

2022 Annual Report



BCV at a glance

2022 highlights

Central banks tightened monetary policy and the economic outlook worsened

- Faced with strong inflationary pressure, central banks had to act swiftly and aggressively last year. The US Federal Reserve raised interest rates seven times and the European Central Bank four times. The Swiss National Bank hiked its policy rate by 175 basis points in just six months, bringing an end to nearly eight years of negative interest rates in Switzerland.
- At the same time, economic growth slowed in many countries, sparking fears of recession. Although forecasts for Switzerland were downgraded several times, growth remained positive in 2022 at around 2%.

We delivered very strong financial results – the highest since 2007

- Our revenues were once again above CHF 1bn, rising 3% on the prior year.
- Operating profit grew 4% to CHF 448m, as we kept the rise in operating expenses under firm control.
- Net profit increased 3% year on year to CHF 388m, corresponding to an ROE of 10.7% – one of the highest in our peer group.

We extended our distribution policy

- Given the strength of our results, the Board of Directors is recommending that shareholders approve an ordinary dividend of CHF 3.80 per share, up CHF 0.10 on the prior-year figure, for a total payout of CHF 327m (84% of our net profit).
- In line with the approach adopted over the last 15 years, BCV extended its distribution policy for another five years with a higher dividend range. Beginning with the 2023 reporting period, we intend to pay an ordinary dividend of CHF 3.80–4.20, barring significant changes in the economic or regulatory environment or in the Bank's situation.

We continued to execute on our longstanding commitment to corporate social responsibility (CSR)

- Over the past several years, we have rolled out a number of initiatives covering all aspects of CSR. We are also strengthening our CSR-related communication in line with evolving regulatory requirements.
- Our ongoing efforts have been recognized by ESG ratings agencies and organizations. Last year, MSCI upgraded our ESG rating to AA, a tie for the highest score awarded to any Swiss cantonal bank, and our CDP score rose from B to A–, placing us in the “Leadership” category. Ethos, a leading Swiss SRI specialist, reaffirmed our A– rating, the second highest of five scores.

Key figures – 5-year overview

Balance sheet (in CHF millions)	2018	2019	2020	2021	2022
Total assets	47 863	48 352	53 186	55 952	59 397
Advances to customers	31 756	32 768	33 849	35 582	36 626
Customer deposits	31 375	33 048	35 424	38 195	38 395
Shareholders' equity	3 522	3 586	3 574	3 644	3 713

Assets under management (in CHF millions)

Assets under management	87 620	97 840	103 159	112 887	108 879
<i>cash and cash equivalents</i>	28 062	29 837	31 729	33 736	34 863
<i>investment funds</i>	21 817	25 217	27 402	30 927	27 165
<i>shares</i>	18 485	20 934	22 336	23 906	21 298
<i>bonds</i>	9 413	9 746	8 536	8 925	9 088
<i>other</i>	9 843	12 106	13 156	15 393	16 464

Headcount

Full-time equivalents	1 896	1 921	1 909	1 932	1 957
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Income statement (in CHF millions)

Total income	977	1 002	945	1 005	1 039
Operating expenses	500	505	495	505	517
Depreciation and amortization of fixed assets and impairment on equity investments	69	71	72	72	70
Other provisions and losses	5	7	5	-1	5
Operating profit	403	419	373	429	448
Net profit	350	363	331	379	388

Liquidity and capital ratios¹

Liquidity Coverage Ratio (LCR)	113%	129%	136%	157%	129%
Leverage Ratio	6.2%	6.3%	5.8%	5.6%	5.5%
Tier 1 capital ratio	17.1%	17.1%	17.7%	17.2%	17.6%
Total capital ratio	17.2%	17.3%	17.8%	17.3%	17.7%

Income ratios

Operating profit/average shareholders' equity	11.6%	11.9%	10.5%	12.0%	12.3%
Cost/income ratio ²	57.6%	57.7%	58.7%	56.7%	56.6%
Operating profit per employee (in CHF thousands)	211.8	219.3	195.8	221.9	230.5
ROE	10.1%	10.4%	9.3%	10.7%	10.7%

Credit ratings

Standard & Poor's

Long term	AA / stable	AA / stable	AA / stable	AA / stable	AA / stable
Short term	A-1+	A-1+	A-1+	A-1+	A-1+

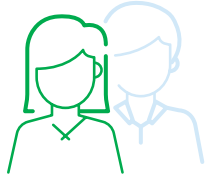
Moody's

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

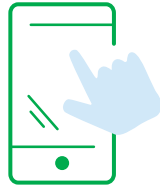
¹ More detailed information on Group and parent company liquidity and capital ratios can be found in the Basel III Pillar 3 report, which is available at www.bcv.ch.

