parliament</li> <li>• Member of the Advisory Board of the Swiss Centre of Expertise in Human Rights (SCHR), Bern</li> <li>• Member of the Council of Europe Parliamentary Assembly</li> <li>• Member of the Vaud Green Party Committee</li> <li>• Independent counsel</li> </ul>
<b>Paul-André Sanglard</b>	<ul style="list-style-type: none"> <li>• Chairman of the Board of Directors of Groupe Vaudoise Assurances, Lausanne</li> <li>• Chairman of the Board of Directors of Banque Cantonale du Jura, Porrentruy</li> <li>• Chairman of the Board of Directors of Ophthalmology Network Organization, Onex</li> <li>• Member of the following boards of directors: TSM Insurance Company, La Chaux-de-Fonds; Edmond de Rothschild Asset Management (Suisse) SA, Meyrin; Société Générale Private Banking (Suisse) SA, Geneva; Pury Pictet Turrettini &amp; Cie SA, Geneva; and QNB Banque Privée (Suisse) SA, Geneva</li> <li>• Member of the following foundation boards: FITEC, Delémont; CODECO, Porrentruy; the Finance and Investment Commission of Swiss Solidarity, Geneva; and ATD Fourth World, Treyvaux</li> <li>• Member of the Foundation Board of Observatoire de la finance, Geneva</li> </ul>

**Olivier Steimer**  
Chairman of the Board of Directors



**Stephan A.J. Bachmann**  
Vice Chairman of the Board of Directors



**Luc Recordon**  
Member of the Board of Directors



**Ingrid Deltenre**  
Member of the Board of Directors



**Reto Donatsch**  
Member of the Board of Directors



**Pierre Lamunière**  
Member of the Board of Directors



**Paul-André Sanglard**  
Member of the Board of Directors

### 3.3 Election and term of office

#### 3.3.1 Principles

Pursuant to the Articles of Incorporation, the Board of Directors is composed of seven, nine or eleven members. The Chairman and half of the other members are appointed by the Vaud Cantonal Government (Article 12, paragraph 1 of the LBCV departs from the ORAb on this point). The remaining members are elected individually by shareholders at the Annual Shareholders' Meeting, with the Cantonal Government abstaining from voting.

Pursuant to Article 12, paragraph 5 of the LBCV and in derogation of the ORAb, the Chairman and other members of the Board of Directors are appointed for a period of four years. Their 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.

#### 3.3.2 First election and term of office

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

### 3.4 Internal organization

#### 3.4.1 Allocation of tasks

The Chairman of the Board of Directors is Olivier Steimer. The Vice Chairman is Stephan A. J. Bachmann. The other

Board members are Ingrid Deltenre (who succeeded Beth Krasna at the Shareholders' Meeting held on 1 May 2014), Reto Donatsch, Pierre Lamunière, Luc Recordon and Paul-André Sanglard.

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

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

#### 3.4.2 Committees: composition and terms of reference

##### Audit and Risk Committee

In 2014, the Audit and Risk Committee was made up of Stephan A. J. Bachmann (Chairman), Reto Donatsch and Paul-André Sanglard.

The Audit and Risk Committee is tasked with ensuring the application and operation of risk control and management at BCV. It assists the Board of Directors in assessing the various types of risk faced by BCV, and in structuring and organizing the Bank's risk management and control processes. It draws up opinions and recommendations for the Board after conducting a critical examination on a

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 <sup>1</sup>
Stephan A. J. Bachmann (Vice Chairman)	1946	1 January 2008	2016	Vaud Government <sup>2</sup>
Ingrid Deltenre	1960	1 May 2014	2030	Shareholders' Meeting
Reto Donatsch	1950	5 May 2011	2020	Shareholders' Meeting
Pierre Lamunière	1950	24 April 2008	2020	Shareholders' Meeting <sup>3</sup>
Luc Recordon	1955	1 February 2002	2018	Vaud Government <sup>1</sup>
Paul-André Sanglard	1950	30 October 2002	2018	Vaud Government <sup>1</sup>

<sup>1</sup> Term of office renewed until end-2017

<sup>2</sup> Term of office renewed until end-2015

<sup>3</sup> Term of office renewed for four years at the 2012 Annual Shareholders' Meeting

regular or case-by-case basis of the Group's main risks, the risk management policy and strategy, reports on risks and compliance with regulatory capital requirements.

The Committee reviews the Bank's financial data and the Chief Risk Officer's report every quarter, and the reports from the Head of Internal Audit, the Chief Compliance Officer and the Head of the Legal Department every six months. It has no decision-making authority and submits its conclusions to the Board of Directors.

The Committee supervises the work of both the internal and external auditors. Together with the external auditors' representative, it examines the external auditors' recommendations concerning BGV's organization and risk-assessment policy, and gives its opinion on the qualifications of the internal auditors and the cooperation of Bank units in audit procedures. The Head of Internal Audit also briefs the Committee on matters pertaining to BGV's organization and operations, and provides a risk analysis. Furthermore, the Committee gives its own appraisal of the Internal Audit Department and reviews the status of litigation involving BGV.

The Committee meets for at least one full day every quarter to accomplish its duties, which are set out in detail in an Audit and Risk Committee Charter (available on BGV's website), and to review other matters related to its activities. An additional meeting is dedicated essentially to the closing of the annual accounts.

The Head of Internal Audit, representatives of the external auditor and the CFO attend all Committee meetings, with exceptions for certain specific subjects. Depending on the agenda, the meetings are also attended by other members of the Executive Board, the Head of the Financial Risk Management Department, the Chief Compliance Officer, the Head of Accounting and the Head of the Legal Department.

In addition to its risk-related role described above, the main task of the Audit and Risk Committee is to assist the Board of Directors in carrying out its supervisory duties and ensuring the integrity of the consolidated financial statements and financial reports. Furthermore, the Committee is responsible for ensuring the quality and independence of the work performed by both the internal and external auditors. It discusses the contents of the parent company's audit reports, together with those of

the subsidiaries, as part of a consolidated review. It oversees implementation of the auditors' recommendations. The Committee agrees on the annual and six-year audit plans for the internal auditor and is informed of the external auditor's prudential and financial audit strategy.

Apart from its regular duties, the Audit and Risk Committee attended a one-day training seminar in 2013 that focused on a number of risk-related topics, compliance, and governance.

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

#### **Compensation, Promotions and Appointments Committee**

This Committee has been expressly provided for in the Articles of Incorporation (Article 30a) since the Shareholders' Meeting held on 1 May 2014.

Until 30 September 2014, the Compensation, Promotions and Appointments Committee consisted of Pierre Lamunière (Chairman), Olivier Steimer and Luc Recordon. The CEO takes part in an advisory capacity. On 1 October 2014, Ingrid Deltenre replaced Olivier Steimer as a committee member. Mr. Steimer continues to attend in an advisory capacity.

The Committee provides significant support to the Board of Directors, particularly relating to human resources strategy and employee transition management. It helps in defining profiles, and selecting and proposing candidates for senior management and board positions.

The Committee, which has no decision-making authority, thus defines the profile required for the Chairman and the other members of the Board of Directors, as well as for the CEO and the other members of the Executive Board. It draws up and prioritizes proposals for the selection and hiring of the Bank's senior executives and examines the Board of Directors' compensation system. It also prepares and prioritizes recommendations for the Board of Directors and the Shareholders' Meeting on decisions concerning the remuneration of the Chairman of the Board of Directors (in his or her absence), the CEO, and the Executive Board members. It also makes recommendations to the Board of Directors on the remuneration of the Head

of Internal Audit, and on the Bank's overall compensation policy and level.

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

It makes recommendations on executive appointments and promotions.

Finally, following the discontinuation of the temporary Innovation and Opportunities Committee as of 1 October 2014, the Compensation, Promotions and Appointments Committee has the additional tasks of handling matters related to corporate social responsibility and of preparing and prioritizing recommendations for the Board of Directors on decisions concerning rules of good governance, including assignments entrusted to external consultants by the governing bodies.

### 3.4.3 Operational procedures of the Board of Directors and its committees

In 2014, the Board of Directors held 11 ordinary plenary meetings. Each meeting generally lasted a half day, with the exception of two full-day meetings. The Board of Directors went on two 1½-day retreats, in part with the Executive Board, and had eight conference-call meetings. The retreats provide the Board of Directors with the opportunity to address strategic topics in greater depth, including the Bank's overall strategy and its strategies in the areas of human resources, finance, IT and risk management.

The Board committees meet whenever required by the business at hand. In 2014, the Audit and Risk Committee met seven times and took part in a one-day training seminar; the Compensation, Promotions and Appointments Committee met six times.

Board members receive the minutes and all documents provided to the committees. The chair of each committee informs members at Board meetings of important issues addressed by the committees, and answers any questions raised by them. See section 3.4.2 for information on the committees' operational procedures.

The CEO attends all regularly scheduled Board meetings and retreats. Executive Board members attend whenever

issues relating to their divisions are on the agenda.

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

The Board of Directors has adopted an operational procedure between itself and the Executive Board with a subject-by-subject description and schedule of the tasks to be performed. This *modus operandi*, which is periodically reviewed, establishes the frequency with which matters are handled by the two Boards, including their committees, and in which form. The objective is good governance by ensuring that all pertinent issues are addressed at the right level, that the time available to the Boards and committees is allocated optimally and that their involvement is fully consistent with their responsibility (see also section 3.6). Since 2009, the Board of Directors has delegated more matters to the committees. In principle, decision-making authority nevertheless rests with the Board.

### 3.4.4 Performance appraisal of the Board of Directors

Pursuant to the new Article 30b, paragraph 2 of the Articles of Incorporation (adopted at the Shareholders' Meeting held on 1 May 2014), the Board of Directors sets itself annual objectives, taking into account the goals set forth in the Articles, as well as the Bank's strategy and risk policy. The Chairman's annual performance-based compensation is determined based on the degree to which these objectives have been met and on the Board's evaluation of the Chairman's work over the past year. The Board carries out an analysis every six months to determine whether these objectives have been achieved, and also reviews and improves its procedures on a regular basis.

The Vice Chairman and the other members of the Board meet, in the Chairman's absence, to evaluate the degree to which the Chairman has met these objectives. As stated above, this evaluation serves as the basis for establishing the Chairman's fixed and performance-based compensation, subject to approval at the Shareholders' Meeting.

## 3.5 Powers

The Board of Directors establishes the Bank's general policy. It directs the Bank's affairs at the highest level and issues the necessary instructions. It also supervises the Bank's management and those entrusted with it. In addition, it

verifies the accomplishment of BCV's corporate mandate, as defined in Article 4 of the LBCV.

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

It also has the following responsibilities:

The Board of Directors determines which companies belong to BCV Group, in accordance with the legal provisions applicable to the scope of consolidated supervision. Subject to the non-transferable and inalienable powers of the subsidiaries, it exercises the same powers relative to the Group, through the directives that BCV issues and the instructions that BCV gives its representatives within the Group.

It decides on the creation, acquisition, sale and liquidation of subsidiaries, branches and retail banking offices, and of representative offices abroad. It validates the Bank's investment and growth policy, and reviews it periodically. It ensures that systems for the preparation of financial statements and for financial planning are implemented and maintained, and that these systems meet regulatory requirements and those related to internal and external audits.

In accordance with FINMA circular 08/24 on the supervision and internal control of banks, the Board of Directors regulates, establishes, maintains, supervises and regularly validates the internal control system (ICS). The relevant internal framework directive has been implemented. The Board regularly discusses its assessment of the appropriateness and effectiveness of the ICS with the Executive Board.

In terms of appointments, the Board of Directors has a number of responsibilities that fall outside the powers defined in Article 24, paragraph 4, of the Articles of Incorporation. In agreement with the Vaud Cantonal Government, it determines the conditions governing the appointment of its chair. It appoints and removes the Head of Internal Audit along with all executives in that department with the rank of lead auditor or equivalent, and appoints and removes Bank executives with signing authority. It proposes its own compensation, together

with that of its Chairman and the Executive Board, to the Shareholders' Meeting (new Article 30c of the Articles of Incorporation). It sets the Bank's overall compensation level and the compensation of the Head of Internal Audit. The Board also validates the conditions applicable to the Executive Board. It determines the method of signing used by the Bank, 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 lending policy upon the recommendation of the Executive Board, and the technical standards and regulations governing lending authority upon the recommendation of the Executive Board's Credit Committee. It decides on the granting of loans to members of the Board of Directors and Executive Board.

It reviews the independent auditor's annual reports, and each member certifies 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 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 and risk management policy and strategy, and reviews their appropriateness periodically. In this way, it sets out the overall framework for balance-sheet and risk management for the Executive Board. It monitors implementation of balance-sheet and risk management policy, in particular by reviewing periodic risk-assessment reports prepared in accordance with its instructions, as well as those required by the regulatory authorities.

For all other matters, refer to the operational procedure set up by the Board of Directors and described in section 3.4.3.

The Executive Board is responsible for managing and directly monitoring the Bank's business. Its powers include drawing up the terms and procedures of operations listed in Article 4 of the Articles of Incorporation, as defined in

Article 4 of the LBCV. It has the power to institute legal proceedings and represent the Bank in a court of law; it keeps the Board of Directors informed of any such situation.

Furthermore, the Executive Board implements the decisions made by the Board of Directors. It ensures that the organization and internal audit procedure in place at BCV meet the requirements of FINMA circular 08/24 on the supervision and internal control of banks and the relevant framework directive issued in this regard by the Board of Directors; to this effect, the Executive Board issues the necessary directives and exercises appropriate oversight. It has adopted the ICS implementing directive.

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

The Executive Board publishes the financial statements after they are approved by the Board of Directors. It then prepares the cash-flow and shareholders' equity statements, which it publishes in accordance with current regulations. It draws up the budget of foreseeable revenues and expenses and submits it to the Board of Directors. It sets the rates and conditions applicable to the Bank's various types of operations. It also coordinates the activities and processes of the divisions and the strategic units.

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

Subject to the powers of the Board of Directors, it hires and dismisses employees, whose rights, obligations and responsibilities are defined in the employee handbook. It appoints and removes senior executives in accordance with the powers granted to it under the by-laws. It makes recommendations on the Bank's overall compensation level to the Board of Directors, through the Compensation, Promotions and Appointments Committee.

### 3.6 Monitoring the Executive Board

The Board of Directors supervises the Executive Board with the support of the Internal Audit Department, the external auditors, and the Board of Directors' committees in accordance with the operational procedures described in section 3.4.3, the objective of which is to ensure good governance.

The CEO attends all meetings of the Board of Directors, including retreats. The CFO is always present when there are items on the agenda concerning the financial statements, risks, asset and liability management (ALM), compliance and legal matters. In principle, Executive Board members attend whenever issues relating to their division are under discussion. Executive Board members in charge of front-office divisions present a business review to the Board of Directors twice a year. In addition to approving the quarterly financial statements provided by the Financial Accounting Department and presented in detail to both the Audit and Risk Committee and the Board of Directors, the Executive Board sends (and in some cases presents) quarterly reports on the following issues to the Board of Directors: risks, ALM, equity capital, investor relations, human resources and investment policy. It also provides half-yearly reports on compliance and legal matters. These activities take place within the scope of the operational procedures described above.

The "Risk Management" section (pages 48-57) provides a summary of BCV's risk management procedures and an overview of its risk profile. Sub-chapter 10 of the financial statements (pages 115-118) explains the principles applied by the Bank in assessing and managing risk. The Bank publishes its Basel III Pillar 3 Report on its website ([www.bcv.ch](http://www.bcv.ch)). The report is updated every six months and can be found in the Investor Relations section.

A Management Information System (MIS) was approved by the Board of Directors to monitor and steer performance across the Bank, broken down by segment. Monthly reports are sent to each manager of a specific segment and presentations are made to the Executive Board each month. The MIS contains information not only on financial performance but also on business activity, margins, risk, operational indicators and human resources. In addition, it includes market watches. The CEO provides the Board of Directors with budget reports and regular updates on business trends based on the MIS reports, including a summary report every six months.

No member of the Board of Directors belongs to the Executive Board or exercises any management function whatsoever at the Bank or its subsidiaries, in compliance with the principle of independence stipulated in 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.

The head of the Internal Audit Department draws up a six-year plan, which is reviewed annually and coordinated – insofar as regulatory constraints allow – with the external auditor. It is discussed with the executive boards of the parent company and BCV Group companies, approved by the Audit and Risk Committee and submitted for information purposes to the Board of Directors. The one-year plan results from this medium-term planning process. It may be changed during the year by the head of the Internal Audit Department, subject to approval by the Audit and Risk Committee.

On the basis of the one-year plan, the Internal Audit Department enjoys complete freedom in preparing and executing its tasks and presenting its conclusions. After completing its work, the Department submits detailed audit reports to the Executive Board, the Audit and Risk Committee and the Board of Directors, and provides copies to the external auditor, with which it shares all of its conclusions. It also draws up half-yearly activity reports, which include an overview of all ongoing auditing activities within BCV Group. The report is intended for the Audit and Risk Committee and is also discussed at meetings of the Executive Board and the Board of Directors.

Supervision and regular evaluations of the Internal Audit Department are delegated to the Audit and Risk Committee. Every year the Committee assesses the Department's cooperation with the external auditor, decides whether the Department is efficient and has the necessary resources and appropriate skills, and ensures that it performs its activities independently and objectively.

The Head of the Internal Audit Department attends all meetings of the Audit and Risk Committee, as well as meetings of the Executive Board and Board of Directors when required.

## **4. Executive Board**

### **4.1 Members of the Executive Board**

Information about members of the Executive Board can be found on the following pages (NB: pursuant to Article 27 of the Articles of Incorporation, only the CEO is appointed by the Vaud Cantonal Government, while the other members are appointed by the Board of Directors).

Name, year of birth and nationality	Position and start date	Education	Career experience
<b>Pascal Kiener, 1962, Swiss citizen</b>	CEO since 1 May 2008 and CFO from 1 June 2003 until 31 December 2008	MSc in mechanical engineering from the Swiss Federal Institute of Technology in Lausanne (EPFL) in 1985. MBA from INSEAD in Fontainebleau in 1992.	Between 1985 and 1991, Mr. Kiener worked as an engineer for Fides Informatics in Zurich and Hewlett Packard in Geneva. In 1993, he joined the consulting firm McKinsey & Company. In 2000, he was made partner and a member of the Management Committee of McKinsey Switzerland. He acquired experience in financial services, and in banking in particular, during these years as an advisor for leading financial institutions in Switzerland and other European countries. He managed large projects involving strategy, risk management, controlling, and business process re-engineering. Mr. Kiener joined BCV as CFO on 1 June 2003 and was appointed CEO on 1 May 2008.
<b>Aimé Achard, 1954, Dual French and Swiss citizen</b>	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 1979, Mr. Achard joined BNP Paribas Group and worked in London, Oslo, Basel and Geneva, where he occupied key posts in the management, design and operation of IT systems and back offices. Before joining BCV on 1 April 2006, he was responsible for the operational integration of acquisitions in the private banking business of BNP Paribas Group. Aimé Achard became a Swiss citizen in September 2011.
<b>Stefan Bichsel, 1955, Swiss citizen</b>	Member of the Executive Board with responsibility for the Asset Management & Trading Division since 1 May 2009	Admitted to the Bar of Bern Canton in 1982. Master of Laws (LL.M) from Georgetown University in Washington DC in 1986. Admitted to the bars of New York and Connecticut in 1987. Advanced Management Program at the Wharton Business School, Philadelphia in 1994.	Following law studies in Lausanne and Bern, Mr. Bichsel started his career at UBS. He was admitted to the bars of New York and Connecticut, before working for Pictet & Cie in Geneva. In 1994, he was appointed as the first CEO of Swissca Holding AG (now Swisscanto). From 1998 to 2001, he served as Chairman of the Board of the Swiss Funds Association (SFA). In 2002, Mr. Bichsel was named to the Management Board of Robeco Group (Rotterdam), where he was put in charge of the company's operations outside the Netherlands. From 2003 to 2005, he was Chairman of the Board of the European Fund and Asset Management Association (EFAMA) in Brussels. He joined Lombard Odier Darier Hentsch Group (LODH) in 2006 as a partner in the holding group and member of Group Management. He joined BCV as a Member of the Executive Board with responsibility for the Asset Management & Trading Division on 1 May 2009.
<b>Gérard Haerberli, 1961, Swiss citizen</b>	Member of the Executive Board with responsibility for the Private Banking Division since 1 July 2009	Degree in economics (with a specialization in business administration) from the Business and Economics Faculty of Lausanne University in 1983. Certificates from the International Bankers School in New York, Harvard Business School in Boston and IMD in Lausanne.	Mr. Haerberli joined Credit Suisse in 1985, where he spent his career until 30 June 2009. From 1987, he held responsibilities in private banking in Yverdon-les-Bains and then worked in Zurich before being transferred to the United States, where he worked in New York and Miami. In 1994 he was transferred to Lausanne, where he took over responsibility for an international desk for Credit Suisse Private Banking. In 1998 he was put in charge of the Vaud region, and became head of Private Banking for all of French-speaking Switzerland in 2000. His responsibilities were extended in 2006 to include all of Credit Suisse's business lines in French-speaking Switzerland. He joined the Executive Board with responsibility for the Private Banking Division on 1 July 2009.

<b>Thomas W. Paulsen,</b> 1965, Swiss citizen	CFO, member of the Executive Board with responsibility for the Finance & Risks Division since 1 January 2009	Degree in economics from the Business and Economics Faculty of Lausanne University in 1988. MSc in economics from the London School of Economics (LSE) in 1989. PhD in economics from Lausanne University in 1992.	Mr. Paulsen started his career in energy trading at EGL. In 1995, he joined the consulting firm McKinsey & Company, where he was elected Principal Associate in 2000. During his time at McKinsey, he managed a large number of strategic projects for financial institutions and major energy companies in Switzerland and throughout Europe, focusing particularly on the risk management aspects. Mr. Paulsen joined BCV in July 2002 as Chief Risk Officer (CRO), and in this capacity created and led the Risk Management Department. He was named CFO and Head of the Finance & Risks Division on 1 January 2009.
<b>Bertrand Sager,</b> 1966, Swiss citizen	CCO, member of the Executive Board with responsibility for the Credit Management Division since 15 February 2010	Master of Law from Lausanne University in 1990. Advanced Management Certificate from INSEAD in Fontainebleau in 2007.	Mr. Sager began his career at Credit Suisse in 1991, where he was involved in various lending activities. He joined BCV in 1998 and was appointed to lead BCV's Credit Recovery Management Department in 2003. In this position, he played a key role in strengthening the Bank's balance sheet by reducing the volume of impaired loans. In addition, as a member of the Executive Board's Credit Committee since 2008, he has acquired a thorough understanding of BCV's lending activities. Mr. Sager was named Chief Credit Officer and appointed to the Executive Board with responsibility for the Credit Management Division as of 15 February 2010.
<b>Jean-François Schwarz,</b> 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 Business and Economics 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. He has been a member of the Executive Board with responsibility for the Corporate Banking Division since 1 March 2003.
<b>José François Sierdo,</b> 1963, Swiss citizen	Member of the Executive Board with responsibility for the Retail Banking Division since 3 March 2014	Degree in economics and business administration from the Business and Economics Faculty of Lausanne University in 1992. MBA from IMD in Lausanne in 2001.	Mr. Sierdo began his banking career in 1993 in retail banking at UBS. He went on to do project finance in New York and lending in Zurich, before working at Lombard Odier & Cie from 1998 to 2002. He then returned to UBS, where he held key managerial positions in retail, private and corporate banking, including: Head of Private Banking for French-speaking Switzerland, CEO of UBS Luxembourg and Head of Corporate Clients for Switzerland. Before becoming a banker, he was a military pilot and a member of the Swiss Surveillance Wing. He joined the Executive Board as Head of the Retail Banking Division on 3 March 2014.