² Excluding goodwill amortization and write-downs

Here are some examples of how we've executed on our commitment to corporate social responsibility



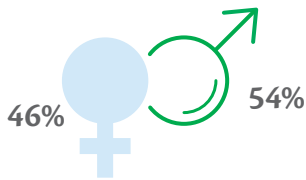
1 of 2 people in Vaud banks with BCV



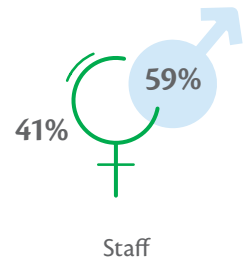
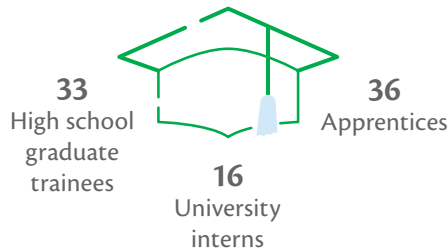
70% of our customers use our digital banking services



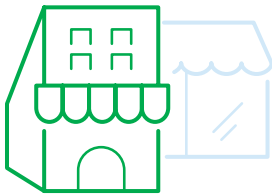
We provide 1 of 3 mortgage loans in Vaud



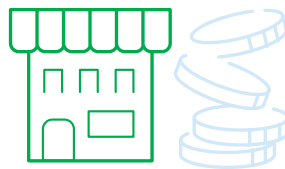
Retail banking advisors



Staff



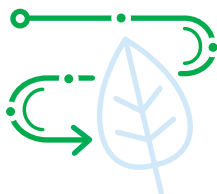
1 of 2 Vaud small businesses banks with BCV



Nearly 130 new businesses financed



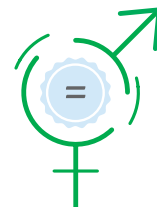
3 of 4 Vaud pension funds count on BCV



Our target for cutting CO₂ emissions: -35% by 2030



We work with 635 local vendors



Fair-ON-Pay+ equal pay certification

Our reports

Annual report

This report contains BCV's consolidated and parent-company financial statements. It also provides information on our activities in 2022, including a review of each of our business sectors and an overview of the overall economic environment. You will find other key information as well, especially in the chapters on risk management and corporate governance.

Sustainability report

Our sustainability report provides a detailed look at the progress we made and the steps we took as a responsible corporate citizen in 2022. It offers a broad, transparent view of what we are doing to fulfill our commitment to promoting economically, socially, and environmentally sustainable development. The report is drawn up in line with the Global Reporting Initiative standards (www.globalreporting.org), which are the worldwide reference for reporting on sustainable development issues.

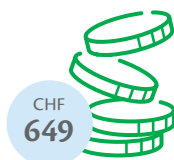
Pillar 3 report

Our Pillar 3 report provides investors, analysts, rating agencies, and regulators with in-depth information on risk management at BCV, including detailed information about the Bank's capital adequacy, risk-assessment methods, and risk levels in 2022. The report was drawn up in accordance with the Pillar 3 disclosure requirements set forth in the Basel III Accord and in Circular 2016/1 "Disclosure – banks" issued by the Swiss Financial Market Supervisory Authority (FINMA). The Pillar 3 report is issued on a half-yearly basis with reporting dates at 30 June and 31 December.



100%

of our discretionary agreements and Swiss asset allocation funds incorporate ESG criteria



The equivalent amount per household that BCV paid out to Vaud Canton and municipalities



Standard & Poor's rating

Our commitment to sustainable development in Vaud Canton

Sustainability is at the heart of our business model, and we take concrete steps to make a positive difference in our local community. In addition to providing financial services to the people of our Canton, we sponsor cultural, sports, and community activities in Vaud. We also run and back events, support the work of other organizations, and promote diversity – always with an eye towards long-term sustainability. The photos in this report illustrate just a few of our initiatives.