Pascal Kiener  
CEO



Jean-François Schwarz  
Member of the Executive Board,  
Head of Corporate Banking



José F. Sierdo  
Member of the Executive Board,  
Head of Retail Banking



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



**Thomas W. Paulsen**

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



**Aimé Achard**

Member of the Executive Board,  
Head of Business Support



**Gérard Haerberli**

Member of the Executive Board,  
Head of Private Banking



**Stefan Bichsel**

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

#### 4.2 Other activities and business relations

Executive Board members also perform the following functions:

<b>Pascal Kiener</b>	<ul style="list-style-type: none"> <li>• Member of the Board of Directors of the Swiss Bankers Association</li> <li>• Member of the Board of Directors and the Board Committee of the Union of Swiss Cantonal Banks</li> <li>• Member of the Board of Directors and the Steering Committee of the Vaud Chamber of Commerce and Industry</li> <li>• Chairman of the "Fonds de prévoyance en faveur du personnel de la BCV"</li> <li>• Member of the Board of the BCV Foundation</li> <li>• Member of the Board of the Geneva Financial Center Foundation</li> <li>• Member of the Strategic Advisory Board of the Swiss Federal Institute of Technology in Lausanne (EPFL) and member of the Foundation Board of EPFL Plus</li> <li>• Member of the Foundation Board of Foot Avenir, Paudex</li> </ul>
<b>Aimé Achard</b>	<ul style="list-style-type: none"> <li>• Treasurer of the Association Vaudoise des Banques (AVB)</li> <li>• Treasurer of the "Fondation vaudoise pour la formation bancaire" (FVFB)</li> </ul>
<b>Stefan Bichsel</b>	<ul style="list-style-type: none"> <li>• Chairman of the Board of Directors of GEP SA, Lausanne</li> <li>• Chairman of the Board of Directors of Gérifonds SA, Lausanne</li> <li>• Member of the Board of Directors of Banque Cantonale du Jura SA, Porrentruy</li> <li>• Member of the Board of Directors of Swisscanto Holding SA, Bern</li> <li>• Member of the International Orientation Committee of EDHEC, Lille and Nice</li> <li>• Chairman of the Pro Aventico Association, Avenches</li> </ul>
<b>Gérard Haerberli</b>	<ul style="list-style-type: none"> <li>• Chairman of the Board of Directors of Piguet Galland &amp; Cie SA</li> </ul>
<b>Thomas W. Paulsen</b>	<ul style="list-style-type: none"> <li>• Member of the Board of Directors and the Audit and Risk Committee of Piguet Galland &amp; Cie SA</li> <li>• Chairman of the Swiss Cantonal Bank Issuing Committee</li> <li>• Member of the Board of Directors of the Swiss Cantonal Banks' Central Mortgage Bond Institution</li> <li>• Chairman of the Foundation Board of the "Caisse de pensions de la Banque Cantonale Vaudoise"</li> <li>• Member of the Board of the "Fonds de prévoyance en faveur du personnel de la BCV"</li> <li>• Member of the Commission on Market Regulation and Accounting of the Swiss Bankers Association</li> </ul>
<b>Bertrand Sager</b>	<ul style="list-style-type: none"> <li>• Committee member of the Chambre Vaudoise Immobilière</li> <li>• Member of the Board of Directors of GEP SA</li> <li>• Member of the Board of the "Fondation de prévoyance en faveur de l'encadrement supérieur de la BCV"</li> <li>• Member of the Board of the "Fonds de prévoyance en faveur du personnel de la BCV"</li> <li>• Judge for property disputes at the Eastern Vaud District Court</li> <li>• Member of the Management Committee of the "Fonds cantonal de lutte contre la précarité"</li> </ul>
<b>Jean-François Schwarz</b>	<ul style="list-style-type: none"> <li>• Member of the Executive Committee of the Vaud Canton economic development agency (DEV)</li> <li>• Member of the Vaud Canton economic council</li> <li>• Member of the Foundation Board of the "Caisse de pensions de la Banque Cantonale Vaudoise"</li> </ul>
<b>José F. Sierdo</b>	<ul style="list-style-type: none"> <li>• Member of the Board of Directors of newhome.ch AG</li> </ul>

### Internal organization of the Executive Board

The Executive Board may delegate its powers and duties as provided in the by-laws, subject to applicable laws, Swiss Bankers Association agreements, circulars issued by FINMA and other supervisory authorities, and directives of the Board of Directors.

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

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

In accordance with BCV's by-laws, the CEO has a right of veto, which must be duly recorded when used. In such cases, the CEO must inform the Chairman of the Board of Directors.

### 4.3 Management contracts

The Bank has not entered into any management contracts.

Committee name, composition (at 1 April 2015)	Main roles
<b>Risk Management Committee</b> Thomas W. Paulsen (Chairman) Pascal Kiener Stefan Bichsel Jean-François Schwarz Bertrand Sager Maxime Mermier	<ul style="list-style-type: none"> <li>• Submits risk management policy and strategy proposals to the Executive Board for approval by the Board of Directors</li> <li>• Ensures risk management and control processes are implemented and updated for the entire Bank and for all risk categories</li> <li>• Monitors the Bank's overall risk profile</li> <li>• Steers all the Bank's risk management projects</li> </ul>
<b>Asset and Liability Management Committee (ALCO)</b> Pascal Kiener (Chairman) Thomas W. Paulsen Gérard Haerberli Jean-François Schwarz José François Sierdo Christopher Cherdel Michel Aubry Fernando Martins da Silva	<ul style="list-style-type: none"> <li>• Examines the exposure of the banking book to interest-rate risk and exchange-rate risk, as well as the Bank's exposure to liquidity risk</li> <li>• Manages interest-rate-risk exposure on the balance sheet</li> <li>• Manages the Bank's liquidity and funding</li> </ul>
<b>Credit Committee</b> Bertrand Sager (Chairman) Pascal Kiener Jean-François Schwarz José François Sierdo Christian Zünd Laurent Michel	<ul style="list-style-type: none"> <li>• Submits proposals concerning the Bank's lending policy, technical standards and regulations governing lending authority to the Executive Board for approval by the Board of Directors</li> <li>• Makes decisions on the granting of lending authority</li> <li>• Makes decisions regarding the granting and renewing of major lending facilities, within the limits of its powers</li> <li>• Monitors the Bank's loan portfolio, particularly the sector breakdown</li> <li>• Oversees credit-limit and overdraft management</li> </ul>
<b>Information Technology Committee</b> Aimé Achard (Chairman) Pascal Kiener Thomas W. Paulsen José François Sierdo Frédéric Le Hellard Serge Messin	<ul style="list-style-type: none"> <li>• Submits IT strategy proposals to the Executive Board for approval by the Board of Directors</li> <li>• Submits proposals on the budgetary framework and the medium-term plan for high priority projects</li> <li>• Monitors the implementation of IT projects</li> <li>• Obtains information on major IT incidents and corrective measures taken</li> </ul>

## 5. Compensation, shareholdings and loans

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

The Board of Directors approved new compensation regulations on 5 March 2010, which were amended on 7 November 2014 to take account of changes to BCV's Articles of Incorporation that were approved at the Shareholders' Meeting held on 1 May 2014. These regulations govern the compensation-related roles and responsibilities

of the Board of Directors, the Compensation, Promotions and Appointments Committee, the Executive Board and Human Resources. They also provide a detailed description of the various components of the compensation system and their related rules of application.

In order to define its compensation policy, the Bank participates in two salary surveys carried out by specialized institutes Hostettler & Co and Towers Watson every year. The main employers in the financial sector nationwide take part in these surveys, which provide BCV with an overview

of market trends for virtually all positions. Furthermore, for its senior management, the Bank draws on comparisons with reference groups that include companies in banking and in other sectors that are relatively comparable (particularly in terms of market capitalization, revenues, earnings or staff numbers).

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

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

Detailed compensation figures can be found in the tables on page 130.

#### **Board of Directors**

The Board of Directors receives fixed compensation in the form of fees, including compensation for sitting on the various committees, and expenses.

Only the Chairman of the Board receives both fixed annual compensation and compensation based on performance over the year. Performance-based compensation is assessed according to objectives set at the beginning of 2014.

The compensation of all members of the Board, except the Chairman, is set by the full Board of Directors upon the recommendation of the Compensation, Promotions and Appointments Committee. The compensation of the Chairman of the Board is set by the Board of Directors (excluding the Chairman), taking into account the recommendation of the Vice Chairman (see also section 3.4.4 on page 72).

#### **Approval of the Board of Directors' compensation at the Shareholders' Meeting**

Overall fixed compensation (comprising fixed compensation, compensation for sitting on the various committees, and expenses) between one Shareholders' Meeting and the next, as well as the Chairman's annual performance-based compensation for the previous calendar year, are subject to approval at the Shareholders' Meeting.

#### **Executive Board**

Compensation of the Executive Board includes all of the components below.

##### **Base salary**

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

##### **Annual performance-based compensation**

All employees are eligible for annual performance-based compensation, provided their contracts have not been terminated. In accordance with the Bank's strategies and action plans, both qualitative and quantitative performance objectives are defined for each of the divisions and tailored to each employee, at all levels of the organization. The final evaluation depends upon the degree to which the objectives set at the start of the period are met. On this basis, the employee's supervisor carries out an overall performance assessment in order to determine the annual performance-based compensation.

The overall level of annual performance-based compensation is based on financial performance and takes into account the level of risk of the Bank's operations. The result is then adjusted on the basis of key strategic development objectives, project execution, operational excellence levels and the level of customer satisfaction.

Financial performance is calculated based on return on equity.

This approach enables BCV to take account of the main factors that generate shareholder value.

The breakdown in overall compensation also takes into consideration the results of the division and department in which an employee works.

30% of annual performance-based compensation for the Executive Board members and department heads must be taken in BCV shares with a lock-up period of 3 to 10 years.

Other employees receiving annual performance-based compensation of CHF 30,000 or more may opt for full payment in cash, or 70% in cash and 30% in BCV shares with a lock-up period of 3 years. In the latter case, BCV increases the portion of shares by 30%.

For the 2014 financial year, these shares with a par value of CHF 10 were allocated at the closing price on 20 March 2015. The Executive Board will be allocated their shares at the closing price on 4 May 2015, subject to approval at the Shareholders' Meeting.

### 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 inherent in 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.

Members of the Board of Directors do not take part in the in-house share subscription program.

### Long-term performance-based compensation

This form of compensation is intended for a limited number of managers, i.e., members of the Executive Board and department heads.

Its purpose is to further the Bank's long-term development by generating lasting shareholder value.

Objectives are set within the framework of three-year plans, with a new plan starting each year.

Long-term performance-based compensation is paid exclusively in BCV shares, fully or partially, depending on the extent to which objectives have been achieved.

The objectives for the long-term performance-based compensation plans have a financial, strategic and qualitative component.

The financial component of performance is measured in terms of economic profit. Economic profit is defined as profit generated after deducting the cost of equity, which reflects the Bank's risk level. The financial component is then adjusted to reflect the strategic and qualitative components. Here, a limited number of key objectives related to the Bank's business strategy, main projects, operational excellence initiatives and trends in customer satisfaction are taken into account.

In addition to bank-wide objectives, Executive Board members and front-line department heads have financial objectives set for their division.

The cost of the plan is spread over the entire period. The cost is recalculated in line with the objectives achieved and the number of remaining participants, and adjusted accordingly. The cost of the plans is spread over the relevant three financial years.

At the end of each period, any difference between the number of shares actually distributed to participants and the number originally set aside for this purpose is released, and added to or deducted from "Personnel costs."

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

The 2012-2014 plan, which ended on 31 December 2014, was based on the Bank's actual cumulative economic profit and the following strategic and qualitative objectives:

- Improved sell-side efficiency in the branch network
- Successful development of onshore private banking in Vaud Canton
- Development of the asset-management business in German-speaking Switzerland
- Diversification in trade finance
- Development and implementation of the IT strategy
- Re-engineering of lending processes.

The performance evaluation of Executive Board members and front-office department heads was also based on whether the financial objectives for their respective divisions were achieved.

As part of the 2012-2014 plan, 6,181 shares were distributed to beneficiaries in March 2015.

A new three-year plan began in 2014. Its objectives were set in accordance with the above principles.

### Other compensation

Compensation also includes taxable incidental expenses.

In accordance with the staff handbook, a seniority bonus equivalent to a month's salary is payable to all employees who have completed 10, 20, 30 or 40 years' service at BCV.

Employees may opt to take extra vacation, i.e., 20 days for full-time staff, instead of the bonus.

#### **Approval of the Executive Board's compensation at the Shareholders' Meeting**

The compensation of the members of the Executive Board is set based on the degree to which they meet their unweighted qualitative and quantitative objectives. For members, these objectives are set and evaluated by the CEO; for the CEO, they are set and evaluated by the Board of Directors. The overall compensation for the Executive Board is set by the Board of Directors on the recommendation of the Compensation, Promotions and Appointments Committee. The fixed compensation (base salary, taxable entertainment expenses, seniority bonuses, employee share-ownership plan) from one Shareholders' Meeting to the next, as well as annual performance-based compensation for the previous calendar year, are subject to approval at the Shareholders' Meeting. At each Meeting, shareholders also approve the maximum number of shares that may be made available as long-term performance-based compensation under the multi-year plan beginning in the current year.

For 2014, a ratio of 119% between the Executive Board members' base salary and their annual performance-based compensation was proposed at the Shareholders' Meeting.

#### **Contracts**

The CEO and other members of the Executive Board work under an employment contract with a 12-month notice period.

#### **Application of the Ordinance against Excessive Compensation in Publicly Listed Companies**

As stated above, because BCV is a public-sector entity within the meaning of Article 763, paragraph 2 of the Swiss Code of Obligations, it is not subject to the Ordinance against Excessive Compensation in Publicly Listed Companies (ORAb). Nevertheless, the Bank decided to incorporate the principles of the ORAb into the Articles of Incorporation insofar as they were compatible with the LBCV (see Articles 30a et seq. of the BCV Articles of Incorporation on compensation). Accordingly, for the first time at the 2015 Shareholders' Meeting, a vote will be taken on the fixed compensation of the Board of Directors and the Executive Board for the period between the 2015 and 2016 Meetings. There will also be votes on

the 2014 annual performance-based compensation for the Chairman of the Board of Directors and the entire Executive Board, and on the number of shares available as long-term performance-based compensation under the plan beginning in 2015. As BCV is not subject to the ORAb, it is required to continue providing compensation reports in the form of a section in its Annual Report (Article 30e of the Articles of Incorporation – see 13.12 below).

#### **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 6.4 below for the text of the article), one or more shareholders together representing no less than one tenth of the share capital may also request the convening of a Shareholders' Meeting. Shareholders representing shares with an aggregate par value of thirty thousand Swiss francs may request that an item of business be entered on the agenda. The calling of a Shareholders' Meeting and the inclusion of an item of business on the agenda must be requested in writing, stating the business to be discussed and motions to be submitted.

Any individual motion requiring a vote shall be submitted to the Chairman of the Board of Directors in writing at least forty-five days prior to the Meeting.

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

### 6.1.2 Exemptions granted during the financial year

During the 2014 financial year, no departure from the above restrictions was made.

The rules governing attendance at Shareholders' Meetings are set forth in Articles 16 and 18 of the Articles of Incorporation, the main provisions of which are shown in sections 6.3, 6.4 and 6.5.

### 6.2 Quorum provisions

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

#### *Article 19 – Quorum provisions; resolutions*

The Shareholders' Meeting shall have the power to transact business irrespective of the number of shares represented.

Resolutions put to the vote shall be decided by an absolute majority of votes attached to the shares represented, and in the event of a tie, the Chairman shall have the casting vote. Shares held by the Canton do not vote on the election of members of the Board of Directors carried out pursuant to Article 15 (b).

### 6.3 Convening shareholders' meetings

#### *Article 16 – Meetings*

Shareholders' Meetings shall be convened by the Board of Directors at least once a year.

The Annual Meeting shall take place within six months of the close of the financial year at the headquarters of the Bank or at any other place in Vaud Canton as may be determined by the Board of Directors.

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

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

### 6.4 Agenda

#### *Article 16 (excerpt) – Meetings*

One or more shareholders together representing no less than one tenth of the share capital may also request

the convening of a Shareholders' Meeting. Shareholders representing shares with an aggregate par value of thirty thousand Swiss francs may request that an item of business be entered on the agenda. The calling of a Shareholders' Meeting and the inclusion of an item of business on the agenda must be requested in writing, stating the business to be discussed and motions to be submitted.

Any individual motion requiring a vote shall be submitted to the Chairman of the Board of Directors in writing at least forty-five days prior to the Meeting.

### 6.5 Shareholder registration

Article 18, paragraph 2, of the Articles of Incorporation stipulates that shareholder status and the right to appoint a proxy shall be determined on the basis of the shareholder register on the twentieth day prior to a Shareholders' Meeting.

Pursuant to paragraph 1 of the same Article, the right to vote at the Meeting shall be exercised by the shareholder registered in the share register or by his or her proxy, who may not necessarily be a shareholder. At the Meeting held on 1 May 2014, Christophe Wilhelm, a Lausanne-based attorney, was elected to be the Independent Proxy until the end of the Meeting to be held on 23 April 2015. Pursuant to the new Article 18a, paragraph 5, of the Articles of Incorporation, BCV will offer shareholders an electronic means of providing their instructions to the Independent Proxy for the Meeting.

## 7. Takeovers and defense measures

### 7.1 Obligation to make a bid

The Articles of Incorporation do not contain an opting-out or opting-up clause based on Article 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

PricewaterhouseCoopers Ltd, which has its registered office in Zurich, has been appointed by the Board of Directors as the Bank's external auditor within the meaning of the FINMA law since 2009. Alex Astolfi, a partner at PricewaterhouseCoopers Ltd, is the lead auditor. Upon the recommendation of the Board of Directors, PricewaterhouseCoopers Ltd was also appointed as the Bank's auditor for 2014 at the Shareholders' Meeting of 1 May 2014.

### 8.2 Audit fees

Fees invoiced by PricewaterhouseCoopers Ltd 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 FINMA) and the audit of BCV as a custodian bank for investment funds, amounted to CHF 1,899,500 for the 2014 financial year.

Fees invoiced by PricewaterhouseCoopers Ltd in Switzerland and abroad for financial and statutory audits of other BCV Group companies were CHF 718,709.

Total fees invoiced by PricewaterhouseCoopers Ltd for audit services supplied to all the companies which make up BCV Group therefore amounted to CHF 2,618,209 in the reporting year.

### 8.3 Additional fees

Fees invoiced by companies within the PricewaterhouseCoopers Ltd group for services related to audits, in particular fees for certificates required contractually or by local law, totaled CHF 171,880 for the parent company and CHF 3,456 for the other BCV Group companies. Consulting fees, including but not limited to fees for IT-related projects and tax advice, amounted to CHF 155,379 for the parent company and CHF 21,360 for the other BCV Group companies.

Total additional fees for the 2014 reporting period invoiced by PricewaterhouseCoopers Ltd in Switzerland and abroad

for all BCV Group companies therefore amounted to CHF 352,075.

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

### 8.4 Monitoring of external auditors

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

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

The Chairman of the Board of Directors and the Chairman of the Audit and Risk Committee receive copies of all the reports, certifications and opinions issued by the external auditors in the course of their duties. Every year, the Audit and Risk Committee reviews the parent company's financial statements and regulatory reports and a summary of the reports submitted by the subsidiaries. The external auditors are regularly invited to attend Audit and Risk Committee meetings to discuss the results of their work, make recommendations on internal audit procedures and be informed of reports by other persons invited to the meetings. In 2014, representatives of the external auditors partially attended three meetings of the Board of Directors and all ordinary meetings of the Audit and Risk Committee.

The Chairman of the Board of Directors meets with

the auditor in charge of the audit approximately once every quarter to see whether the work is proceeding as planned; the Chairman of the Audit and Risk Committee attends once a year. The Chairman of the Audit and Risk Committee also holds regular meetings with the auditor, at least once per quarter. A summary report is then submitted to all members of the Board of Directors, the Audit and Risk Committee and the Executive Board.

## 9. Disclosure policy

### 9.1 Transparency

Pursuant to paragraphs 8 and 9 of Article 24 of the Bank's Articles of Incorporation, the Board of Directors shall see that it is kept informed. It shall also see that shareholders are properly and fairly informed about the Bank's situation to the greatest extent possible, consistent with legitimate compliance with business and banking confidentiality and securities laws. In particular, it shall reach an agreement governing disclosure of information to the Canton of Vaud.

### 9.2 Information-exchange agreement

BCV and the Canton of Vaud entered into an initial information-exchange agreement on 13 September 2004. In 2009, the two parties negotiated a new information-exchange agreement, which was signed on 7 October 2009 and took effect immediately.

This agreement commits the parties to increased transparency. In particular, it:

- Sets out the content and frequency of information exchanges and the procedures for providing information, together with the type and frequency of meetings between representatives of the Canton and BCV
- Defines the confidentiality rules governing these exchanges
- Designates the persons who are to provide and receive information on behalf of the Bank and the Canton
- Prohibits each party from exploiting for its own purposes the information received and provided

- Specifies the legal principles 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 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 results, and a press release for quarterly results.