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Letter from the Chair and the CEO

A worsening economic environment

2022 started off on a bright note, with economic expansion expected to continue following the sharp rebound in 2021. On top of that, the pandemic seemed to be drawing to an end in many countries – Switzerland, for example, lifted most Covid-related restrictions in mid-February.

But optimism soon gave way to uncertainty when war broke out in Ukraine in late February. In the following months, energy and other commodity prices soared, and inflation made a comeback around the world. In response to that inflationary pressure, central banks raised interest rates sharply. The Swiss National Bank hiked its policy rate from -0.75% to 1% in the space of just six months, bringing an end to eight years of negative interest rates.

Growth forecasts were downgraded for Switzerland and globally. Despite this, both the Swiss and Vaud economies recorded solid growth in 2022, expanding by 2.1% and 2.7% , respectively, and unemployment fell to a 20-year low.

Very strong financial results

Our Bank's revenues remained strong in 2022 amid downbeat financial markets and rising interest rates. The top line once again exceeded the CHF 1bn mark, thanks to a combination of low provisioning needs, high forex-market volatility, and active balance-sheet management. Operating profit came in at CHF 448m – up 4% on the record 2021 figure – as we kept the rise in operating expenses well under control. Net profit reached a 15-year high of CHF 388m, 3% higher than the prior year.



Eftychia Fischer
Chair of the Board of Directors

Pascal Kiener
CEO

Dividend payout and extension of our distribution policy

Given these very strong results, the Board of Directors will recommend an ordinary dividend of CHF 3.80 per share at the upcoming Annual Shareholder's Meeting, up CHF 0.10 on last year's figure. If approved, our shareholders will receive a total of CHF 327m, for a payout ratio of 84%.

This proposed dividend is at the top end of the target range defined in the distribution policy that ran through the 2022 reporting period. The Board of Directors and Executive Board, confident in our prospects going forward and the sustainability of our strategy over the long term, have extended that policy for another five years, with a higher range of CHF 3.80–4.20 per share.

Sustainability is in our DNA

Sustainability is at the heart of our identity and mission as a Swiss cantonal bank. It's also built into our business strategy. In 2022, we continued to execute on our longstanding commitment to corporate social responsibility, with a focus on protecting the environment. We stepped up our measures to support our customers in the energy transition, such as by providing specific training for our banking advisors. We're also implementing the Swiss Bankers Association's new guidelines for mortgage providers, which instruct advisors to address the question of energy efficiency when discussing home financing with their clients.

Our ongoing efforts have been recognized by ESG ratings agencies and organizations. Last year, MSCI upgraded our ESG rating from BBB to AA, the highest score given to a Swiss cantonal bank. Ethos reaffirmed our A– rating, the second highest of five scores, and CDP included BCV in its "Leadership" category last year based on our rating of A–, the second highest on a scale of eight.

The BCV share

In a generally bleak year for equities, BCV shares did extremely well. Our share price rose 25.4% over the period to close at CHF 88.75. This, combined with the dividend payout of CHF 3.70 per share for the 2021 financial year, represents a total shareholder return of 30.6% – the second highest among banks listed on the SIX Swiss Exchange.

Changes to the Executive Board

Gérard Haeberli retired on 31 December 2022 after serving as an Executive Board member and the head of the Private Banking Division since 2009. We would like to extend our warmest thanks to Mr. Haeberli for his steadfast commitment both in leading his division and on the Executive Board. He will continue to work within BCV Group as the chair of the board of directors of our subsidiary Piguet Galland & Cie SA.

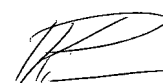
The Board of Directors appointed Christian Steinmann as the new head of Private Banking and member of the Executive Board. Mr. Steinmann brings extensive experience in wealth management in French-speaking Switzerland from his time at Credit Suisse. He joined BCV on 1 November 2022.

Acknowledgments

On behalf of BCV's Board of Directors and Executive Board, we would like to express our deep gratitude to our customers and shareholders for their continued trust and support. We would also like to warmly thank our BCV Group employees for their hard work and dedication.



Eftychia Fischer



Pascal Kiener





BCV now offers Fairtrade gold

As of 1 June 2022 all the small gold bars available for purchase at our counters are Fairtrade certified gold, and all the larger gold bars (50 grams and over) are traceable gold.