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

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

Basel III Pillar 3 reports, which are published half-yearly, and other data of particular interest to investors may also be consulted in the Investor Relations section of the BCV website ([www.bcv.ch](http://www.bcv.ch)). In 2003, the Bank began publishing quarterly consolidated operating income figures and balance-sheet information at end-March and end-September (in addition to its H1 and full-year results).

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

## 10. Contacts

### Investor Relations

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### 2015 corporate calendar

23 April	Annual Shareholders' Meeting
23 April	First-quarter results press release
27 April	Ex-dividend date <sup>1</sup>
28 April	Dividend record date <sup>1</sup>
29 April	Dividend payment <sup>1</sup>
20 August	First-half results press conference
12 November	Nine-month results press release

<sup>1)</sup> Total distribution comprising an ordinary dividend of CHF 22 per share and CHF 10 per share drawn from paid-in reserves, subject to approval at the Annual Shareholders' Meeting.





# The BCV Share

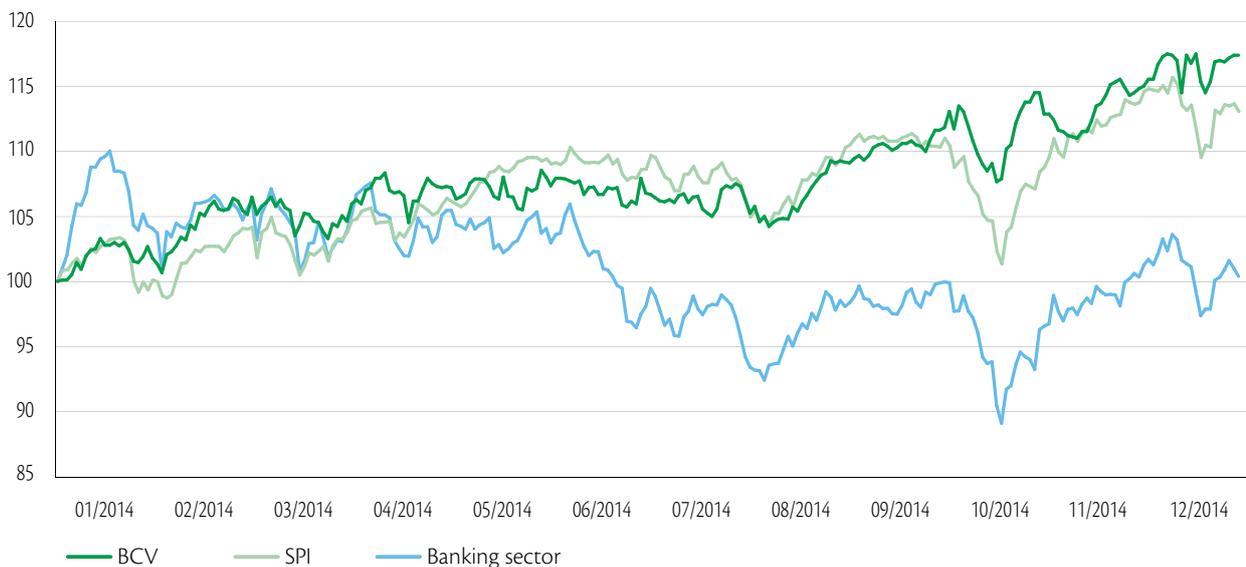
Underpinned by a global economic recovery and the accommodative monetary policies of numerous central banks, stockmarkets posted further gains in 2014. The SMI was up 9.5%, the Euro Stoxx 50 up 1.1%, the S&P 500 up 11.4%, and the Nikkei up 7.1%.

The BCV share performed remarkably well in this environment. Despite the dividend payment in May, the share price held steady during the first half of the year. It then rose sharply in the second half, ending 2014 up 10.8%. Including the ordinary dividend of CHF 22 per share and the special distribution of CHF 10 per share drawn from paid-in reserves, total shareholder return in 2014 was 17.4% – the highest among banking stocks listed on the SIX Swiss Exchange.

In contrast to the Swiss stockmarket, the BCV share had lower trading volumes in 2014 than in 2013, with approximately CHF 3m in shares changing hands each day. The BCV share nevertheless remains the fourth most liquid stock on the Swiss stockmarket.

The Bank's financial solidity is recognized by the ratings agencies. Standard & Poor's confirmed BCV's long-term rating of AA and stable long-term outlook. Moody's reaffirmed BCV's long-term A1 rating with a stable outlook and raised the outlook on our standalone rating to positive.

## Total shareholder return<sup>1)</sup>

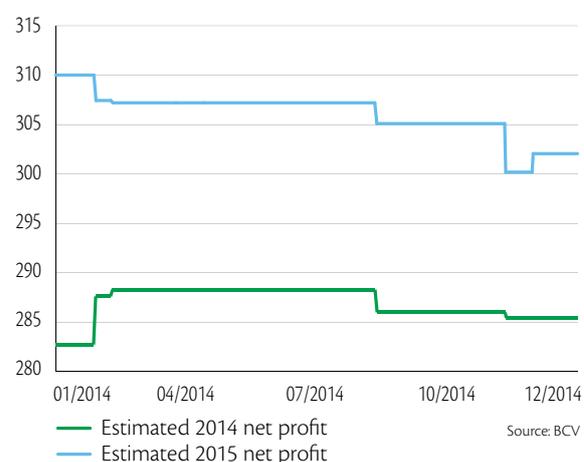


<sup>1)</sup> Stockmarket performance over the period plus dividends and capital distributions

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

### Analyst consensus

in CHF millions, at 31 December 2014



	2010	2011	2012	2013	2014
Number of shares outstanding (in thousands)	8 606	8 606	8 606	8 606	8 606
Period-end share price (in CHF)	491.00	456.25	484.75	486.50	539.00
Share price high / low (unadjusted, in CHF)					
– high	507	547	519	559	541
– low	397	392	442	445	473
EPS <sup>1</sup> (in CHF)	36.4	35.1	36.1	32.5	34.4
Adjusted EPS <sup>2</sup> (in CHF)	36.4	35.1	36.1	32.5	34.4
Dividend per share (in CHF)	22.0	22.0	22.0	22.0	22.0 <sup>3</sup>
Dividend yield <sup>4</sup> (in %)	4.5	4.8	4.5	4.5	4.1
Total payout <sup>5</sup> (in CHF)	32.0	32.0	32.0	32.0	32.0 <sup>3</sup>
Total payout yield <sup>4</sup> (in %)	6.5	7.0	6.6	6.6	5.9
S&P long-term credit rating	AA– / positive	AA / stable	AA / negative	AA / stable	AA / stable
S&P short-term credit rating	A-1+	A-1+	A-1+	A-1+	A-1+
Moody's long-term credit rating	A1 / stable	A1 / stable	A1 / stable	A1 / stable	A1 / stable
Moody's short-term credit rating	Prime-1	Prime-1	Prime-1	Prime-1	Prime-1

<sup>1)</sup> Based on net profit after minority interests

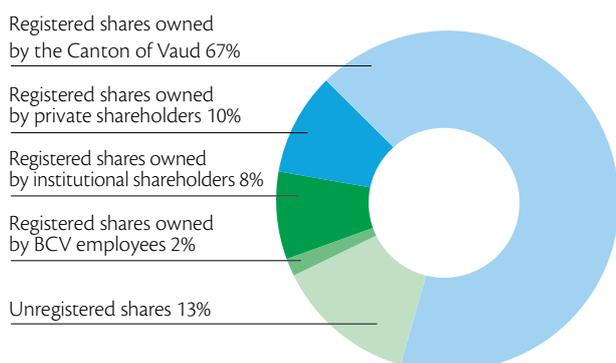
<sup>2)</sup> Based on net profit after minority interests, excluding an allocation to the reserves for general banking risks

<sup>3)</sup> Dividend to be proposed at the Shareholders' Meeting on 23 April 2015

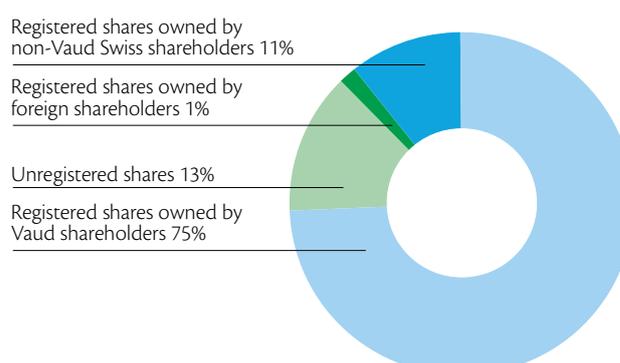
<sup>4)</sup> Relative to the period-end share price

<sup>5)</sup> Total amount distributed to shareholders in the form of an ordinary dividend together with a distribution drawn from paid-in reserves

### Share ownership structure



### Share ownership by geographical zone







# Financial Statements

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# Financial Statements

## Report on the Consolidated Financial Statements

### Continued rise in customer business volumes

#### 1. Assets

Total assets expanded 4% (+CHF 1.6bn) year-on-year, amounting to CHF 42.1bn at 31 December 2014.

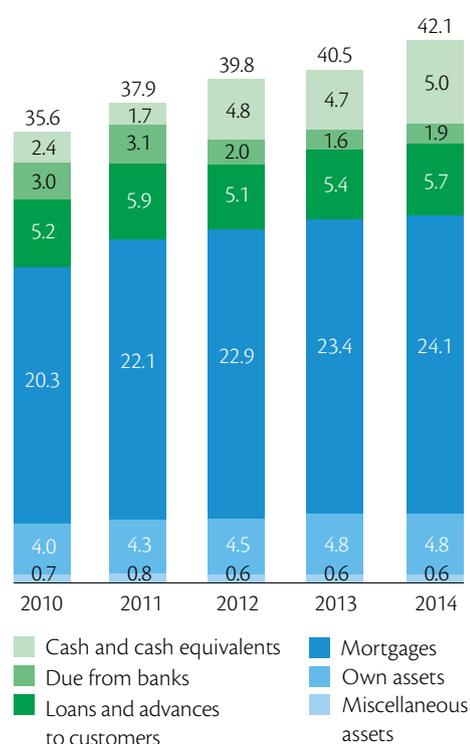
Cash and cash equivalents remained quite high, increasing 6% (+CHF 281m) to CHF 5.0bn. These funds were deposited with the Swiss National Bank. Amounts due from banks rose CHF 289m (+18%) to CHF 1.9bn.

Total loans outstanding were up CHF 960m year-on-year to CHF 29.8bn. Mortgage lending grew 3% (+CHF 680m) to CHF 24.1bn, in line with the Bank's objective of moderate annual growth in this area. Other loans increased CHF 280m (+5%) to CHF 5.7bn.

Total impaired loans fell by 19% (–CHF 57m) to CHF 243m. Impaired loans accounted for less than 1% of total lending, testifying to the quality and resilience of the Bank's loan book.

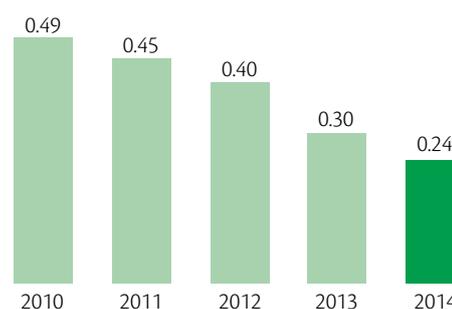
#### Assets

in CHF billions



#### Impaired loans

in CHF billions



## 2. Liabilities

Liabilities amounted to CHF 38.7bn at 31 December 2014, a year-on-year increase of 4% (+CHF 1.6bn).

Amounts due to banks and money-market paper issued rose 8% (+CHF 152m) to CHF 2.1bn.

Total customer deposits were up 4% (+CHF 1.0bn) to 29.3bn. Savings deposits continued to rise, expanding 2% (+CHF 215m) to CHF 13.0bn. Other customer accounts rose 5% (+CHF 800m) to CHF 16.3bn. Medium-term notes fell a further 30% (–CHF 24m) to CHF 57m.

Long-term borrowings grew CHF 375m (+6%) to CHF 6.4bn. This reflected borrowings from the central mortgage-bond institution of Swiss cantonal banks of CHF 188m, bond issues of CHF 131m, and CHF 48m of borrowing relating to the Bank's structured-product activities.

Value adjustments and provisions continued to decline, falling 17% (–CHF 29m) to CHF 142m.

## 3. Shareholders' equity

Total shareholders' equity remained stable at CHF 3.3bn. The allocation of CHF 296m in net profit for the year was offset by the distribution of CHF 275m approved at the Annual Shareholders' Meeting in May 2014.

### Capital ratios

At year-end, the Tier 1 ratio was at a comfortable level of 17.1% and the total capital ratio was 17.2%, equating to a capital adequacy ratio of 215%. These ratios, calculated according to Basel III as of 1 January 2013, attest to the Bank's financial solidity.

See "Regulatory capital requirements" in section 16.1 on page 140.

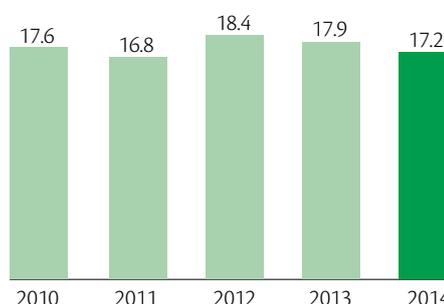
## Liabilities

in CHF billions



## Capital ratio

Total capital as a %



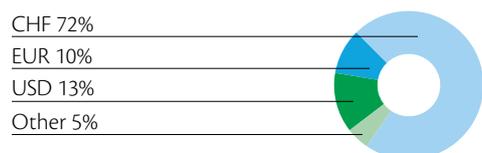
## Rise in AuM

### 4. Assets under management

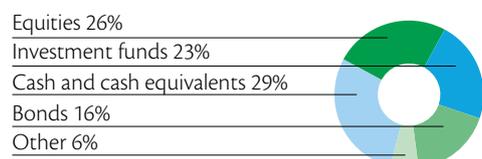
The Group's assets under management were up 3% (+CHF 2.5bn) to CHF 86.4bn. This reflected the strong performance of stockmarkets, offset by net outflows of CHF 1.9bn.

The aggregate CHF 1.9bn outflow comprises inflows of CHF 0.8bn from Vaud SMEs and onshore retail and private banking customers coupled with outflows of CHF 1.2bn among offshore clients and CHF 1.5bn among large corporate and institutional clients.

#### Assets under management by currency



#### Assets under management by investment type



## Solid revenues and stable expenses

### 5. Revenues

Total revenues edged up slightly year-on-year to CHF 993m.

The various revenue streams contributed as follows:

- Despite the ongoing decline in interest rates, interest income held steady at CHF 504m thanks to expanding business volumes and effective ALM.

### Assets under management <sup>1)</sup>

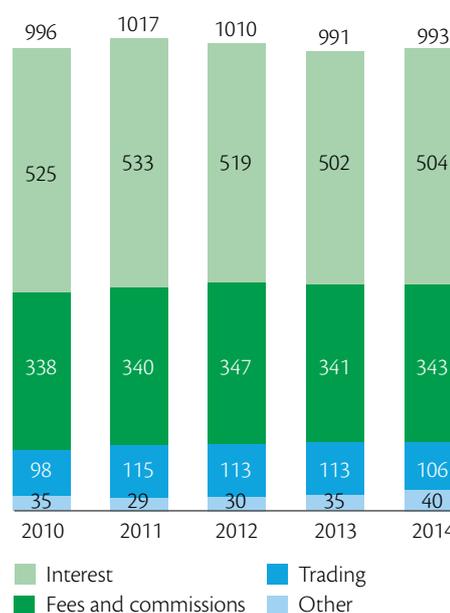
in CHF billions



<sup>1)</sup> 2010-2012 figures for assets under management have been adjusted to exclude custody-only assets

### Revenues

in CHF millions



- Fee and commission income was up 1% (+CHF 2m) to CHF 343m. Fees and commissions on lending operations were stable at CHF 45m. Fees and commissions on securities and investment transactions declined 2% (–CHF 5m) to CHF 280m. Fees and commissions on other services were up 8% (+CHF 6m) to CHF 83m. Fee and commission expense was down 2% (–CHF 1m) to CHF 64m.
- Trading income income retreated 6% (–CHF 6m) to CHF 106m, due mainly to low forex activity over the year.
- Other ordinary income rose 13% (+CHF 5m) to CHF 40m.

## 6. Operating expenses

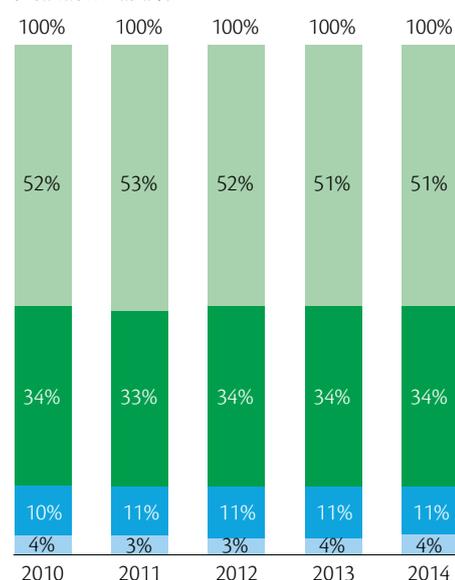
Total operating expenses were stable at CHF 517m.

Personnel costs rose 1% (+CHF 2m) to CHF 339m following the absorption of 80 IT specialists from IBM in mid-2013.

Other operating expenses declined 2% (–CHF 4m) to CHF 178m.

### Revenues

breakdown as a %



Interest      Trading  
Fees and commissions      Other

### Operating expenses

in CHF millions



## 7. Operating profit

As a result of effective cost control and stable revenues, operating profit was up 1% (+CHF 5m) to CHF 476m.

The cost/income ratio, which compares the sum of operating expenses, depreciation, and write-offs (excluding goodwill amortization) with total income, improved from 61% to 60%.

## 8. Net profit

Net profit was CHF 296m as against CHF 280m in 2013, an increase of 6% (+CHF 16m).

Depreciation and write-offs on fixed assets declined 7% (–CHF 6m) to CHF 80m owing to cost savings associated with the insourcing of IT development starting mid-2013.

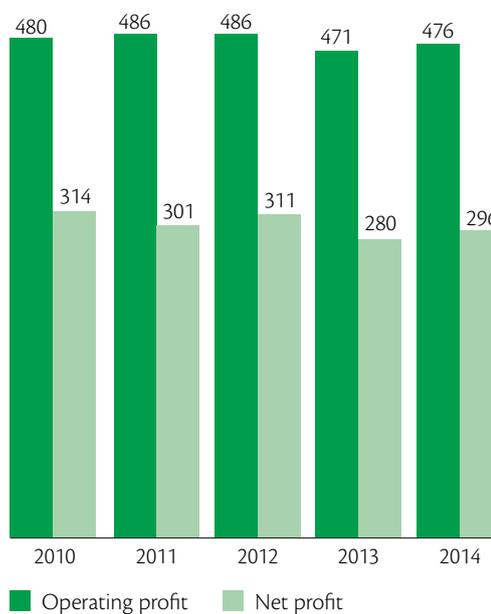
Value adjustments, provisions and losses fell 20% (–CHF 9m) to CHF 34m.

Extraordinary income was down 10% (–CHF 2m) to CHF 19m. This item mainly comprised credit-risk provision releases.

The Group's tax burden increased CHF 1m (+1%) to CHF 85m, compared with CHF 84m in 2013.

### Operating and net profit

in CHF millions



# Financial Statements

## Consolidated Financial Statements

### 1. Consolidated balance sheet (in CHF millions)

	Notes <sup>1</sup>	31 / 12 / 14	31 / 12 / 13	Change absolute	Change as %
Cash and cash equivalents	13.11	4 960	4 669	291	6
Money-market instruments	13.1/13.11	29	39	- 10	- 26
Due from banks	13.11	1 898	1 609	289	18
Loans and advances to customers	13.2/13.11	5 714	5 434	280	5
Mortgage loans	13.2/13.11	24 055	23 375	680	3
Trading portfolio assets	13.3/13.11	849	932	- 83	- 9
Financial investments	13.3/13.11	3 259	3 146	113	4
Non-consolidated holdings	13.3/13.4	54	50	4	8
Tangible fixed assets	13.4	577	602	- 25	- 4
Intangible assets	13.4	27	32	- 5	- 16
Accrued income and prepaid expenses		117	196	- 79	- 40
Other assets	13.5	529	370	159	43
<b>Assets</b>	13.6/13.14/13.15/13.16	<b>42 068</b>	<b>40 454</b>	<b>1 614</b>	<b>4</b>
Total subordinated assets		0	0	0	0
Total claims on non-consolidated holdings and significant shareholders		8	8	0	0
<i>of which claims on the Canton of Vaud</i>		5	5	0	0
Money-market paper issued	13.11	5	43	- 38	- 88
Due to banks	13.11	2 111	1 921	190	10
Customer savings and investment accounts	13.11	13 014	12 799	215	2
Other customer accounts	13.11	16 252	15 452	800	5
Medium-term notes	13.8/13.11	57	81	- 24	- 30
Bonds and mortgage-backed bonds	13.9/13.11	6 439	6 064	375	6
Accrued expenses and deferred income		217	224	- 7	- 3
Other liabilities	13.5	490	377	113	30
Value adjustments and provisions	13.2/13.10	142	171	- 29	- 17
<b>Liabilities</b>	13.7	<b>38 727</b>	<b>37 132</b>	<b>1 595</b>	<b>4</b>
Reserves for general banking risks	13.10	704	704	0	0
Equity capital		86	86	0	0
Capital reserve		106	192	- 86	- 45
Own equity securities		- 13	- 11	- 2	- 18
Retained earnings		2 162	2 071	91	4
Minority interests - equity		0	0	0	0
Net profit before minority interests		296	280	16	6
<i>Minority interests</i>		0	0	0	0
<b>Shareholders' equity</b>		<b>3 341</b>	<b>3 322</b>	<b>19</b>	<b>1</b>
<b>Total liabilities and shareholders' equity</b>	13.14/13.16	<b>42 068</b>	<b>40 454</b>	<b>1 614</b>	<b>4</b>
Total subordinated liabilities		0	0	0	0
Total liabilities to non-consolidated holdings and significant shareholders		1 357	1 287	70	5
<i>of which liabilities to the Canton of Vaud</i>		1 355	1 284	71	6

<sup>1)</sup> The notes are on pages 121-135

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

	Notes <sup>1</sup>	31 / 12 / 14	31 / 12 / 13	Change absolute	Change as %
Irrevocable and similar guarantees		848	642	206	32
Other guarantees		454	501	- 47	- 9
Other contingent liabilities		0	1	- 1	- 100
<b>Contingent liabilities</b>	13.2	<b>1 302</b>	<b>1 144</b>	<b>158</b>	<b>14</b>
<b>Irrevocable commitments</b>	13.2	<b>1 106</b>	<b>1 140</b>	<b>- 34</b>	<b>- 3</b>
<i>of which commitments to make payments     into a depositor protection fund</i>		<i>139</i>	<i>138</i>	<i>1</i>	<i>1</i>
<b>Commitments relating to calls on shares and other equity securities</b>	13.2	<b>113</b>	<b>93</b>	<b>20</b>	<b>22</b>
Commitments arising from deferred payments		33	23	10	43
<b>Confirmed credits</b>	13.2	<b>33</b>	<b>23</b>	<b>10</b>	<b>43</b>
<b>Derivative financial instruments</b>					
Gross positive replacement values	13.5/14.1	945	521	424	81
Gross negative replacement values	13.5/14.1	959	585	374	64
Values of underlyings	14.1	50 441	52 701	- 2 260	- 4
Fiduciary investments		262	315	- 53	- 17
Fiduciary loans and other fiduciary financial transactions		1	1	0	0
<b>Fiduciary transactions</b>		<b>263</b>	<b>316</b>	<b>- 53</b>	<b>- 17</b>

<sup>1)</sup> The notes are on pages 121-136

## 3. Assets under management (in CHF millions)

	31 / 12 / 14	31 / 12 / 13	Change absolute	Change as %
Assets held by collective investment vehicles under own management	28 043	25 740	2 303	9
Assets under discretionary management agreements	12 531	11 186	1 345	12
Other assets under management	45 808	46 924	- 1 116	- 2
<b>Total assets under management (incl. double-counted)</b>	<b>86 382</b>	<b>83 850</b>	<b>2 532</b>	<b>3</b>
<i>of which double-counted</i>	<i>8 757</i>	<i>7 624</i>	<i>1 133</i>	<i>15</i>
<b>Net new money (incl. double-counted)</b>	<b>- 1 904</b>	<b>1 554</b>		

The terms “assets under management” and “net new money” are defined in section 9.9 of the accounting principles sub-chapter.

## 4. Consolidated income statement (in CHF millions)

	Notes <sup>1</sup>	2014	2013	Change absolute	Change as %
Interest and discount income		652.5	672.7	-20.2	-3
Interest and dividend income from financial investments		54.2	56.3	-2.1	-4
Interest expense		-202.9	-227.5	-24.6	-11
<b>Net interest income</b>	15.1/15.2/15.13	<b>503.8</b>	<b>501.5</b>	<b>2.3</b>	<b>0</b>
Fees and commissions on lending operations		44.9	44.5	0.4	1
Fees and commissions on securities and investment transactions		280.0	285.4	-5.4	-2
Fees and commissions on other services		82.5	76.7	5.8	8
Fee and commission expense		-64.0	-65.3	-1.3	-2
<b>Net fee and commission income</b>	15.3/15.4/15.13	<b>343.4</b>	<b>341.3</b>	<b>2.1</b>	<b>1</b>
<b>Net trading income</b>	15.5/15.13	<b>106.4</b>	<b>112.8</b>	<b>-6.4</b>	<b>-6</b>
Profit on disposal of financial investments		3.2	1.8	1.4	78
Total income from holdings		4.3	9.6	-5.3	-55
<i>of which other non-consolidated holdings</i>		4.3	9.6	-5.3	-55
Real-estate income		11.0	11.5	-0.5	-4
Miscellaneous ordinary income		21.9	15.2	6.7	44
Miscellaneous ordinary expenses		-0.8	-3.1	-2.3	-74
<b>Other ordinary income</b>	15.13	<b>39.6</b>	<b>35.0</b>	<b>4.6</b>	<b>13</b>
<b>Total income from ordinary banking operations</b>		<b>993.2</b>	<b>990.6</b>	<b>2.6</b>	<b>0</b>
Personnel costs	15.6/15.13	-339.0	-337.3	1.7	1
Other operating expenses	15.7/15.13	-178.4	-182.1	-3.7	-2
<b>Operating expenses</b>		<b>-517.4</b>	<b>-519.4</b>	<b>-2.0</b>	<b>-0</b>
<b>Operating profit</b>		<b>475.8</b>	<b>471.2</b>	<b>4.6</b>	<b>1</b>
Depreciation and write-offs on fixed assets	13.4/15.8	-79.7	-85.7	-6.0	-7
Value adjustments, provisions and losses	13.10/15.9	-34.1	-42.7	-8.6	-20
<b>Profit on ordinary banking operations before extraordinary items and taxes</b>		<b>362.0</b>	<b>342.8</b>	<b>19.2</b>	<b>6</b>
Extraordinary income	13.10/15.10	19.2	21.3	-2.1	-10
Extraordinary expenses	15.11	0.0	-0.1	-0.1	-100
Taxes	15.12	-85.1	-83.9	1.2	1
<b>Net profit before minority interests</b>		<b>296.1</b>	<b>280.1</b>	<b>16.0</b>	<b>6</b>
Minority interests		0.0	0.0	0.0	0
<b>Net profit</b>		<b>296.1</b>	<b>280.1</b>	<b>16.0</b>	<b>6</b>

<sup>1)</sup> The notes are on pages 121-139

## 5. Consolidated cash flow statement (in CHF millions)

	Notes <sup>1)</sup>	Source of funds	2014 Use of funds	Net cash inflow / outflow	Source of funds	2013 Use of funds	Net cash inflow / outflow
Net profit for the year		296			280		
Depreciation and write-offs on fixed assets	15.8	80			86		
Value adjustments and provisions	13.10	55	27		73	28	
Accrued and deferred items		72				5	
Profit/loss (incl. affiliates accounted for using the equity method, sale of fixed assets)		1			8		
Dividend for the previous year			189			189	
<b>Cash flow from operations</b>		<b>504</b>	<b>216</b>	<b>288</b>	<b>447</b>	<b>222</b>	<b>225</b>
Distribution drawn from paid-in reserves			86			86	
Own equity securities		26	28		30	27	
Change in scope of consolidation, minority interests, effect of exchange-rate differences						1	
<b>Cash flow from equity transactions</b>		<b>26</b>	<b>114</b>	<b>-88</b>	<b>30</b>	<b>114</b>	<b>-84</b>
Holdings	13.4	2	6		4	3	
Real estate	13.4	1	5			3	
Other tangible fixed assets	13.4		13			23	
Computer programs	13.4		34			43	
Goodwill	13.4						
<b>Cash flow from investments</b>		<b>3</b>	<b>58</b>	<b>-55</b>	<b>4</b>	<b>72</b>	<b>-68</b>
<b>Cash flow from banking operations</b>							
Due to banks						75	
Customer accounts			26			228	
Medium-term notes		12	36		3	53	
Long-term borrowings	13.9	1687	1312		1626	1399	
Savings and investment accounts		215			504		
Other liabilities		113				84	
Due from banks		49				20	
Loans and advances to customers			91			340	
Mortgage loans			680			511	
Provisions as allocated	13.10		57			55	
Financial investments			113			39	
Other receivables			159		28		
<b>Medium- and long-term operations (over 1 year)</b>		<b>2076</b>	<b>2474</b>	<b>-398</b>	<b>2161</b>	<b>2804</b>	<b>-643</b>
Money-market paper issued			38		40		
Due to banks		190				448	
Customer accounts		826			772		
Money-market instruments		10				13	
Due from banks			338		418		
Loans and advances to customers			189				
Trading portfolio assets		83				265	
<b>Short-term operations</b>		<b>1109</b>	<b>565</b>	<b>544</b>	<b>1230</b>	<b>726</b>	<b>504</b>
<b>Cash and cash equivalents</b>			<b>291</b>	<b>-291</b>	<b>66</b>		<b>66</b>
<b>Total</b>		<b>3718</b>	<b>3718</b>	<b>0</b>	<b>3938</b>	<b>3938</b>	<b>0</b>

<sup>1)</sup> The notes are on pages 122-139

A net positive amount represents a cash inflow, while a net negative amount represents a cash outflow.

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

	Equity capital	Capital reserve	Own equity securities	Retained earnings <sup>1</sup>	Effect of exchange-rate differences	Reserves for general banking risks	Equity - Group	Equity - minority interests	Total equity
<b>Status at 1 January 2013</b>	<b>86</b>	<b>275</b>	<b>- 11</b>	<b>2262</b>	<b>- 2</b>	<b>704</b>	<b>3314</b>	<b>1</b>	<b>3315</b>
2012 dividend				- 189			- 189		- 189
Special dividend		- 86					- 86		- 86
Purchases of own equity securities (at cost)			- 27				- 27		- 27
Sales of own equity securities (at cost)			27				27		27
Profit on disposal of own equity securities and dividends		3					3		3
Effect of exchange-rate differences					1		1		1
Changes in scope and/or minority interests				- 1			- 1	- 1	- 2
Net profit for the year				280			280	0	280
<b>Status at 31 December 2013</b>	<b>86</b>	<b>192</b>	<b>- 11</b>	<b>2352</b>	<b>- 1</b>	<b>704</b>	<b>3322</b>	<b>0</b>	<b>3322</b>
2013 dividend				- 189			- 189		- 189
Special dividend		- 86					- 86		- 86
Purchases of own equity securities (at cost)			- 28				- 28		- 28
Sales of own equity securities (at cost)			26				26		26
Profit on disposal of own equity securities and dividends		0					0		0
Effect of exchange-rate differences					0		0		0
Changes in scope and/or minority interests				0			0		0
Net profit for the year				296			296	0	296
<b>Status at 31 December 2014</b>	<b>86</b>	<b>106</b>	<b>- 13</b>	<b>2459</b>	<b>- 1</b>	<b>704</b>	<b>3341</b>	<b>0</b>	<b>3341</b>

Number of shares (in units)	Total	Own equity securities
<b>Status at 1 January 2013</b>	<b>8 606 190</b>	<b>22 499</b>
Purchases		43 495
Sales		- 42 588
<b>Status at 31 December 2013</b>	<b>8 606 190</b>	<b>23 406</b>
Purchases		52 799
Sales		- 49 752
<b>Status at 31 December 2014</b>	<b>8 606 190</b>	<b>26 453</b>

<sup>1)</sup> Including net profit for the year

Percentage of ownership	31 / 12 / 14	31 / 12 / 13
Main shareholder, with voting rights		
Canton of Vaud, direct interest	66.95%	66.95%

## 7. Overview of operations and headcount

### 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.

BCV's corporate mandate is to contribute to the economic development of its home region, the Canton of Vaud. It offers a full range of services in retail banking, wealth management, corporate banking and trading. Along with its traditional areas of business (savings & loans and wealth management), BCV engages in large-corporate financing and selected trade-financing operations in commodities (softs and metals). It offers a broad portfolio of stock exchange services, including equity and derivatives trading and operations in interest-rate instruments. It is also active in foreign-exchange trading and in developing and issuing structured products.

BCV is the parent company of a banking and financial group, which encompasses a private bank and two fund management companies. BCV also has a branch in Guernsey (Banque Cantonale Vaudoise Guernsey Branch), which is active in structured products and fiduciary investments. Administrative services for this branch, as well as a compliance role, have been entrusted to Butterfield Bank (Guernsey) Ltd.

The Bank has mandated the IBM banking IT center in Prilly to carry out activities that include data storage, operating and maintaining databases, operating IT systems, and printing and mailing banking documents. This form of IT systems management meets the legal requirements relative to outsourcing. The maintenance and development of BCV's Osiris banking platform are handled in-house.

Customers who use BCV's e-FOREX currency trading platform authorize the Bank's use of a computer system and program developed by a service provider located outside Switzerland and organized under foreign law. Accordingly, BCV supplies the provider's representative with all information related to system access and use as well as the data needed to identify the customer and the user.

BCV uses valuation models supplied by Wüest & Partner (hedonic valuation functions for private residential properties and a capitalization valuation model for income-generating real estate). The contract signed complies with the legal requirements for the outsourcing of data storage.

### 7.2 Headcount

Full-time equivalents	31 / 12 / 14	31 / 12 / 13
Group	1 946	1 987
of which parent company	1 741	1 773

## 8. Significant events and events taking place after the closing date

### 8.1 Significant events

The following significant event took place:  
In response to appeals by the Swiss authorities and committed to resolving the tax dispute between Switzerland and the USA, BCV and its subsidiary Piguet Galland & Cie SA announced on 13 December that they would be participating in the Department of Justice's (DoJ) program. Given the uncertainties surrounding the program, BCV cannot determine with certainty whether the US authorities will find fault with BCV's handling of US clients. As a result, BCV announced its participation in the program as a category 2 financial institution.

Given the numerous uncertainties as to how the program will unfold and how key aspects will be interpreted, and in keeping with the Bank's sound approach to risk management, BCV set aside a provision to cover the related costs (including administrative and legal fees, and a possible settlement) in 2013 and added to it in 2014. The amount of the provision was determined objectively based on all the factors known at the account closing date, and on pragmatic and transparent hypotheses and scenarios.

The following significant event was also ongoing:

As well as legal proceedings brought by the trustee of the Fairfield Sentry feeder fund against Banque Piguet & Cie SA (now Piguet Galland & Cie SA) and BCV in the USA in August 2010, the trustee for Bernard L. Madoff Investment Securities LLC (BLMIS) filed another claim in the USA on 6 June 2012 against BCV and other financial institutions in Switzerland and abroad for USD 9.7m with regard to investors that redeemed their shares in Madoff funds via BCV. The Madoff trustee is seeking to recover funds transferred by BLMIS to the Fairfield feeder fund from investors who had received refunds in the two years prior to BLMIS's bankruptcy. As both these legal actions overlap, there is no additional financial or legal risk. Consequently, and as stated in the previous three annual reports, no provision has been set aside except to cover BCV's defense costs.

## 8.2 Events taking place after the closing date

To the Group's knowledge, there was no event liable to have a material influence on the annual financial statements as of 6 March 2015, when the writing of this annual report was completed.

## 9. Accounting principles

### 9.1 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 FINMA Directives of 20 November 2008 governing the preparation of financial statements.

#### Changes to accounting principles

No changes were made to the accounting principles in 2014.

### 9.2 Scope of consolidation

Banks, financial companies and real-estate 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.

### 9.3 Basis of consolidation

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

### 9.4 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 are prepared in accordance with standard accounting and valuation principles.

### 9.5 Close of financial year

The accounts are closed at 31 December.

## 9.6 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.

## 9.7 Foreign-currency translation

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

Assets and liabilities held in foreign currencies at the close of the financial year are translated into Swiss francs at the exchange rates prevailing on that date, provided that they are not valued at their historical 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 / 14	Rates at 31 / 12 / 13
Euro	1	1.2024	1.2255
U.S. dollar	1	0.9937	0.8894
Pound sterling	1	1.5493	1.4730
Japanese yen	100	0.8288	0.8462

## 9.8 Presentation of individual line items

### 9.8.1 Cash and cash equivalents

Cash and cash equivalents comprise ordinary coins and banknotes and assets held with the Swiss National Bank. They are stated at nominal value.

### 9.8.2 Money-market instruments and receivables from banks

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

### 9.8.3 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 determined in accordance with the principles set out in section 10.2 of the risk-assessment and risk-management 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."

### 9.8.4 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 market-price fluctuations, as well as positions necessary for covering the structured products issued by the Bank. These positions are calculated at fair value with reference to quoted market prices. For positions that are not traded on sufficiently liquid markets, fair value is determined using a valuation model.

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.”

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

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.

### 9.8.6 Holdings

The “Holdings” line item comprises equity securities of nonconsolidated companies, including real-estate 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.

### 9.8.7 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 sell back (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 are recorded in the income statement using the accrual method.

Income and expenses related to securities lending and borrowing are booked to “Trading income” for own-account operations and to “Net fee and commission income” for client operations.

### 9.8.8 Tangible fixed assets

Tangible fixed assets are carried at cost, or at direct production cost for IT software created by the Bank for its own use.

They are 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.

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.”

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.

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. The increase is recorded under “Extraordinary income.”

### 9.8.9 Intangible assets

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

### 9.8.10 Accrued and deferred items

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

### 9.8.11 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.

Positive and negative replacement values relating to transactions with the same counterparty and hedged by a netting agreement are carried at their net value on the balance sheet. Gross values are entered under off-balance-sheet transactions.

### 9.8.12 Money-market paper issued and amounts due to banks

Money-market paper issued and amounts due to banks are carried at their nominal value.

### 9.8.13 Customer savings and investment accounts

Customer deposit accounts with a name incorporating the notion of savings and investment-related accounts with a withdrawal restriction are included in this item.

### 9.8.14 Other customer accounts

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

In particular, it includes participation products representing a fraction of an equity basket together with yield-enhancement products with initial terms of less than one year. They are stated at fair value, and subsequent re-valuations are carried under “Net trading income.”

### 9.8.15 Medium-term notes

This item consists of medium-term notes issued by the Bank for a term of between two and eight years. They are carried at nominal value.

### 9.8.16 Bonds and mortgage-backed bonds

This item consists of borrowings from the Central mortgage-bond institution of Swiss cantonal banks, as well as bonds issued by the Bank. They are stated at nominal value; any discount or premium is amortized over the term of the instrument using the accrual method.

For structured products that contain an interest-rate component and that provide a source of financing, the host contract and embedded derivative(s) are treated separately. The host contract is recorded under this item at nominal value as a debt issued by the Bank. Structured products treated in this way include yield-enhancement, participation and capital-protection products with initial terms of more than one year.

Embedded derivatives are recorded at fair value as positive or negative replacement values. Subsequent variations in fair value are carried under "Net trading income." Accrued interest is recorded under "Net interest income" using the accrual method.

### 9.8.17 Own debt securities

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

### 9.8.18 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 arises if there is a potential positive effect on future cash flows as a result of pension fund surpluses. Moreover, in the case of a surplus, an economic benefit arises where there is a lawful intention 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.

However, an economic liability arises if the Group decides or is obliged to participate in the financing of a pension fund deficit.

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.

### 9.8.19 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 10.2.7 of the risk-assessment and risk-management principles sub-chapter.

### 9.8.20 Taxation

Taxation comprises tax on the profits and capital of BCV Group companies, as well as allocations to provisions for deferred taxes. It is calculated in accordance with the matching principle.

### 9.8.21 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 are part of shareholders' equity and are taxed or are subject to a deferred tax.

### 9.8.22 Equity capital

This item consists of the share capital.

### 9.8.23 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 on own equity securities.

### 9.8.24 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.

### 9.8.25 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.

### 9.8.26 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 unit, and the system used to monitor the effectiveness of the hedge.

## 9.9 Assets under management

All customer assets held or managed for investment purposes are included under "Assets under management." As defined in FINMA financial statement presentation standards, this item mainly comprises amounts due to customers in the form of savings and investments, along with term accounts, fiduciary investments, all duly valued assets in custody accounts and linked sight accounts. Assets held for investment purposes by institutional investors, companies and individual clients, along with investment fund assets, are included unless they are custody-only assets for which the Group provides only safekeeping and corporate-action services. Deposits for which additional services are provided (such as investment management, advice and fund administration) also come under assets under management.

### Net new money

Net new money, which is determined in accordance with the same scope as assets under management, is the sum of inflows from new customers, outflows from departing customers, and movements in the assets of existing customers during the financial year. Changes in assets under management resulting from price fluctuations, exchange-rate movements and interest and dividend payments are not part of the net new money calculation. Nor does it include changes in assets under management resulting from the acquisition, disposal or closure of companies or complete business lines.

## 10. Risk-assessment and risk-management principles

### 10.1 Introduction

The Board of Directors periodically analyzes the Bank's main risks. The analyses are based on the risk-management processes and methods in place, and contain a forward-looking evaluation of the risks to which BCV is exposed. In these analyses, the Board of Directors takes into account the existing control system to manage and mitigate risks.

BCV's risk-management objectives and approach are presented in the risk management chapter. This sub-chapter explains in more detail the principles that the Bank applies in assessing risks.

### 10.2 Credit risk

#### 10.2.1 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 five types of exposure to credit risk:

- Financial exposures, which are characterized by an outflow of funds
- Off-balance-sheet commercial exposures, stemming from guarantees given by the Bank or obtained in respect of counterparties
- Exposures resulting from bilateral derivatives contracts with positive replacement values
- Exposures resulting from repos/reverse repos and securities lending/borrowing transactions
- Settlement exposures, which result from a time lag between when funds or securities are sent and when securities or funds are received in exchange.

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

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

#### 10.2.2 Internal counterparty default ratings

The Bank considers a counterparty to be "in default" if one or more criteria are met (see definition of "in default" in section 10.2.5). Each counterparty is assigned a default rating based on clearly defined models. Each default rating is defined by an interval of default probabilities. Seven main ratings and 17 sub-ratings are used to classify counterparties according to their risk of default.

#### 10.2.3 Loss given default and expected loss

Loss given default is the amount that the Bank stands to lose on a loan at the time that the counterparty defaults. Loss given default is determined for each form of credit granted by taking into account the credit limit and the coverage ratio, which is the value of the risk mitigants expressed as a percentage of the limit. For this purpose, collateral is taken at market value (see section 10.2.4).

For non-impaired loans (see section 10.2.5), the Bank estimates the amount that it expects to lose in an "average" year. This amount is called the expected loss. For credit exposures not relating to trade finance, it is determined by the probability of default (reflected in the counterparty default rating) and the loss given default. For trade-finance exposures, the expected loss is estimated for each transaction, using an approach based on Basel III slotting criteria.

#### 10.2.4 Market value of collateral

The Bank measures collateral on the basis of its market value, provided a suitable market exists. Various valuation methods are used, depending on the characteristics of the collateral and the sources of information about it. Each item of collateral is clearly assigned to a valuation method.

More specifically, the market value for a real-estate asset is the estimated price at which the asset would be likely to change hands on the measurement date, between knowledgeable, willing parties in an arm's length transaction, after an appropriate marketing process.

#### 10.2.5 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” when the counterparty is more than 90 days past due on any material credit obligation to the Bank or when the Bank considers that the counterparty is unlikely to pay its credit obligations to the Bank in full. Non-performing loans for which a provision exists are impaired within the meaning of margin number 226b of the FINMA financial statement presentation standards. For these loans, the Bank deems that the counterparty is unlikely to be able to meet its future credit obligations.

A counterparty is classified as “reputed to be in financial difficulty” when the criteria for “in default” are not met, but when the Bank considers there to be a high risk that part of its exposure to credit risk on the counterparty will not be recovered, or when a significant breach of the contract on any of the forms of credit extended to the counterparty by the Bank has occurred and has not been remedied without a temporary or definitive exemption being granted. These loans are not impaired within the meaning of margin number 226b of the FINMA financial statement presentation standards, as the Bank deems that the counterparty is likely to be able to meet its future credit obligations.

#### 10.2.6 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.

#### 10.2.7 Provisions for credit risk

The purpose of provisions for credit risk is to recognize 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 – relating to the unwinding of transactions – in high-risk countries.

### 10.2.8 Regulatory capital requirements for credit risk

BCV has been applying the Foundation Internal Ratings-Based (FIRB) approach to determine the regulatory capital requirements for a large part of its credit risk exposure since 2009, having obtained approval from FINMA in December 2008. The scope of this approach is detailed in the Bank's Basel III Pillar 3 Report. The international standard approach (SA-BIS) is used for the remaining credit-risk exposure.

### 10.3 Market risk on the trading book

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

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

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

VaR is a statistical measure. It is calculated with a 99% confidence interval. For a given time horizon, VaR represents the distribution of results by showing the best result among the worst 1% of possible results. It is measured at the portfolio and sub-portfolio levels. It is calculated on the basis of complete re-valuations of positions by subjecting them to past changes in the various market parameters. For trading positions, the liquidation horizon is one day. For the nostro (i.e., proprietary) portfolio managed by the Asset Management Department, the liquidation horizon is six months.

Stress-loss analysis seeks to measure potential losses that are not taken into account by VaR analysis. Stress scenarios seek to model the most adverse possible movements in risk factors. Scenarios are defined for all trading positions taken together as well as for the various sub-portfolios.

For all trading positions, the Bank uses static-portfolio stress scenarios to model short-term stress. For the nostro portfolio managed by the Asset Management Department, six-month scenarios are used, analyzing cumulative results over that period.

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

The Bank determines its capital requirements for market risk using the standard approach.

### 10.4 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.

#### 10.4.1 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. 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 and the economic value of its equity capital. For variable-rate positions (adjustable-rate mortgages, traditional savings deposits with no fixed term, and sight deposits), models are used to reproduce as faithfully as possible the pace and magnitude of changes in customer interest rates according to the market rate.

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

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

Every month, the Bank calculates various measures of interest-rate risk, which enable it to monitor the impacts on the interest margin and the economic value of equity capital:

- Static indicators: to monitor the economic value of equity capital, the Bank calculates the duration of equity capital, the sensitivity of equity capital to an interest-rate shock, and historical value-at-risk with a confidence interval of 99% and a 3-month time horizon. To monitor the net interest margin, the Bank calculates interest-rate gaps by residual maturity.
- Dynamic indicators: every month, the Bank prepares scenarios regarding interest rates and business volumes, combined with various hedging strategies. These dynamic simulations take into account client behavior with respect to interest rates in order to simulate the interest margin and potential losses in circumstances that lie between a probable scenario and a stress scenario. For each scenario, indicators showing the duration and value of equity capital are calculated for several future dates to measure the future exposure of equity capital to interest-rate risk.

#### 10.4.2 Liquidity risk

Liquidity risk arises from the possibility that the Bank does not have the resources on hand to deal with the potential outflow of funds that could occur at any time in view of the liabilities that it holds and changes on the assets side. This risk is determined by the pace of withdrawals, the concentration of liabilities, the Bank's ability to raise funds, and prevailing terms and conditions in the interbank and capital markets.

The Bank monitors its exposure to liquidity risk in the medium/long term, as well as in the short term, by preparing maturity schedules for on-balance-sheet exposures, by calculating balance-sheet ratios and by modeling the future structure of the balance sheet using dynamic simulations. When conducting these simulations, the Bank also calculates regulatory ratios – i.e., the current liquidity II ratio as well as future regulatory ratios such as the liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR) – at different time horizons. These simulations enable the Bank to determine its long-term approach to funding, particularly as regards raising funds from the Central mortgage bond institution of the Swiss cantonal banks and on the bond market, as well as the size and

composition of its liquidity reserve. The Bank also stress-tests its regulatory liquidity ratios.

#### 10.5 Operational risk

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

- Erroneous or malicious behavior of employees, suppliers, bank counterparties, customers or other parties external to the Bank
- Inadequate IT systems (applications, interfaces and hardware) or communication systems (telephone, fax, etc.)
- Inadequate infrastructure
- Inadequate organization in terms of the conceptual framework (methods, processes, corporate structure, etc.) or the organizational framework (rules, policies, directives, manuals, etc.).

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

- Internal fraud
- External fraud
- Incidents related to human resources, including workplace safety
- Incidents linked to customer relations and commercial practices
- Losses of operating resources
- Failure of information systems
- Incidents related to transaction and process management.

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

## 11. Scope of consolidation

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

### 11.1 Fully consolidated Group companies

			31 / 12 / 14	31 / 12 / 13
		Capital in millions	Holding as %	Holding as %
<b>Banking interests</b>				
Piguet Galland & Cie SA, Yverdon-les-Bains (Switzerland)	CHF	24.4	99.7	99.8
<b>Financial and real-estate companies</b>				
Gérifonds SA, Lausanne	CHF	2.9	100	100
Gérifonds (Luxembourg) SA, Luxembourg	EUR	0.1	100	100
Sociétés pour la gestion de placements collectifs GEP SA, Lausanne	CHF	1.5	100	100

The scope of consolidation did not change relative to end-2013.

## 12. Other holdings

### 12.1 Companies accounted for using the equity method

BCV Group does not have any companies that are accounted for using the equity method.

### 12.2 Other non-consolidated holdings

		31 / 12 / 14	31 / 12 / 13	
	Capital in millions	Holding as %	Holding as %	
<b>Finance and service companies jointly owned by the cantonal banks</b>				
Aduno Holding Ltd, Zurich	CHF 25.0	4.8	4.8	
Caleas AG, Zurich	CHF 0.8	4.7	4.7	
Central mortgage-bond institution of Swiss cantonal banks Ltd, Zurich <sup>1</sup>	CHF 1025.0	13.6	13.6	
Swisscanto Holding Ltd, Bern <sup>2</sup>	CHF 24.2	7.3	7.3	
<sup>1)</sup> of which CHF 820.0 million unpaid				
<sup>2)</sup> in late 2014, BCV announced that it was selling this holding in 2015				
<b>Finance and service companies jointly owned by the Swiss banks</b>				
SIX Group Ltd, Zurich	CHF 19.5	2.5	2.5	
Swiss Bankers Prepaid Services Ltd, Grosshöchstetten (Switzerland)	CHF 10.0	3.2	3.2	
<b>Other holdings</b>				
Coopérative vaudoise de cautionnement hypothécaire CVCH, Pully (Switzerland)	CHF 1.1	–	–	
Dynagest SA, Geneva	CHF 1.0	7.5	7.5	
newhome.ch AG, Zurich	CHF 0.1	10.7	10.7	
Office vaudois de cautionnement agricole société coopérative (OVCA), Lausanne	CHF 1.4	–	–	
Société vaudoise pour la création de logements à loyers modérés (SVLM) SA, Crissier (Switzerland)	CHF 2.0	45.0	45.0	
VDCapital Private Equity Partners LTD, St Helier (Jersey)	CHF 0.1	25.0	25.0	

### 12.3 Main equity security positions held under “Financial investments”

#### Companies listed on the SIX Swiss Exchange

Banque Cantonale du Jura SA, Porrentruy (Switzerland)	CHF 42.0	4.8	4.8	
Romande Energie Holding SA, Morges (Switzerland)	CHF 28.5	3.3	3.4	

### 13. Notes to the consolidated balance sheet

#### 13.1 Money-market instruments (in CHF millions)

	31 / 12 / 14	31 / 12 / 13
Book claims	0	0
Bills of exchange and checks	29	39
<b>Money-market instruments</b>	<b>29</b>	<b>39</b>

#### 13.2 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		525	1 515	3 674	5 714
Mortgages		24 055			24 055
<i>Residential real estate</i>		19 727			19 727
<i>Office and business premises</i>		2 958			2 958
<i>Commercial and industrial property</i>		1 343			1 343
<i>Other</i>		27			27
<b>Loans</b>	<b>31 / 12 / 14</b>	<b>24 580</b>	<b>1 515</b>	<b>3 674</b>	<b>29 769</b>
	31 / 12 / 13	<b>23 903</b>	<b>1 617</b>	<b>3 289</b>	<b>28 809</b>
Contingent liabilities		4	360	938	1 302
Irrevocable commitments		200	27	879	1 106
Commitments relating to calls on shares and other equity securities				113	113
Confirmed credits				33	33
<b>Off-balance-sheet transactions</b>	<b>31 / 12 / 14</b>	<b>204</b>	<b>387</b>	<b>1 963</b>	<b>2 554</b>
	31 / 12 / 13	<b>238</b>	<b>287</b>	<b>1 875</b>	<b>2 400</b>

		Gross receivables	Realization value of risk mitigants	Net receivables	Individual value adjustments
<b>Impaired loans<sup>1</sup></b>	<b>31 / 12 / 14</b>	<b>243</b>	<b>- 134</b>	<b>109</b>	<b>80</b>
	31 / 12 / 13	<b>300</b>	<b>- 143</b>	<b>157</b>	<b>123</b>
Change (absolute)		- 57	- 9	- 48	- 43
Change (as %)		- 19	- 6	- 31	- 35

<b>of which loans to counterparties reputed to be in financial difficulty</b>	<b>31 / 12 / 14</b>	<b>57</b>	<b>- 45</b>	<b>12</b>	<b>6</b>
	31 / 12 / 13	<b>73</b>	<b>- 44</b>	<b>29</b>	<b>11</b>
Change (absolute)		- 16	1	- 17	- 5
Change (as %)		- 22	2	- 59	- 45

<b>of which non-performing loans<sup>2</sup></b>	<b>31 / 12 / 14</b>	<b>186</b>	<b>- 89</b>	<b>97</b>	<b>74</b>
	31 / 12 / 13	<b>227</b>	<b>- 99</b>	<b>128</b>	<b>112</b>
Change (absolute)		- 41	- 10	- 31	- 38
Change (as %)		- 18	- 10	- 24	- 34

<sup>1</sup>) Impaired loans (see definition in section 10.2.5 of the risk-assessment and risk-management principles sub-chapter) are the sum of "non-performing loans" and loans to counterparties "reputed to be in financial difficulty" for which provisions have been set aside

<sup>2</sup>) Non-performing loans correspond to the definition of impaired loans set forth in margin number 239 of FINMA circular 2008/02 Accounting – banks

## 13.3 Trading portfolio assets

## Financial investments and holdings (in CHF millions)

	31 / 12 / 14	31 / 12 / 13
Debt securities	398	413
<i>of which listed on a recognized stock exchange</i>	398	413
<i>of which unlisted</i>	0	0
Equity securities	303	244
Precious metals	148	275
<b>Trading portfolio assets</b>	<b>849</b>	<b>932</b>
<i>including securities eligible for repurchase agreements in accordance with liquidity regulations</i>	36	34

	31 / 12 / 14		31 / 12 / 13	
	Book value	Fair value	Book value	Fair value
Debt securities	3 191	3 399	3 081	3 152
<i>of which securities intended to be held until maturity</i>	3 157	3 364	3 043	3 113
<i>of which securities carried at lower of cost or market</i>	34	35	38	39
Equity securities	42	85	42	88
<i>of which significant holdings (minimum of 10% of capital or voting rights)</i>	14	15	13	13
Available-for-sale real estate	26	29	23	26
<b>Financial investments</b>	<b>3 259</b>	<b>3 513</b>	<b>3 146</b>	<b>3 266</b>
<i>including securities eligible for repurchase agreements in accordance with liquidity regulations</i>	3 058	–	2 977	–

	31 / 12 / 14	31 / 12 / 13
Holdings without market value	54	50
<b>Holdings</b>	<b>54</b>	<b>50</b>

## 13.4 Fixed assets (in CHF millions)

	Cost	Accumulated depreciation and write-offs	Book value at year-end	Changes in allocation or scope	Additions	Disposals	Depreciation and write-offs	Book value at year-end
	2013				2014			
Holdings accounted for using the equity method	–		–					–
Other holdings	67	– 17	50		6	– 2		54
<b>Holdings</b>	<b>67</b>	<b>– 17</b>	<b>50</b>	<b>0</b>	<b>6</b>	<b>– 2</b>	<b>0</b>	<b>54</b>
Group premises	373	– 123	250	6	3	– 1	– 8	250
Other real estate	323	– 119	204	8	2	– 1	– 6	207
Other tangible fixed assets	276	– 206	70	– 14	13		– 17	52
Computer programs	133	– 55	78		34		– 44	68
<b>Tangible fixed assets</b>	<b>1 105</b>	<b>– 503</b>	<b>602</b>	<b>0</b>	<b>52</b>	<b>– 2</b>	<b>– 75</b>	<b>577</b>
Goodwill	50	– 18	32				– 5	27
<b>Intangible assets</b>	<b>50</b>	<b>– 18</b>	<b>32</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>– 5</b>	<b>27</b>
Fire-insurance value of real estate			667					674
Fire-insurance value of other tangible fixed assets			151					150

## 13.5 Other assets and other liabilities (in CHF millions)

	31 / 12 / 14		31 / 12 / 13	
	Other assets	Other liabilities	Other assets	Other liabilities
Net replacement values of derivative financial instruments (positive/negative)	433	446	239	303
Offset accounts	53	0	77	0
Indirect taxes	5	18	5	23
Coupons/coupons and securities due	7	2	14	10
Settlement accounts	21	10	22	22
Miscellaneous assets and liabilities	10	14	13	19
<b>Other assets and other liabilities</b>	<b>529</b>	<b>490</b>	<b>370</b>	<b>377</b>

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

	31 / 12 / 14		31 / 12 / 13	
	Amount or book value of pledge	Real liabilities	Amount or book value of pledge	Real liabilities
Assets pledged or assigned to Swiss National Bank	186	0	200	0
Mortgages pledged or assigned to Central mortgage-bond institution of Swiss cantonal banks	6743	5194	6745	5006
Other	255	250	236	230
<b>Assets pledged or assigned</b>	<b>7184</b>	<b>5444</b>	<b>7181</b>	<b>5236</b>

## 13.6.2 Securities lending and repurchase agreements (in CHF millions)

	31 / 12 / 14	31 / 12 / 13
Book value of claims arising from cash collateral pledged in connection with securities borrowing or reverse repurchase agreements	416	537
Book value of liabilities arising from cash collateral received in connection with securities lending or repurchase agreements	960	860
Book value of securities held for own account, lent or transferred as collateral in connection with securities borrowing or repurchase agreements	908	758
<i>of which those that can be sold or repledged without restriction</i>	908	758
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	445	566
<i>of which fair value of above securities sold or transferred as collateral to a third party</i>	0	44

### 13.7 Own occupational pension funds (in CHF millions)

#### 13.7.1 Balance sheet liabilities

	31 / 12 / 14	31 / 12 / 13
Due to customers, other	109	111
Bonds	11	11
<b>Total</b>	<b>120</b>	<b>122</b>

#### 13.7.2 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 / 14	31 / 12 / 13	Change		2014	2013
Employer-financed pension funds: "Fonds de prévoyance en faveur du personnel de la BCV" <sup>1)</sup>	42	0	0	0	0.0	0.0	0.0
Pension funds with no surplus or defi- cit: "Caisse de pensions de la BCV"	0	0	0	0	35.2	35.2	35.1
Pension funds with surpluses: "Fondation de prévoyance complé- mentaire en faveur de l'encadrement supérieur de la BCV"	0	0	0	0	2.0	2.0	2.0
<b>Total</b>	<b>42</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>37.2</b>	<b>37.2</b>	<b>37.1</b>

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

The surplus or deficit of a pension fund is based on its unaudited interim accounts at 30 September 2014.

#### Pension funds

BCV Group employees are members of the "Caisse de pensions de la Banque Cantonale Vaudoise (CP BCV)." Its purpose is to insure its members against the economic consequences of retirement, disability and death by guaranteeing benefits in accordance with the terms of the pension-fund regulations. It is a provider of the compulsory insurance introduced under the Federal Act on Occupational Retirement, Survivors' and Disability Pension Plans (LPP) and provides coverage in excess of the minimum LPP requirements.

Senior executives insured with the CP BCV are also members of the "Fondation de prévoyance complémentaire de la Banque Cantonale Vaudoise," the purpose of which is to insure its members against the economic consequences of retirement, disability and death by guaranteeing benefits in accordance with the terms of the pension-fund regulations.

The "Fonds de prévoyance en faveur du personnel de la BCV" is an employer-operated fund that assists BCV employees in dealing with the economic consequences of old age, disability, illness and early retirement.

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

Rate	2015	2016	2017	2018	2019	2020-2022	31 / 12 / 14	31 / 12 / 13
Up to 0.875%	3	6	2	4	2	1	18	24
1 - 1.875%	9	7	2	2	1	2	23	36
1 - 2.875%	2	2	3	2	1		10	13
3 - 3.500%	3	3					6	8
<b>Total</b>	<b>17</b>	<b>18</b>	<b>7</b>	<b>8</b>	<b>4</b>	<b>3</b>	<b>57</b>	<b>81</b>

## 13.9 Long-term borrowings (in CHF millions)

Rate	Year of issue	Nominal value	Maturity	Group-held	31 / 12 / 14 Amount outstanding	31 / 12 / 13
2.500%	2010	200	25.03.20	39	161	
1.625%	2011	125	30.11.26	31	94	
1.500%	2014	135	28.03.24	2	133	
<b>Bond issues<sup>1)</sup></b>		<b>460</b>		<b>72</b>	<b>388</b>	<b>249</b>
Central mortgage-bond institution of Swiss cantonal banks					5 194	5 006
Structured products					857	809
<b>Long-term borrowings</b>					<b>6 439</b>	<b>6 064</b>
<i>of which subordinated bonds</i>		0		0	0	0

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

## Long-term borrowings by maturity

	2015	2016	2017	2018	2019	2020-2029	31 / 12 / 14 Total	Average rate
Bond issues						388	388	1.9%
Central mortgage-bond institution of Swiss cantonal banks	583	258	412	307	539	3 095	5 194	2.0%
Structured products	380	347	116	11	3		857	0.3%
<b>Total</b>	<b>963</b>	<b>605</b>	<b>528</b>	<b>318</b>	<b>542</b>	<b>3 483</b>	<b>6 439</b>	

	Status at year-end 2013	New issues	Redemptions	Net change in own securities	Status at year-end 2014
Bond issues	249	135		4	388
Central mortgage-bond institution of Swiss cantonal banks	5 006	698	- 510		5 194
Structured products	809	854	- 829	23	857
<b>Total</b>	<b>6 064</b>	<b>1 687</b>	<b>- 1 339</b>	<b>27</b>	<b>6 439</b>

## 13.10 Value adjustments and provisions

Reserves for general banking risks (in CHF millions)

	Status at year-end	Used as allocated	Changes in scope of consolidation	Recoveries, overdue interest, currency differences	New provisions charged to income statement	Releases credited to income statement	Status at year-end
	2013						2014
Provisions for deferred taxes	3					0	3
Counterparty risk	123	- 39		12	11	- 27	80
Country risk	0				0		0
<b>Value adjustments and provisions for credit risk</b>	<b>123</b>	<b>- 39</b>	<b>0</b>	<b>12</b>	<b>11</b>	<b>- 27</b>	<b>80</b>
<b>Other provisions</b>	<b>45</b>	<b>- 18</b>		<b>0</b>	<b>32</b>	<b>0</b>	<b>59</b>
<b>Total value adjustments and provisions</b>	<b>171</b>	<b>- 57</b>	<b>0</b>	<b>12</b>	<b>43</b>	<b>- 27</b>	<b>142</b>
Value adjustments directly netted with assets	0						0
<b>Value adjustments and provisions shown on the balance sheet</b>	<b>171</b>						<b>142</b>
<b>Reserves for general banking risks</b>	<b>704</b>						<b>704</b>

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

	Sight	Callable	Maturity				Fixed assets	Total	
			up to 3 months	3 to 12 months	12 months to 5 years	over 5 years			
Cash and cash equivalents	4960							4960	
Money-market instruments	29							29	
Due from banks	694		655	523	26			1898	
Loans and advances to customers	158	1784	1970	278	866	658		5714	
Mortgage loans	768	469	3364	2138	10334	6982		24055	
Trading portfolio assets	849							849	
Financial investments	75		118	264	1224	1552	26	3259	
<b>Current assets</b>									
	31 / 12 / 14	7533	2253	6107	3203	12450	9192	26	40764
	31 / 12 / 13	7260	2305	6201	2887	12418	8110	23	39204
Money-market paper issued	4		1					5	
Due to banks	901		1060		150			2111	
Customer savings and investment accounts	7	13007						13014	
Other customer accounts	14978		746	175	288	65		16252	
Medium-term notes			5	12	37	3		57	
Bonds and mortgage-backed bonds			209	754	1993	3483		6439	
<b>Borrowed funds</b>									
	31 / 12 / 14	15890	13007	2021	941	2468	3551		37878
	31 / 12 / 13	14904	12789	2104	825	2482	3256		36360

## 13.12 Compensation and loans granted to members of the Board of Directors and Executive Board

### 13.12.1 Compensation and loans granted to current members of the Board of Directors and the Executive Board

#### Compensation breakdown

##### *Members of the Board of Directors*

For 2014, the seven members of the Board of Directors in office at 31 December 2014 were accorded gross compensation of CHF 1,760,817. This includes annual performance-based compensation of CHF 243,000 for the Chairman, subject to approval at the Shareholders' Meeting of 23 April 2015. If approved, this amount will be paid in May 2015 in two parts: CHF 170,100 in cash and the remaining CHF 72,900 in the form of shares locked up for 10 years, as determined by the Chairman. Benefit expense resulting from compensation to the Board of Directors totaled CHF 205,100 for occupational pensions and CHF 180,978 for other benefits (social security, unemployment insurance, accident insurance and family allowances), subject to approval of annual performance-based compensation at the Shareholders' Meeting.

Compensation comprises fees, remuneration and expenses.

As of 1 January 2011, compensation for sitting on the various committees replaced attendance fees. For the members of the committees created by the Board of Directors – the Audit and Risk Committee and the Compensation, Promotions and Appointments Committee – annual compensation was set as follows: CHF 40,000 for the chairman and CHF 20,000 for the other members of the Audit and Risk Committee, and CHF 20,000 for the chairman and CHF 10,000 for the other members of the Compensation, Promotions and Appointments Committee. The Innovation and Opportunities Committee was discontinued in 2014.

The average compensation of Board members, excluding the Chairman, amounted to CHF 136,667.

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

##### *Members of the Executive Board*

For 2014, the eight members of the Executive Board in office at 31 December 2014 were accorded gross compensation of CHF 7,313,982. This includes annual performance-based compensation for an aggregate amount of CHF 3,465,000, subject to approval at the Shareholders' Meeting of 23 April 2015. If approved, this amount will be paid in May 2015 in two parts: CHF 2,425,500 in cash, and the remaining CHF 1,039,500 in the form of shares locked up for 3 to 10 years as determined by the member. Benefit expense resulting from compensation to the Executive Board totaled CHF 1,190,577 for occupational pensions and CHF 688,025 for other benefits (social security, unemployment insurance, accident insurance, income replacement and family allowances), subject to approval of annual performance-based compensation at the Shareholders' Meeting.

#### Allocation of shares during 2014

##### *Members of the Board of Directors*

For 2014, the Chairman of the Board will receive a number of locked-up BCV shares equivalent to 30% of his annual performance-based compensation. The number of shares will be determined in accordance with the closing share price on 4 May 2015. No other member of the Board of Directors is eligible for any type of share allocation.

##### *Members of the Executive Board*

For 2014, Executive Board members in office at 31 December 2014 will receive a number of locked-up BCV shares equivalent to 30% of their annual performance-based compensation. The number of shares will be determined in accordance with the closing share price on 4 May 2015. They also subscribed to 1,200 locked-up shares under the employee share-ownership program. They paid a subscription price of CHF 360, while the share price at the time of the purchase was CHF 503.50. Every year the Board of Directors determines the subscription price based on the current share price and defines the number of shares to which the Executive Board may subscribe.

Under the 2012-2014 long-term performance-based salary plan, 2,163 shares were allocated to Executive Board members (see chapter 5, page 84).

**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 are remitted to the Bank. In 2014, such payments to the Bank amounted to CHF 348,738.

**Loans to members of the Board of Directors and Executive Board**

Serving members of the Board of Directors are not accorded preferential terms on loans granted to them. For members of the Executive Board, as well as for all employees, the interest on variable-rate first mortgages was 1.9% at 31 December 2014. The interest charged on medium- and long-term fixed-rate loans was 0.25% above market rates.

**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 2014, directors and their close relations held a total of 9,520 BCV shares.

*Members of the Executive Board*

At 31 December 2014, Executive Board members and their close relations held 24,416 BCV shares.

## Compensation of members of the Board of Directors for the 2014 financial year (in CHF)

	Olivier Steimer	Stephan A.J. Bachmann	Ingrid Deltenre	Reto Donatsch	Pierre Lamunière	Luc Recordon	Paul-André Sanglard	Total	Average compensation Excluding Chairman
	Chairman	Vice Chairman	Member starting 1 May	Member	Member	Member	Member		
Fees	700 008	130 001	73 334	110 000	110 000	110 000	110 000	1 343 343	107 223
Committee-related compensation		40 000	2 500	20 000	20 000	17 500	20 000	120 000	20 000
Annual performance-based compensation paid in cash <sup>1</sup>	170 100							170 100	0
Annual performance-based compensation paid in shares <sup>1,2</sup>	40 707							40 707	0
Other	30 000	10 000	6 667	10 000	10 000	10 000	10 000	86 667	9 445
<b>Total</b>	<b>940 815</b>	<b>180 001</b>	<b>82 501</b>	<b>140 000</b>	<b>140 000</b>	<b>137 500</b>	<b>140 000</b>	<b>1 760 817</b>	<b>136 667</b>
<i>Previous year</i>								1 900 010	146 667
Occupational pension	205 100							205 100	
Other benefits <sup>3</sup>	73 106	19 965	10 423	20 028	20 028	19 674	17 754	180 978	17 979
<i>Previous year</i>								396 247	18 903

<sup>1</sup>) Subject to approval at the 2015 Annual Shareholders' Meeting

<sup>2</sup>) The number of shares will be calculated based on the market price on 4 May 2015, and rounded up to the nearest unit. For 2014 and subsequent years, the value of the shares (in Swiss francs) is discounted according to the duration of the share lock-up period

<sup>3</sup>) Social security, unemployment insurance, accident insurance and family allowances

## Compensation of members of the Executive Board for the 2014 financial year (in CHF)

	Total		Pascal Kiener CEO	
	Shares (in units)		Shares (in units)	
Fixed salary		4 125 012		900 000
Annual performance-based compensation paid in cash <sup>1</sup>		2 425 500		434 000
Annual performance-based compensation paid in shares <sup>1,2</sup>		665 771		103 861
Shares acquired under employee share-ownership program <sup>3</sup>	1 200	75 299	0	0
Stock options (BCV has no employee stock-option plan)	0	0	0	0
Other		22 400		6 000
<b>Total</b>		<b>7 313 982</b>		<b>1 443 861</b>
<i>Previous year</i>		7 694 012		
<b>2012-2014 long-term variable salary plan</b>				
Shares allocated at CHF 548.50 per share <sup>4</sup>	2 163	1 186 406	319	174 972
<i>Previous year</i>	2 080	1 070 160		
<b>Total</b>		<b>8 500 388</b>		<b>1 618 833</b>
<i>Previous year</i>		8 764 172		
Occupational pension		1 190 577		193 477
Other benefits <sup>5</sup>		688 025		128 826
<i>Previous year</i>		1 795 753		

<sup>1</sup>) Subject to approval at the 2015 Annual Shareholders' Meeting

<sup>2</sup>) The number of shares will be calculated based on the market price on 4 May 2015, and rounded up to the nearest unit. For 2014 and subsequent years, the value of the shares (in Swiss francs) is discounted according to the duration of the share lock-up period

<sup>3</sup>) Difference between the subscription price (CHF 360) and the market price on 30 April 2014 (CHF 503.50), at its discounted value for 2014 and subsequent years

<sup>4</sup>) Market price on 6 March 2015

<sup>5</sup>) Social security, unemployment insurance, accident insurance, income replacement and family allowances

## Loans to members of governing bodies (in CHF)

	Position	Nominal	Secured	Unsecured	31 / 12 / 14 Drawn down
<b>Board of Directors</b>					
Olivier Steimer	Chairman	3 200 000	3 200 000	0	3 200 000
Stephan A.J. Bachmann	Vice Chairman	0			0
Ingrid Deltenre	Member	0			0
Reto Donatsch	Member	0			0
Pierre Lamunière	Member	0			0
Luc Recordon	Member	0			0
Paul-André Sanglard	Member	0			0
<b>Total</b>		<b>3 200 000</b>	<b>3 200 000</b>	<b>0</b>	<b>3 200 000</b>
Previous year		3 200 000	3 200 000	0	3 200 000
<b>Executive Board</b>					
<b>Total</b>		<b>29 458 000</b>	<b>29 458 000</b>	<b>0</b>	<b>17 296 000</b>
Previous year		23 116 000	23 116 000	0	14 524 000
Jean-François Schwarz <sup>1)</sup>	Member	8 950 000	8 950 000	0	2 610 000

<sup>1)</sup> Largest individual loan granted to an Executive Board member

No loans were granted to close relations (i.e., persons living under the same roof) on terms not in keeping with market practice.

## Loans to companies with links to members of governing bodies (in CHF)

	Nominal	Secured	Unsecured	31 / 12 / 14 Drawn down
<b>Total</b>	<b>6 000 000</b>	<b>3 000 000</b>	<b>3 000 000</b>	<b>0</b>
Previous year	6 000 000	3 000 000	3 000 000	0

## Share and option ownership

		31 / 12 / 14	31 / 12 / 13
		Shares (in units)	Shares (in units)
<b>Board of Directors</b>			
Olivier Steimer	Chairman	7 620	7 952
Stephan A.J. Bachmann	Vice Chairman	1 000	600
Ingrid Deltenre <sup>1</sup>	Member	100	
Reto Donatsch	Member	100	100
Pierre Lamunière	Member	100	100
Luc Recordon	Member	100	100
Paul-André Sanglard	Member	500	500
<b>Total</b>		<b>9 520</b>	<b>9 352</b>
<b>Executive Board</b>			
Pascal Kiener	CEO	9 989	9 088
Aimé Achard	Business Support	2 014	1 838
Stefan Bichsel	Asset Management & Trading	3 183	2 410
Gérard Haerberli	Private Banking	2 043	2 163
Thomas W. Paulsen	CFO	1 530	1 533
Bertrand Sager	Credit Management	2 890	2 414
Jean-François Schwarz	Corporate Banking	2 567	1 799
José François Sierdo <sup>2</sup>	Retail Banking	200	
<b>Total</b>		<b>24 416</b>	<b>21 245</b>

<sup>1</sup>) Not a member of the Board of Directors in 2013

<sup>2</sup>) Not a member of the Executive Board in 2013

Members of the Board of Directors and Executive Board held no options at 31 December 2014.

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

#### Compensation of former members of the Board of Directors and Executive Board for the 2014 financial year

Beth Krasna, who was a member of the Board of Directors until 1 May 2014, received total compensation of CHF 7,044.

#### Loans granted to former members of the Board of Directors and Executive Board

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

At 31 December 2014, there were no outstanding loans to former members of the Executive Board on the preferential terms accorded to employees.

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

	31 / 12 / 14	31 / 12 / 13
Loans and advances to customers	38	36
Mortgage loans	12	14
Financial investments	5	5
Other assets	0	0
<b>Receivables</b>	<b>55</b>	<b>55</b>
Customer savings and investment accounts	5	4
Other customer accounts	188	276
Other liabilities	1	0
<b>Commitments</b>	<b>194</b>	<b>280</b>

Corporations organized under public law in Vaud Canton and mixed enterprises in which Vaud Canton has a qualified holding are considered affiliated companies. Transactions with these companies are conducted on market terms.

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

	31 / 12 / 14		31 / 12 / 13	
	Swiss	Foreign	Swiss	Foreign
Cash and cash equivalents	4952	8	4659	10
Money-market instruments	25	4	39	
Due from banks	675	1223	704	905
Loans and advances to customers	5045	669	4574	860
Mortgage loans	24055		23375	
Trading portfolio assets	362	487	448	484
Financial investments	2327	932	2206	940
Non-consolidated holdings	54		50	
Tangible fixed assets	577		602	
Intangible assets	27		32	
Accrued income and prepaid expenses	115	2	194	2
Other assets	439	90	217	153
<b>Assets</b>	<b>38653</b>	<b>3415</b>	<b>37100</b>	<b>3354</b>
<b>Total as %</b>	<b>92</b>	<b>8</b>	<b>92</b>	<b>8</b>
Money-market paper issued	5		43	
Due to banks	1856	255	1546	375
Customer savings and investment accounts	12268	746	12082	717
Other customer accounts	14123	2129	12912	2540
Medium-term notes	57		81	
Bonds and mortgage-backed bonds	6148	291	5774	290
Accrued expenses and deferred income	216	1	223	1
Other liabilities	297	193	244	133
Value adjustments and provisions	142		171	
Reserves for general banking risks	704		704	
Equity capital	86		86	
Capital reserve	106		192	
Own equity securities	-13		-11	
Retained earnings	2162		2071	
Minority interests - equity	0		0	
Net profit before minority interests	296		280	
<b>Total liabilities and shareholders' equity</b>	<b>38453</b>	<b>3615</b>	<b>36398</b>	<b>4056</b>
<b>Total as %</b>	<b>91</b>	<b>9</b>	<b>90</b>	<b>10</b>

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

	31 / 12 / 14		31 / 12 / 13	
	Absolute value	as % of total	Absolute value	as % of total
Europe	2683	7	2847	7
<i>United Kingdom</i>	608	1	738	3
<i>France</i>	531	1	580	1
<i>Germany</i>	357	1	239	1
<i>Luxembourg</i>	314	1	401	1
<i>Netherlands</i>	222	1	240	1
<i>Austria</i>	189	1	159	0
<i>Other</i>	462	1	490	0
Asia	392	1	226	1
Latin America, the Caribbean	106	0	131	0
United States, Canada	120	0	77	0
Other	114	0	73	0
<b>Foreign assets</b>	<b>3415</b>	<b>8</b>	<b>3354</b>	<b>8</b>
Switzerland	38653	92	37100	92
<b>Assets</b>	<b>42068</b>	<b>100</b>	<b>40454</b>	<b>100</b>

## 13.16 Currency structure of the balance sheet (in CHF millions)

	CHF	EUR	USD	Other	Total
Cash and cash equivalents	4 907	47	3	3	4 960
Money-market instruments	21	4	4		29
Due from banks	482	750	495	171	1 898
Loans and advances to customers	4 093	263	1 321	37	5 714
Mortgage loans	24 053	2			24 055
Trading portfolio assets	310	270	227	42	849
Financial investments	2 833	425	1		3 259
Non-consolidated holdings	54				54
Tangible fixed assets	577				577
Intangible assets	27				27
Accrued income and prepaid expenses	109	7	1		117
Other assets	475	16	35	3	529
<b>Positions carried as assets</b>	<b>37 941</b>	<b>1 784</b>	<b>2 087</b>	<b>256</b>	<b>42 068</b>
Delivery claims arising from spot and forward transactions and options	15 029	6 896	14 536	1 671	38 132
<b>Assets</b>	<b>31 / 12 / 14</b>	<b>52 970</b>	<b>8 680</b>	<b>1 927</b>	<b>80 200</b>
	31 / 12 / 13	51 905	8 595	2 407	79 570
Money-market paper issued	4	1			5
Due to banks	577	343	1 107	84	2 111
Customer savings and investment accounts	12 922	92			13 014
Other customer accounts	11 694	1 872	2 264	422	16 252
Medium-term notes	57				57
Bonds and mortgage-backed bonds	6 254	125	55	5	6 439
Accrued expenses and deferred income	207	5	4	1	217
Other liabilities	402	55	29	4	490
Value adjustments and provisions	141	1			142
Reserves for general banking risks	704				704
Equity capital	86				86
Capital reserve	106				106
Own equity securities	- 13				- 13
Retained earnings	2 162				2 162
Minority interests - equity	0				0
Net profit before minority interests	296				296
<b>Positions carried as liabilities</b>	<b>35 599</b>	<b>2 494</b>	<b>3 459</b>	<b>516</b>	<b>42 068</b>
Delivery commitments arising from spot and forward transactions and options	17 588	6 142	12 976	1 378	38 084
<b>Total liabilities and shareholders' equity</b>	<b>31 / 12 / 14</b>	<b>53 187</b>	<b>8 636</b>	<b>1 894</b>	<b>80 152</b>
	31 / 12 / 13	51 903	8 700	2 382	79 547
<b>Net position by currency</b>	<b>31 / 12 / 14</b>	<b>- 217</b>	<b>44</b>	<b>188</b>	<b>48</b>
	31 / 12 / 13	2	- 105	101	23

## 14. Notes to off-balance-sheet transactions

## 14.1 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	
Swaps	90	104	3 497	189	245	7 151	
Futures			251				
Options (OTC)						8	
<b>Interest-rate instruments</b>	<b>90</b>	<b>104</b>	<b>3 748</b>	<b>189</b>	<b>245</b>	<b>7 159</b>	
Forward contracts	106	59	8 185				
Combined interest-rate and currency swaps	456	463	27 192				
Options (OTC)	27	24	3 980				
<b>Foreign currencies and precious metals</b>	<b>589</b>	<b>546</b>	<b>39 357</b>	<b>0</b>	<b>0</b>	<b>0</b>	
Futures			11				
Options (OTC)	77	64	166				
<b>Equity securities / indices</b>	<b>77</b>	<b>64</b>	<b>177</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Total</b>	<b>31 / 12 / 14</b>	<b>756</b>	<b>714</b>	<b>43 282</b>	<b>189</b>	<b>245</b>	<b>7 159</b>
	31 / 12 / 13	434	403	45 204	87	182	7 497

		Positive replacement values	Negative replacement values	Values of underlyings
<b>Recapitulation</b>				
Trading instruments		756	714	43 282
Hedging instruments		189	245	7 159
<b>Total before netting agreements</b>	<b>31 / 12 / 14</b>	<b>945</b>	<b>959</b>	<b>50 441</b>
	31 / 12 / 13	521	585	52 701
<b>Total after netting agreements</b>	<b>31 / 12 / 14</b>	<b>433</b>	<b>446</b>	<b>50 441</b>
	31 / 12 / 13	239	303	52 701
Change	absolute	194	143	-2 260
	as %	81	47	-4

## 15. Notes to the consolidated income statement

### 15.1 Interest income (in CHF millions)

	2014	2013	Change absolute	Change as %
Money-market paper	2.6	4.1	- 1.5	- 37
Banks	2.8	2.4	0.4	17
Customers	647.1	666.2	- 19.1	- 3
Interest and dividends on financial investments	54.2	56.3	- 2.1	- 4
<b>Total</b>	<b>706.7</b>	<b>729.0</b>	<b>- 22.3</b>	<b>- 3</b>

### 15.2 Interest expense (in CHF millions)

Banks	5.9	9.0	- 3.1	- 34
Customers	44.5	53.4	- 8.9	- 17
Medium-term notes and bonds	118.3	128.2	- 9.9	- 8
Other interest expense	34.2	36.9	- 2.7	- 7
<b>Total</b>	<b>202.9</b>	<b>227.5</b>	<b>- 24.6</b>	<b>- 11</b>

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

Securities administration	51.1	48.4	2.7	6
Brokerage	57.1	63.9	- 6.8	- 11
Income from new issues	10.6	12.2	- 1.6	- 13
Management fees	42.3	42.9	- 0.6	- 1
Investment-fund operations	115.0	114.2	0.8	1
Other	3.9	3.8	0.1	3
<b>Total</b>	<b>280.0</b>	<b>285.4</b>	<b>- 5.4</b>	<b>- 2</b>

### 15.4 Fees and commissions on other services (in CHF millions)

Payment transactions	25.2	24.3	0.9	4
Account charges	18.0	15.4	2.6	17
Rental of safes	2.7	2.7	0.0	0
Other	36.6	34.3	2.3	7
<b>Total</b>	<b>82.5</b>	<b>76.7</b>	<b>5.8</b>	<b>8</b>

### 15.5 Net trading income (in CHF millions)

Foreign currency and precious metals	79.5	80.7	- 1.2	- 1
Banknotes	10.6	11.8	- 1.2	- 10
Securities (less refinancing costs) and derivatives	21.6	26.1	- 4.5	- 17
Trading fee and commission expense	- 5.3	- 5.8	- 0.5	- 9
<b>Total</b>	<b>106.4</b>	<b>112.8</b>	<b>- 6.4</b>	<b>- 6</b>

15.6 Personnel costs (in CHF millions)

	2014	2013	Change absolute	Change as %
Fixed and variable compensation	259.8	259.4	0.4	0
Employee benefits	24.9	23.8	1.1	5
Contributions to staff pension funds	37.2	37.1	0.1	0
Other personnel expenses	17.1	17.0	0.1	1
<b>Total</b>	<b>339.0</b>	<b>337.3</b>	<b>1.7</b>	<b>1</b>

15.7 Other operating expenses (in CHF millions)

Premises	23.7	21.9	1.8	8
IT	73.5	75.2	- 1.7	- 2
Machinery, furniture, vehicles, etc.	3.9	4.2	- 0.3	- 7
Office supplies	12.1	11.8	0.3	3
Telecommunications and shipping	8.6	8.6	0	0
Marketing and communications, gifts and subscriptions	18.3	18.1	0.2	1
Financial information	13.8	14.1	- 0.3	- 2
Service fees	8.0	7.9	0.1	1
Issuing fees	7.2	8.1	- 0.9	- 11
Miscellaneous operating expenses	9.3	12.2	- 2.9	- 24
<b>Total</b>	<b>178.4</b>	<b>182.1</b>	<b>- 3.7</b>	<b>- 2</b>

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

Real estate	14.0	13.2	0.8	6
Computer programs	43.4	48.7	- 5.3	- 11
Other investments	17.2	17.9	- 0.7	- 4
Holdings	0.0	0.8	- 0.8	- 100
Goodwill	5.1	5.1	0.0	0
<b>Total</b>	<b>79.7</b>	<b>85.7</b>	<b>- 6.0</b>	<b>- 7</b>

**15.9 Value adjustments, provisions and losses** (in CHF millions)

	2014	2013	Change absolute	Change as %
Provisions for credit risk	0.0	0.7	-0.7	-100
Miscellaneous provisions	32.1	40.0	-7.9	-20
Miscellaneous losses	2.0	2.0	0	0
<b>Total</b>	<b>34.1</b>	<b>42.7</b>	<b>-8.6</b>	<b>-20</b>

**15.10 Extraordinary income** (in CHF millions)

Release of provisions for credit risk	16.3	8.9	7.4	83
Release of miscellaneous provisions	0.3	1.2	-0.9	-75
Disposal of tangible fixed assets	1.0	9.0	-8.0	-89
Other extraordinary income	1.6	2.2	-0.6	-27
<b>Total</b>	<b>19.2</b>	<b>21.3</b>	<b>-2.1</b>	<b>-10</b>

**15.11 Extraordinary expenses** (in CHF millions)

Miscellaneous extraordinary expenses	0.0	0.1	-0.1	-100
<b>Total</b>	<b>0.0</b>	<b>0.1</b>	<b>-0.1</b>	<b>-100</b>

**15.12 Taxes** (in CHF millions)

Direct federal tax	24.7	23.4	1.3	6
Cantonal and municipal taxes	60.5	60.4	0.1	0
Deferred taxes	-0.1	0.1	-0.2	-200
<b>Total</b>	<b>85.1</b>	<b>83.9</b>	<b>1.2</b>	<b>1</b>

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

	2014		2013	
	Swiss	Foreign	Swiss	Foreign
Net interest income	503.5	0.3	501.4	0.1
Net fee and commission income	328.2	15.2	332.8	8.5
Net trading income	98.2	8.2	104.7	8.1
Other ordinary income	39.6		35.0	
<b>Income</b>	<b>969.5</b>	<b>23.7</b>	<b>973.9</b>	<b>16.7</b>
Personnel costs	338.4	0.6	337.1	0.2
Other operating expenses	176.4	2.0	180.4	1.7
<b>Expenses</b>	<b>514.8</b>	<b>2.6</b>	<b>517.5</b>	<b>1.9</b>

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

## 16. Other information

### 16.1 Regulatory capital requirements (in CHF millions)

	31 / 12 / 14	31 / 12 / 13
<b>Common Equity Tier 1 (CET1) capital</b>	<b>2874</b>	<b>2914</b>
Instruments and reserves	3066	3046
Regulatory adjustments	-86	-81
Countercyclical buffer	-106	-51
<b>Additional Tier 1 (AT1) capital</b>	<b>0</b>	<b>0</b>
Instruments	0	0
Regulatory adjustments	0	0
<b>Tier 2 (T2) capital</b>	<b>19</b>	<b>21</b>
Compulsory reserves in equities and general provisions	19	21
Regulatory adjustments	0	0
<b>Total eligible capital</b>	<b>2893</b>	<b>2935</b>
<b>Risk-weighted assets</b>		
Credit risk	13 984	13 528
Non-counterparty-related assets	693	736
Market risk	350	340
Operational risk	1764	1774
<b>BIS required capital</b>	<b>16 792</b>	<b>16 377</b>
<b>BIS ratios</b>		
CET1 ratio	17.1%	17.8%
T1 ratio	17.1%	17.8%
Total capital ratio	17.2%	17.9%

In December 2008, the Bank obtained approval from FINMA to use the Basel Foundation Internal Ratings-Based approach to determine regulatory capital requirements for credit risk. It began applying this approach in 2009.

Capital adequacy has been determined in accordance with Basel III standards since 1 January 2013.

In accordance with Basel III Pillar 3 disclosure requirements, the Bank now publishes a report containing information on its capital adequacy, risk-assessment methods and the level of risk taken. This report is available in the Investor Relations section of the BCV website.

## 16.2 Business sector information

### 16.2.1 Methodology

Results by business sector are presented at BCV Group level and are broken down according to the Bank's activities.

**Retail Banking** covers operations with retail customers who have up to CHF 250,000 in assets or a mortgage loan worth up to CHF 1.2m.

**Corporate Banking** handles SMEs (including micro-businesses), large corporations, public-sector enterprises and trade finance.

**Wealth Management** addresses the needs of private and institutional clients. This sector also includes custody activities and the subsidiaries Piguet Galland & Cie SA, G erifonds SA and GEP SA.

**Trading** encompasses financial market transactions (forex, equities, fixed-income instruments, metals, options, derivatives and structured products) conducted by the Bank for its own account and on behalf of customers, as well as custody activities.

**The Corporate Center** comprises executive management, the Human Resources Department, the Strategy & Organization Department, the Corporate Communications Department, the Finance & Risks Division (Risk Management, Financial Accounting, Controlling, ALM & Financial Management, Compliance and Legal), the Credit Management Division (Credit Analysis, Credit Analysis Support and Credit Recovery Management), and the Business Support Division (IT Systems Management, IT Development, Facility Management & General Services, and the Back Office).

As a general rule, operating profit is allocated to the sector to which the client or his/her advisor is attached.

For sectors dealing with clients, the "Net interest income" item corresponds to the gross commercial margin, i.e., the difference between the customer rate and the money-market rate, taking into account the nature and duration of the transaction (Funds Transfer Pricing, or "FTP," method).

For the Corporate Center, net interest income comprises the net gain/loss on asset and liability management, interbank activities, and on fixed assets as well as gross interest on impaired loans handled by the Credit Recovery Management Department.

Income from securities trading is broken down by portfolio and allocated to the sector to which the portfolio manager is attached. Income from customer-driven forex and structured-products trading is allocated to Trading, which reallocates part of this income to the business sector to which the client is attached.

"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 expenses are allocated on the basis of services provided among sectors.

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.

Taxes are calculated per sector according to the tax rates in effect.

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

The definition of assets under management can be found in section 9.9 of the accounting principles sub-chapter.

Shareholders' equity is allocated to the various types of business within each sector in accordance Basel III rules, at 13%. Surplus equity is booked to the Corporate Center.

	Retail Banking		Corporate Banking	
	2014	2013	2014	2013
<b>16.2.2 Customer business volumes by sector (in CHF millions)</b>				
<b>Balance sheet</b>				
Loans and advances to customers	126	158	4 139	4 326
Mortgage loans	7 391	7 198	8 986	8 800
<b>Advances to customers</b>	<b>7 517</b>	<b>7 356</b>	<b>13 125</b>	<b>13 126</b>
Savings and investments	7 282	7 115	1 116	1 103
Other liabilities	983	868	6 502	6 127
Medium-term notes	24	36	3	4
<b>Customer deposits</b>	<b>8 289</b>	<b>8 019</b>	<b>7 621</b>	<b>7 234</b>
<b>Off-balance-sheet commitments</b>	<b>41</b>	<b>49</b>	<b>2 097</b>	<b>2 041</b>
<b>Assets under management<sup>1</sup></b> (including double-counted)	<b>8 960</b>	<b>8 711</b>	<b>9 260</b>	<b>9 219</b>

**16.2.3 Results by business sector (in CHF millions)**

Net interest income	113.4	108.4	207.8	208.0
Net fee and commission income	59.7	56.3	51.4	51.6
Net trading income	18.1	17.8	9.3	9.0
Other income	1.8	2.1	4.7	4.6
<b>Operating income</b>	<b>193.0</b>	<b>184.6</b>	<b>273.2</b>	<b>273.2</b>
Personnel costs	-49.0	-50.5	-30.7	-31.4
Operating expenses	-47.5	-46.9	-12.2	-12.4
<b>Operating profit</b>	<b>96.5</b>	<b>87.2</b>	<b>230.3</b>	<b>229.4</b>
Depreciation and write-offs	-15.9	-17.9	-3.0	-3.4
Interdivisional billing	-48.8	-44.7	-51.7	-53.7
<b>Operating profit after depreciation and write-offs and interdivisional billing</b>	<b>31.8</b>	<b>24.6</b>	<b>175.6</b>	<b>172.3</b>
Loan losses <sup>1</sup>	-3.6	-3.4	-30.8	-30.5
Other losses and provisions	-1.0	-1.2	-0.1	-0.5
Extraordinary income and expenses	0.0	0.0	0.0	0.0
Taxes <sup>2</sup> and minority interests	-6.0	-4.4	-31.8	-31.1
<b>Net profit</b>	<b>21.2</b>	<b>15.6</b>	<b>112.9</b>	<b>110.2</b>

**16.2.4 Indicators**

<b>Average shareholders' equity (in CHF millions)<sup>3</sup></b>	<b>204</b>	<b>188</b>	<b>1 231</b>	<b>1 212</b>
<b>Profitability ratios (%)</b>				
ROE (based on operating profit after depreciation and write-offs and interdivisional billing) <sup>4</sup>	15.6	13.1	14.3	14.2
ROE (based on net profit) <sup>4</sup>	10.4	8.3	9.2	9.1
Cost/income <sup>5</sup>	83.5	86.7	35.7	36.9
<b>Average headcount</b>	<b>386</b>	<b>397</b>	<b>184</b>	<b>186</b>

2013 figures were adjusted to facilitate like-for-like comparisons.

- <sup>1</sup> 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
- <sup>2</sup> Taxes are calculated per business sector according to the tax rates in effect
- <sup>3</sup> Allocated based on Basel III rules, at 13%. Surplus equity is booked to the Corporate Center
- <sup>4</sup> Allocated based on Basel III rules, at 13%
- <sup>5</sup> Costs used for calculating the cost/income ratio per sector comprise personnel costs, operating expenses, depreciation and write-offs, and interdivisional billing

Wealth Management		Trading		Corporate Center		BCV Group	
2014	2013	2014	2013	2014	2013	2014	2013
717	638	1	0	731	312	5714	5434
6881	6616	0	0	797	761	24055	23375
7598	7254	1	0	1528	1073	29769	28809
4433	4411	0	0	183	170	13014	12799
7487	7457	870	694	410	306	16252	15452
28	39	2	2	0	0	57	81
11948	11907	872	696	593	476	29323	28332
60	66	10	14	346	230	2554	2400
67614	65386	0	0	548	534	86382	83850
117.6	113.5	1.8	1.8	63.2	69.8	503.8	501.5
229.5	232.6	-1.0	-3.1	3.8	3.9	343.4	341.3
20.3	20.8	48.6	55.1	10.1	10.1	106.4	112.8
2.2	2.8		0	30.9	25.5	39.6	35.0
369.6	369.7	49.4	53.8	108.0	109.3	993.2	990.6
-113.6	-117.2	-13.6	-13.3	-132.1	-124.9	-339.0	-337.3
-44.3	-45.3	-8.8	-8.4	-65.6	-69.1	-178.4	-182.1
211.7	207.2	27.0	32.1	-89.7	-84.7	475.8	471.2
-17.8	-18.3	-1.8	-2.0	-41.2	-44.1	-79.7	-85.7
-57.8	-57.1	-1.9	-1.0	160.2	156.5	0.0	0.0
136.1	131.8	23.3	29.1	29.3	27.7	396.1	385.5
-3.4	-3.5	-0.6	-0.8	32.8	27.9	-5.6	-10.3
-5.6	-0.9	0.0	0.0	-27.4	-39.6	-34.1	-42.2
0.5	10.6	0.0	0.0	24.3	20.4	24.8	31.0
-29.2	-32.5	-5.0	-6.2	-13.1	-9.7	-85.1	-83.9
98.4	105.5	17.7	22.1	45.9	26.7	296.1	280.1
298	296	78	70	1482	1514	3293	3280
45.7	44.6	29.8	41.4			12.0	11.8
33.0	35.7	22.7	31.4			9.0	8.5
61.8	63.0	52.8	46.0			59.6	60.6
583	591	60	60	756	721	1969	1955

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

	2010	2011	2012	2013	2014
Interest and discount income <sup>1</sup>	739.1	735.8	712.3	672.7	652.5
Interest and dividend income from financial investments	59.2	58.4	57.9	56.3	54.2
Interest expense	-273.8	-261.1	-250.9	-227.5	-202.9
<b>Net interest income</b>	<b>524.5</b>	<b>533.1</b>	<b>519.3</b>	<b>501.5</b>	<b>503.8</b>
Fees and commissions on lending operations <sup>1</sup>	52.5	47.2	50.2	44.5	44.9
Fees and commissions on securities and investment transactions	288.2	291.8	281.9	285.4	280.0
Fees and commissions on other services <sup>1</sup>	68.4	73.1	79.1	76.7	82.5
Fee and commission expense	-71.1	-71.9	-64.2	-65.3	-64.0
<b>Net fee and commission income</b>	<b>338.0</b>	<b>340.2</b>	<b>347.0</b>	<b>341.3</b>	<b>343.4</b>
<b>Net trading income</b>	<b>97.9</b>	<b>114.9</b>	<b>113.1</b>	<b>112.8</b>	<b>106.4</b>
Profit on disposal of financial investments	26.0	10.7	5.9	1.8	3.2
Total income from holdings	3.9	5.5	4.8	9.6	4.3
<i>of which other non-consolidated holdings</i>	3.9	5.5	4.8	9.6	4.3
Real-estate income	10.3	10.4	11.3	11.5	11.0
Miscellaneous ordinary income	10.0	9.4	9.5	15.2	21.9
Miscellaneous ordinary expenses	-14.8	-7.0	-1.1	-3.1	-0.8
<b>Other ordinary income</b>	<b>35.4</b>	<b>29.0</b>	<b>30.4</b>	<b>35.0</b>	<b>39.6</b>
<b>Total income from ordinary banking operations</b>	<b>995.8</b>	<b>1 017.2</b>	<b>1 009.8</b>	<b>990.6</b>	<b>993.2</b>
Personnel costs	-325.5	-339.2	-334.7	-337.3	-339.0
Other operating expenses	-190.2	-192.3	-189.3	-182.1	-178.4
<b>Operating expenses</b>	<b>-515.7</b>	<b>-531.5</b>	<b>-524.0</b>	<b>-519.4</b>	<b>-517.4</b>
<b>Operating profit</b>	<b>480.1</b>	<b>485.7</b>	<b>485.8</b>	<b>471.2</b>	<b>475.8</b>
Depreciation and write-offs on fixed assets	-77.6	-83.9	-86.2	-85.7	-79.7
Value adjustments, provisions and losses	-5.2	-19.8	-3.9	-42.7	-34.1
<b>Profit on ordinary banking operations before extraordinary items and taxes</b>	<b>397.3</b>	<b>382.0</b>	<b>395.7</b>	<b>342.8</b>	<b>362.0</b>
Extraordinary income	45.3	16.6	9.0	21.3	19.2
Extraordinary expenses	-35.4	-7.8	-1.6	-0.1	0.0
Taxes	-93.1	-89.7	-92.0	-83.9	-85.1
<b>Net profit before minority interests</b>	<b>314.1</b>	<b>301.1</b>	<b>311.1</b>	<b>280.1</b>	<b>296.1</b>
Minority interests	-0.9	1.0	-0.1	0.0	0.0
<b>Net profit</b>	<b>313.2</b>	<b>302.1</b>	<b>311.0</b>	<b>280.1</b>	<b>296.1</b>

<sup>1)</sup> To facilitate like-for-like comparisons, 2010 and 2011 figures were adjusted following the reclassification of certain income

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

	31 / 12 / 10	31 / 12 / 11	31 / 12 / 12	31 / 12 / 13	31 / 12 / 14
Cash and cash equivalents	389	1 711	4 735	4 669	4 960
Money-market instruments	1 935	28	26	39	29
Due from banks	3 018	3 128	2 007	1 609	1 898
Loans and advances to customers	5 247	5 894	5 094	5 434	5 714
Mortgage loans	20 254	22 071	22 864	23 375	24 055
Trading portfolio assets	478	573	667	932	849
Financial investments	2 879	2 975	3 101	3 146	3 259
Non-consolidated holdings	87	88	52	50	54
Tangible fixed assets	588	628	621	602	577
Intangible assets	4	35	37	32	27
Accrued income and prepaid expenses	198	206	198	196	117
Other assets	508	566	398	370	529
<b>Assets</b>	<b>35 585</b>	<b>37 903</b>	<b>39 800</b>	<b>40 454</b>	<b>42 068</b>
Money-market paper issued	1	6	3	43	5
Due to banks	2 016	2 352	2 444	1 921	2 111
Customer savings and investment accounts	10 885	11 620	12 295	12 799	13 014
Other customer accounts	12 879	14 087	14 908	15 452	16 252
Medium-term notes	275	209	131	81	57
Bonds and mortgage-backed bonds	5 284	5 384	5 837	6 064	6 439
Accrued expenses and deferred income	229	215	231	224	217
Other liabilities	522	523	461	377	490
Value adjustments and provisions	223	206	175	171	142
<b>Liabilities</b>	<b>32 314</b>	<b>34 602</b>	<b>36 485</b>	<b>37 132</b>	<b>38 727</b>
Reserves for general banking risks	704	704	704	704	704
Equity capital	86	86	86	86	86
Capital reserve	359	360	275	192	106
Own equity securities	-7	-8	-11	-11	-13
Retained earnings	1 801	1 838	1 949	2 071	2 162
Minority interests - equity	14	20	1	0	0
Net profit before minority interests	314	301	311	280	296
<b>Shareholders' equity</b>	<b>3 271</b>	<b>3 301</b>	<b>3 315</b>	<b>3 322</b>	<b>3 341</b>
<b>Total liabilities and shareholders' equity</b>	<b>35 585</b>	<b>37 903</b>	<b>39 800</b>	<b>40 454</b>	<b>42 068</b>

## 17. Report of the statutory auditor on the consolidated financial statements to the general meeting of Banque Cantonale Vaudoise, Lausanne

As statutory auditor, we have audited the consolidated financial statements of Banque Cantonale Vaudoise, which comprise the balance sheet, income statement, statement of cash flows and notes (pages 103 to 139), for the year ended 31 December 2014.

### *Board of Directors' Responsibility*

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting rules for banks and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements for the year ended 31 December 2014 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with accounting rules for banks, and comply with Swiss law.

### **Report on other legal requirements**

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

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

### **PricewaterhouseCoopers Ltd**

Alex Astolfi                      Omar Grossi

*Audit expert*                      *Audit expert*

*Auditor in charge*

Lausanne, 11 March 2015



# Financial Statements

## Parent Company Financial Statements

### 1. Balance sheet (in CHF millions)

	Notes <sup>1</sup>	31 / 12 / 14	31 / 12 / 13	Change absolute	Change as %
Cash and cash equivalents		4 829	4 645	184	4
Money-market instruments		29	39	- 10	- 26
Due from banks		1 852	1 575	277	18
Loans and advances to customers	5.8	5 529	5 272	257	5
Mortgage loans	5.2/5.8	23 664	23 010	654	3
Trading portfolio assets		852	933	- 81	- 9
Financial investments	5.2/5.8	3 231	3 109	122	4
Holdings		159	155	4	3
Tangible fixed assets		512	537	- 25	- 5
Accrued income and prepaid expenses		112	188	- 76	- 40
Other assets	5.1/5.8	519	367	152	41
<b>Assets</b>		<b>41 288</b>	<b>39 830</b>	<b>1 458</b>	<b>4</b>
Total subordinated assets		0	0	0	0
Total claims on Group companies and significant shareholders		22	12	10	83
<i>of which claims on the Canton of Vaud</i>		5	5	0	0
Money-market paper issued		1	43	- 42	- 98
Due to banks		2 502	2 490	12	0
Customer savings and investment accounts	5.8/5.9	13 007	12 789	218	2
Other customer accounts	5.3/5.8	15 202	14 410	792	5
Medium-term notes		57	81	- 24	- 30
Bonds and mortgage-backed bonds	5.3	6 439	6 064	375	6
Accrued expenses and deferred income		204	209	- 5	- 2
Other liabilities	5.1/5.8	478	361	117	32
Value adjustments and provisions	5.4	122	150	- 28	- 19
<b>Liabilities</b>		<b>38 012</b>	<b>36 597</b>	<b>1 415</b>	<b>4</b>
Reserves for general banking risks	5.4	691	691	0	0
Equity capital	5.5	86	86	0	0
General legal reserve		435	521	- 86	- 17
<i>of which paid-in reserves</i>		351	437	- 86	- 20
Reserve for own equity securities	5.4	10	10	0	0
Other reserves		1 735	1 628	107	7
Profit for the year	7.1	319	297	22	7
<b>Shareholders' equity</b>	5.6	<b>3 276</b>	<b>3 233</b>	<b>43</b>	<b>1</b>
<b>Total liabilities and shareholders' equity</b>		<b>41 288</b>	<b>39 830</b>	<b>1 458</b>	<b>4</b>
Total subordinated liabilities		0	0	0	0
Total liabilities to Group companies and significant shareholders		1 771	1 897	- 126	- 7
<i>of which liabilities to the Canton of Vaud</i>		1 355	1 284	71	6

<sup>1)</sup> The notes are on pages 151-156

## 2. Income statement (in CHF millions)

	Notes <sup>1</sup>	2014	2013	Change absolute	Change as %
Interest and discount income		644.2	664.4	-20.2	-3
Interest and dividend income from financial investments		54.3	56.4	-2.1	-4
Interest expense		-202.2	-227.2	-25.0	-11
<b>Net interest income</b>		<b>496.3</b>	<b>493.6</b>	<b>2.7</b>	<b>1</b>
Fees and commissions on lending operations		44.8	44.4	0.4	1
Fees and commissions on securities and investment transactions		189.1	193.1	-4.0	-2
Fees and commissions on other services		76.3	71.7	4.6	6
Fee and commission expense		-33.9	-38.7	-4.8	-12
<b>Net fee and commission income</b>		<b>276.3</b>	<b>270.5</b>	<b>5.8</b>	<b>2</b>
<b>Net trading income</b>	6.1	<b>97.8</b>	<b>104.4</b>	<b>-6.6</b>	<b>-6</b>
Profit on disposal of financial investments		3.0	3.9	-0.9	-23
Income from holdings		29.8	26.5	3.3	12
Real-estate income		10.4	11.0	-0.6	-5
Miscellaneous ordinary income		22.8	15.6	7.2	46
Miscellaneous ordinary expenses		-0.9	-2.8	-1.9	-68
<b>Other ordinary income</b>		<b>65.1</b>	<b>54.2</b>	<b>10.9</b>	<b>20</b>
<b>Total income from ordinary banking operations</b>		<b>935.5</b>	<b>922.7</b>	<b>12.8</b>	<b>1</b>
Personnel costs		-294.9	-290.0	4.9	2
Other operating expenses		-159.4	-161.5	-2.1	-1
<b>Operating expenses</b>		<b>-454.3</b>	<b>-451.5</b>	<b>2.8</b>	<b>1</b>
<b>Operating profit</b>		<b>481.2</b>	<b>471.2</b>	<b>10.0</b>	<b>2</b>
Depreciation and write-offs on fixed assets		-70.2	-76.4	-6.2	-8
Value adjustments, provisions and losses	5.4	-27.8	-28.4	-0.6	-2
<b>Profit on ordinary banking operations before extraordinary items and taxes</b>		<b>383.2</b>	<b>366.4</b>	<b>16.8</b>	<b>5</b>
Extraordinary income	5.4	18.6	10.5	8.1	77
Extraordinary expenses		0.0	0.0	0.0	0
Taxes		-82.7	-80.3	2.4	3
<b>Profit for the year</b>		<b>319.1</b>	<b>296.6</b>	<b>22.5</b>	<b>8</b>
<b>Appropriations</b>					
Profit for the year		319.1	296.6		
Profit shown on the balance sheet		319.1	296.6		
Appropriation of profit	7.1				
- Allocation to other reserves		129.8	107.3		
- Allocation to general legal reserve		0.0	0.0		
- Distribution of dividend on share capital		189.3	189.3		
<b>Other distributions</b>					
Distribution drawn from paid-in-reserves	7.2	86.1	86.1		

<sup>1)</sup> The notes are on pages 151-156

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

	31 / 12 / 14	31 / 12 / 13	Change absolute	Change as %
Contingent liabilities	1 294	1 122	172	15
Irrevocable commitments	1 089	1 133	-44	-4
<i>of which commitments to make payments into a depositor protection fund</i>	135	134	1	1
Commitments relating to calls on shares and other equity securities	113	93	20	22
Confirmed credits	33	23	10	43
Derivative financial instruments				
Gross positive replacement values	952	522	430	82
Gross negative replacement values	957	586	371	63
Values of underlyings	50 514	52 725	-2 211	-4
Fiduciary deposits with other banks	48	115	-67	-58

#### Other contingent liabilities

Joint and several liability with respect to subsidiaries within the BCV VAT group

## 4. Overview and accounting principles

### 4.1 Overview of operations and headcount

See sub-chapter 7 of the consolidated financial statements.

### 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 20 November 2008 governing the preparation of financial statements.

#### Changes to accounting principles

No changes were made to the accounting principles in 2014.

### 4.3 Presentation principles for individual line items

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

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.

### 4.4 Risk-assessment and risk-management principles

See sub-chapter 10 of the consolidated financial statements.

## 5. Notes to the balance sheet

### 5.1 Other assets and liabilities (in CHF millions)

	31 / 12 / 14		31 / 12 / 13	
	Other assets	Other liabilities	Other assets	Other liabilities
Net replacement values of derivative financial instruments (positive/negative)	436	441	237	301
Offset accounts	43	0	76	0
Indirect taxes	5	16	5	20
Coupons/coupons and securities due	7	2	14	11
Settlement accounts	21	10	22	22
Miscellaneous assets and liabilities	7	9	13	7
<b>Other assets and other liabilities</b>	<b>519</b>	<b>478</b>	<b>367</b>	<b>361</b>

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

	31 / 12 / 14		31 / 12 / 13	
	Amount or book value of pledge	Real liabilities	Amount or book value of pledge	Real liabilities
Assets pledged or assigned to Swiss National Bank	186	0	200	0
Mortgages pledged or assigned to Central mortgage-bond institution of Swiss cantonal banks	6743	5194	6745	5006
Other	250	250	230	230
<b>Assets pledged or assigned</b>	<b>7179</b>	<b>5444</b>	<b>7175</b>	<b>5236</b>

### 5.3 Own occupational pension funds (in CHF millions)

	31 / 12 / 14	31 / 12 / 13
Due to customers, other	109	110
Bonds	11	11
<b>Balance sheet liabilities</b>	<b>120</b>	<b>121</b>

## 5.4 Value adjustments and provisions

## Reserves for general banking risks

## Reserve for own equity securities (in CHF millions)

	Status at year-end	Used as allocated	Change in allocation	Recoveries, overdue interest, currency differences	New provisions charged to income statement	Releases credited to income statement	Status at year-end
	2013						2014
Value adjustments and provisions for default risk (counterparty and country risks)	121	– 39		12	11	– 27	78
Other provisions	29	– 12		0	27	0	44
<b>Total value adjustments and provisions</b>	<b>150</b>	<b>– 51</b>		<b>12</b>	<b>38</b>	<b>– 27</b>	<b>122</b>
Value adjustments directly netted with assets	0						0
<b>Total value adjustments and provisions shown on the balance sheet</b>	<b>150</b>						<b>122</b>
<b>Reserves for general banking risks</b>	<b>691</b>		<b>0</b>				<b>691</b>
<b>Reserve for own equity securities</b>	<b>10</b>		<b>0</b>				<b>10</b>

## 5.5 Equity capital (in CHF millions)

		2014		2013	
		Number of shares (in units)	Total par value	Number of shares (in units)	Total par value
<b>Share capital</b>					
Registered share, fully paid-in	Par value	CHF 10.00		CHF 10.00	
Status at 1 January		8 606 190	86	8 606 190	86
No movement		0	0	0	0
<b>Status at 31 December</b>		<b>8 606 190</b>	<b>86</b>	<b>8 606 190</b>	<b>86</b>
<i>of which share capital qualifying for dividends</i>			86		86

**Participation certificate capital**

BCV does not have any participation certificate capital.

**Conditional capital**

BCV does not have any conditional capital.

**Authorized capital**

BCV does not have any authorized capital.

	31 / 12 / 14			31 / 12 / 13		
	Number of shares (in units)	Total par value	Stake	Number of shares (in units)	Total par value	Stake
<b>Major shareholders and shareholder groups with voting ties</b>						
Voting rights						
Vaud Canton, direct interest	5 762 252	57.6	66.95%	5 762 252	57.6	66.95%

## 5.6 Movements in shareholders' equity (in CHF millions)

	Share capital	General legal reserve: paid-in reserves	General legal reserve: other reserves	Reserves for general banking risks	Reserve for own equity securities	Other reserves	Profit/loss for the year	Total equity capital
<b>Status at 1 January 2012</b>	<b>86</b>	<b>609</b>	<b>84</b>	<b>693</b>	<b>8</b>	<b>1 373</b>	<b>314</b>	<b>3 167</b>
Allocation to other reserves						124	- 124	0
2011 dividend							- 189	- 189
Distribution out of paid-in reserves		- 86						- 86
Change in reserve for own equity securities				- 2	2			0
Profit/loss for the year							320	320
<b>Status at 31 December 2012</b>	<b>86</b>	<b>523</b>	<b>84</b>	<b>691</b>	<b>10</b>	<b>1 497</b>	<b>320</b>	<b>3 211</b>
Allocation to other reserves						131	- 131	0
2012 dividend							- 189	- 189
Distribution out of paid-in reserves		- 86						- 86
Change in reserve for own equity securities				0	0			0
Profit/loss for the year							297	297
<b>Status at 31 December 2013</b>	<b>86</b>	<b>437</b>	<b>84</b>	<b>691</b>	<b>10</b>	<b>1 628</b>	<b>297</b>	<b>3 233</b>
Allocation to other reserves						107	- 107	0
2013 dividend							- 190	- 190
Distribution out of paid-in reserves		- 86						- 86
Change in reserve for own equity securities				0	0			0
Profit/loss for the year							319	319
<b>Status at 31 December 2014</b>	<b>86</b>	<b>351</b>	<b>84</b>	<b>691</b>	<b>10</b>	<b>1 735</b>	<b>319</b>	<b>3 276</b>

## 5.7 Compensation and loans to members of governing bodies

More information on compensation and loans to members of the governing bodies can be found in note 13.12 to the consolidated financial statements.

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

	31 / 12 / 14	31 / 12 / 13
Loans and advances to customers	38	36
Mortgage loans	12	13
Financial investments	5	5
Other assets	0	0
<b>Receivables</b>	<b>55</b>	<b>54</b>
Customer savings and investment accounts	5	4
Other customer accounts	188	276
Other liabilities	1	0
<b>Commitments</b>	<b>194</b>	<b>280</b>

Corporations organized under public law in Vaud Canton and mixed enterprises in which Vaud Canton has a qualified holding are considered affiliated companies. Transactions with these companies are conducted on market terms.

### 5.9 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

	2014	2013
<b>Capital on deposit at 1 January</b>	<b>269</b>	<b>302</b>
Movements:		
Net payment surplus during the financial year	-23	-33
Capitalization of net interest at 31 December	0	0
Net change	-23	-33
<b>Total capital on deposit at 31 December</b>	<b>246</b>	<b>269</b>
<i>of which guaranteed by the Canton of Vaud</i>	<i>169</i>	<i>188</i>

	31 / 12 / 14	31 / 12 / 13	Change
<b>Breakdown by type of service</b>			
Registered savings books and accounts	157	166	-9
Senior citizens' savings books and accounts	53	62	-9
Bearer savings books	34	39	-5
Youth savings books and accounts	2	2	0
<b>Total</b>	<b>246</b>	<b>269</b>	<b>-23</b>

## 6. Notes to the income statement

### 6.1 Net trading income (in CHF millions)

	2014	2013	Change absolute	Change as %
Foreign currency and precious metals	71.1	72.6	-1.5	-2
Banknotes	10.4	11.4	-1.0	-9
Securities (less refinancing costs) and derivatives	21.6	26.2	-4.6	-18
Fee and commission expense	-5.3	-5.8	-0.5	-9
<b>Total</b>	<b>97.8</b>	<b>104.4</b>	<b>-6.6</b>	<b>-6</b>

## 7. Proposals by the Board of Directors

At the Annual Shareholders' Meeting to be held on [23 April 2015](#), the Board of Directors will recommend the following appropriation of profit and distributions:

### 7.1 Appropriation of profit

The proposed allocation of available earnings of CHF [319.1m](#) is as follows:

	Dividend in CHF per registered share	Number of shares (in units)	Appropriation (in CHF millions)
Payment of an ordinary dividend	22.00	8 606 190	189.3
Allocation to the general legal reserve			0
Allocation to other reserves			129.8
			<b>319.1</b>

If this resolution is adopted, the dividend will be payable, after deduction of Swiss withholding tax, at the Bank's head office and branches beginning on [29 April 2015](#).

### 7.2 Other distribution

In addition, a distribution of CHF 86.1m drawn from paid-in reserves will be proposed:

	Amount in CHF per registered share	Number of shares (in units)	Distribution (in CHF millions)
Distribution drawn from paid-in reserves	10.00	8 606 190	86.1
			<b>86.1</b>

If this resolution is adopted, the distribution – which will not be subject to Swiss withholding tax – will be payable at the Bank's head office and branches beginning on [29 April 2015](#).

## 8. Report of the statutory auditor on the financial statements to the general meeting of Banque Cantonale Vaudoise, Lausanne

As statutory auditor, we have audited the financial statements of Banque Cantonale Vaudoise, which comprise the balance sheet, income statement and notes (pages 148 to 156), for the year ended 31 December 2014.

### *Board of Directors' Responsibility*

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements for the year ended 31 December 2014 comply with Swiss law and the company's articles of incorporation.

### **Report on other legal requirements**

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

### **PricewaterhouseCoopers Ltd**

Alex Astolfi                      Omar Grossi

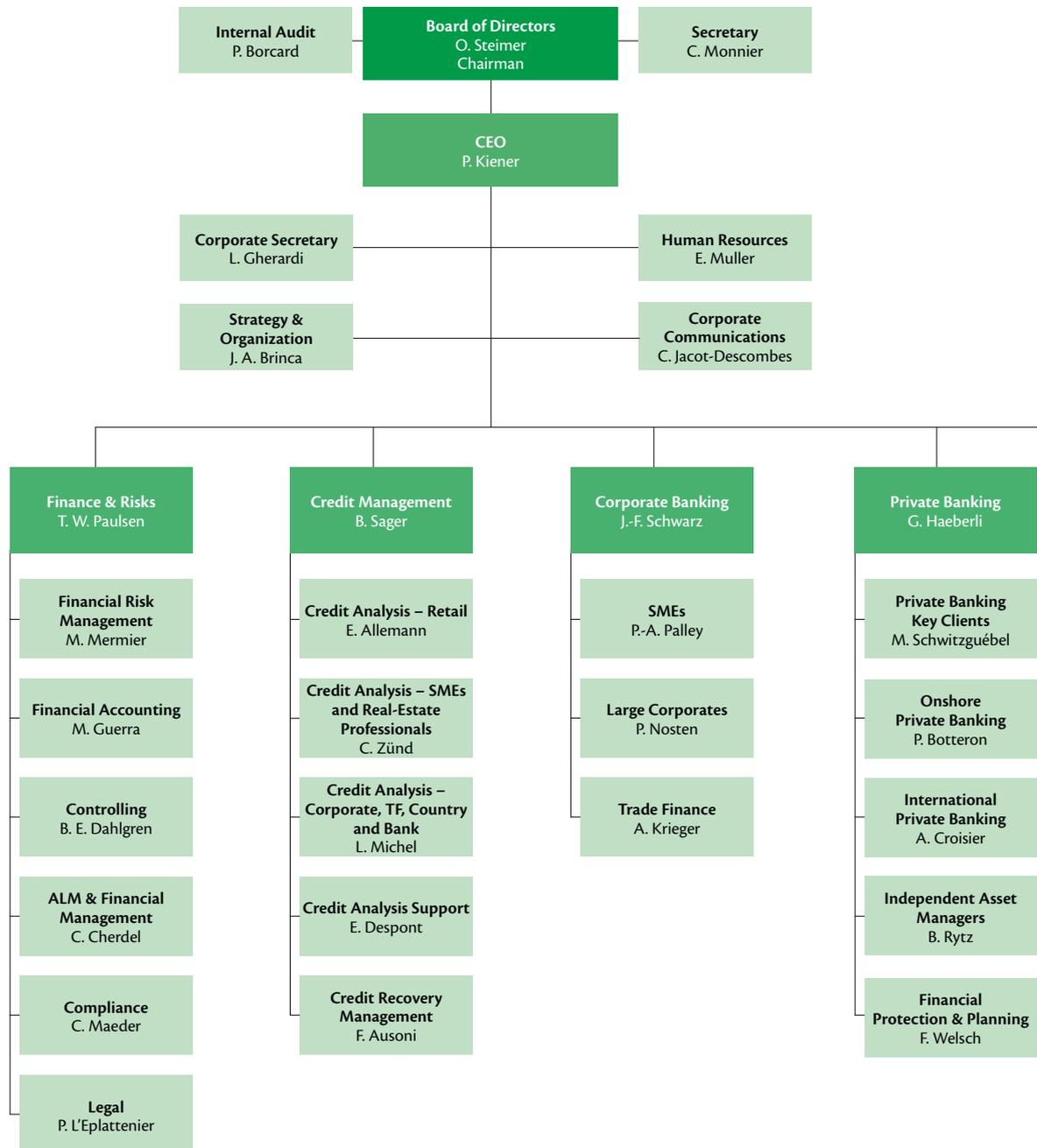
*Audit expert*                      *Audit expert*

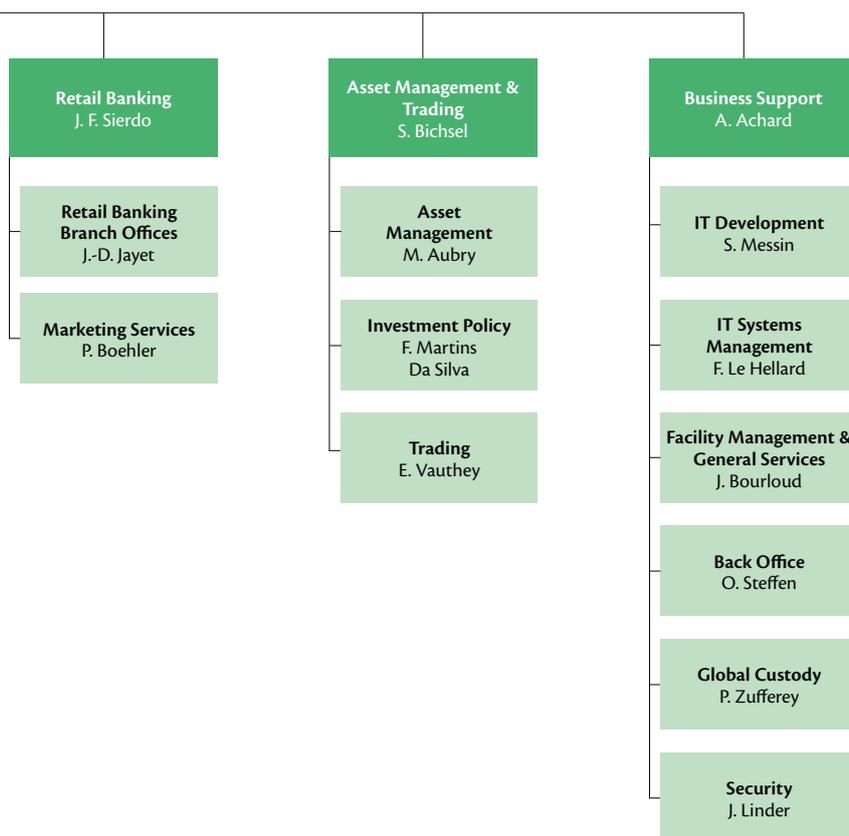
*Auditor in charge*

Lausanne, 11 March 2015

# Organization Chart

As of 1 March 2015





# Retail Network

As of 1 March 2015



# Regional Managers

As of 1 March 2015

## Broye region

Retail banking  
Private banking  
SME

Francis Collaud  
André Cherbuin  
Fabrice Chollet

## Morges region

Retail banking  
Private banking  
SME

Philippe Diserens  
Daniel Vuffray  
Patrick Blanc

## Chablais / Alpes vaudoises region

Retail banking  
Private banking  
SME

Eric Barroud  
Vincent Mottier  
Sébastien Roduit

## Nord vaudois region

Retail banking  
Private banking  
SME

Steve Magnenat  
Adrian Kocher  
Bernard Mettraux

## Gros-de-Vaud region

Retail banking  
Private banking  
SME

Pascal Udry  
Pierre-Yves Zimmermann  
Alexandre Berthoud

## Nyon region

Retail banking  
Private banking  
SME

Grégory Gay  
Jean-Michel Isoz  
Jean-Daniel Gebhard

## Lausanne region

Retail banking  
Private banking  
SME

Thierry Magnin  
Pascal Aubry  
Henri-Pierre Monney

## Riviera region

Retail banking  
Private banking  
SME

Pierre-Alain Favre  
Christophe Millius  
Didier Muller

## Lavaux region

Retail banking  
Private banking  
SME

Sébastien Rod  
Olivier Engler  
Cédric Ottet

## Branch Offices

As of 1 March 2015

### Broye region

#### Avenches

Rue Centrale 4  
Case postale 47  
1580 Avenches

#### Lucens

Avenue de la Gare 4 A  
Case postale 69  
1522 Lucens

#### Payerne

Rue du Temple 9  
Case postale 64  
1530 Payerne

### Chablais / Alpes vaudoises region

#### Aigle

Rue du Collège 2  
Case postale 449  
1860 Aigle

#### Bex

Rue Centrale 5  
Case postale 62  
1880 Bex

#### Château-d'Oex

Grand-Rue 82  
Case postale 172  
1660 Château-d'Oex

#### Les Diablerets

Les Ormonts 7  
Case postale 27  
1865 Les Diablerets

#### Leysin

Place du Marché  
Case postale 83  
1854 Leysin

#### Villars

Avenue Centrale 119  
Case postale 7  
1884 Villars

#### Villeneuve

Grand-Rue 1  
Case postale 27  
1844 Villeneuve

### Gros-de-Vaud region

#### Cheseaux-sur-Lausanne

Rue du Pâquis 1  
Case postale 68  
1033 Cheseaux-sur-Lausanne

#### Cugy

Centre commercial Migros  
Route de Bottens 1  
1053 Cugy

#### Echallens

Place de la Gare 7  
Case postale 31  
1040 Echallens

#### Moudon

Rue du Temple 10  
Case postale 32  
1510 Moudon

#### Penthalaz

Place Centrale 3  
Case postale 7  
1305 Penthalaz

#### Romanel

Centre commercial Romanel  
En Félezin  
Case postale 105  
1032 Romanel

### Lausanne region

#### Belleaux

Route Aloys-Fauquez 116  
Case postale 30  
1000 Lausanne 8

#### Bergières

Avenue Bergières 42  
Case postale 60  
1000 Lausanne 22

#### Bussigny

Chemin du Parc 6  
Case postale 44  
1030 Bussigny

#### Chauderon

Place Chauderon 8  
Case postale 300  
1001 Lausanne

#### CHUV

Rue du Bugnon 46  
Case postale 8  
1011 Lausanne

#### Crissier

Centre MMM  
Case postale 210  
1023 Crissier

#### Ecublens

Chemin du Croset 3  
Case postale 47  
1024 Ecublens

#### Epalinges

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

#### La Sallaz

Route d'Oron 2  
Case postale 32  
1000 Lausanne 10

#### Lausanne - Cour

Avenue de Cour 38 A  
Case postale 163  
1000 Lausanne 3

#### Lausanne - Gare

Place de la Gare 10  
Case postale 192  
1001 Lausanne

#### Ouchy

Avenue d'Ouchy 76  
1006 Lausanne

#### Prilly

Route de Cossonay 21  
Case postale 48  
1008 Prilly

#### Renens

Rue du Midi 15  
Case postale 608  
1020 Renens

#### UNIL

Internef - Dorigny  
Case postale 125  
1015 Lausanne

#### WTCL

Avenue Gratta-Paille 2  
1018 Lausanne

#### Lausanne - St-François

Place St-François 14  
Case postale 300  
1001 Lausanne

### Lavaux region

#### Chailly

Pont-de-Chailly  
Case postale 79  
1000 Lausanne 12

#### Cully

Place de l'Hôtel de Ville 7  
Case postale 16  
1096 Cully

#### Lutry

Route de Lavaux 166  
Case postale 265  
1095 Lutry

#### Mézières

Rue du Théâtre 2  
Case postale 41  
1083 Mézières

#### Oron-la-Ville

Le Bourg 16  
Case postale 103  
1610 Oron-la-Ville

#### Pully

Rue de la Poste 8  
Case postale 62  
1009 Pully

#### Savigny

Place du Forum 2  
Case postale 120  
1073 Savigny

## Morges region

### Allaman

Littoral Centre  
Route de la Gare 10  
1165 Allaman

### Aubonne

Chemin du Mont-Blanc 2  
Case postale 37  
1170 Aubonne

### Cossonay

Rue des Etangs 5  
Case postale 35  
1304 Cossonay-Ville

### Denges

Route de Genève 107 B  
Case postale 74  
1026 Denges

### Morges Hôtel-de-Ville

Place de l'Hôtel-de-Ville 2  
Case postale 144  
1110 Morges 1

### Morges - Charpentiers

Rue Centrale 12  
Case postale 144  
1110 Morges 1

### St-Prex

Route de Rolle 2  
Case postale 24  
1162 St-Prex

## Nord vaudois region

### Chavornay

Route d'Yverdon 2  
Case postale 62  
1373 Chavornay

### Grandson

Place du Château 8  
Case postale 24  
1422 Grandson

### Le Sentier

Grand-Rue 36  
Case postale 62  
1347 Le Sentier

### Orbe

Place du Marché 9  
Case postale 27  
1350 Orbe

### Ste-Croix

Rue Neuve 2  
Case postale 17  
1450 Ste-Croix

### Vallorbe

Rue de l'Horloge 1  
Case postale 36  
1337 Vallorbe

### Yverdon-les-Bains

Rue des Remparts 17  
Case postale 256  
1400 Yverdon-les-Bains 1

## Nyon region

### Coppet

Rue Froide 1  
Case postale 30  
1296 Coppet

### Gland

Avenue du Mont-Blanc 14 A  
Case postale 338  
1196 Gland

### Nyon

Rue Perdtemps 6  
Case postale 1048  
1260 Nyon 1

### Rolle

Grand-Rue 60  
Case postale 232  
1180 Rolle

### Signy

Centre Commercial  
Rue des Fléchères 7A  
Case postale 245  
1274 Signy-Centre

## Riviera region

### Blonay

Route du Village 7  
Case postale 91  
1807 Blonay

### Chexbres

Grand-Rue  
Case postale 113  
1071 Chexbres

### Clarens

Avenue Vinet 15  
Case postale 51  
1815 Clarens

### La Tour-de-Peilz

Grand-Rue 38  
Case postale 64  
1814 La Tour-de-Peilz

### Montreux

Grand-Rue 50  
Case postale 1026  
1820 Montreux

### Vevey - Gare

Place de la Gare  
Case postale 160  
1800 Vevey 1

### Vevey - Nestlé

Avenue Nestlé 55  
Case postale 353  
1800 Vevey



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BCV Corporate Communications Department

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