Who We Are

Overview of BCV

Our legal status

BCV (Banque Cantonale Vaudoise) 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, 2 March 2010, and 8 December 2020. 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.

Our core businesses

With revenues of CHF 1.04bn in 2022 and total assets of CHF 59.4bn, we rank among Switzerland's top five universal banks by total assets. BCV is the country's second-largest cantonal bank and the largest bank in Vaud, with a network of nearly 60 staffed branches and more than 200 ATMs throughout the Canton. The Bank's organizational structure 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 1,957 full-time-equivalent employees at 31 December 2022. At that date, in addition to the parent company, BCV Group comprised the private bank Piguët 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 2022 is described on page 141.

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 LBCV 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 that strategy to take full advantage of our unrivaled presence in our local market, the Canton of Vaud. That 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 the 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.

Starting in 2008, we implemented a series of strategic plans based on our business model as a universal bank with solid local roots. These strategic phases have driven the Bank forward following the 2002–2007 phase where we refocused our activities on the Canton of Vaud, and have paved the way for new strategic focus areas – leveraging our high-quality service to set ourselves apart from the competition, further expanding our multichannel products and services to meet our customers' needs across all channels (branches, call centers, and online), and continuing to enhance our digital offering.

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

In 2019, the Board of Directors and Executive Board conducted a new in-depth review of the Bank's strategy, in light of the numerous challenges facing the banking sector and the overall economy. The review confirmed that the strategy would continue on the same course and identified additional targeted improvements.

Our strategy

Our current strategy – *vista* – was rolled out in 2019 and builds on those enacted in previous years. Our aim is to maintain the positive trend that the Bank's business lines have been experiencing over the past few years. This strategy is also designed to position the Bank to respond to the main challenges we will face in the coming years, such as heightened competition, advancements in digital technology, and ever-changing customer needs.

For the business lines, we are targeting:

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

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

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

The Group aims to achieve sustainable growth, with revenues and operating profit trending along the same lines as in recent years. We are targeting a cost/income ratio of 57%–59% and a CET1 ratio of at least 13%; our ROE target based on this minimum target CET1 ratio is now 13.5%–14.5%. These targets should be viewed from a long-term perspective.

In line with the approach adopted over the last 15 years, BCV decided in 2022 to extend its dividend policy for another five years beginning with the 2023 reporting period. The Bank intends to pay an ordinary dividend of CHF 3.80–4.20 per share, barring significant changes in the economic or 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 maintains a deep connection with the local community that 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

The BCV Share

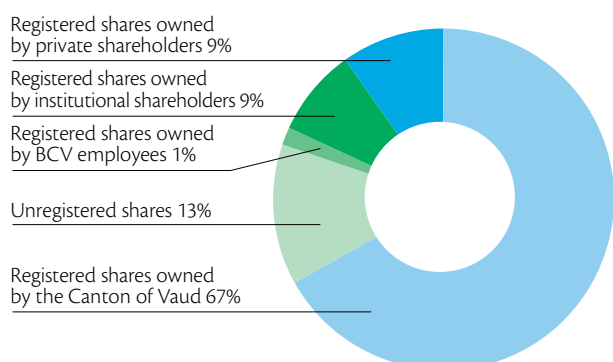
After climbing to record highs in 2021, all major indices ended 2022 in the red owing to the conflict between Ukraine and Russia and the deteriorating economic outlook. The SMI was down by 16.7%, the DAX by 12.3%, and the CAC40 by nearly 10%, while the broader STOXX Europe 600 dropped by 13.1%. US stocks also had a painful year: the S&P 500 slid 19.7%, and the Nasdaq, battered by the sharp correction in tech stocks, lost 33.4%. In Asia, the Nikkei fared somewhat better, falling only 9.4%, while the Shanghai Stock Exchange shed 14.6%. For its part, the MSCI Emerging Markets Index sank 22%.

As uncertainty rose, investors once again sought dividend stocks offering good visibility and security. That led the BCV share to have an excellent year. Our share price rose 25.4% to CHF 88.75. This appreciation, together with the dividend payout of CHF 3.70 per share, brought the total shareholder return to 30.6% – the second highest among banks listed on the SIX Swiss Exchange.

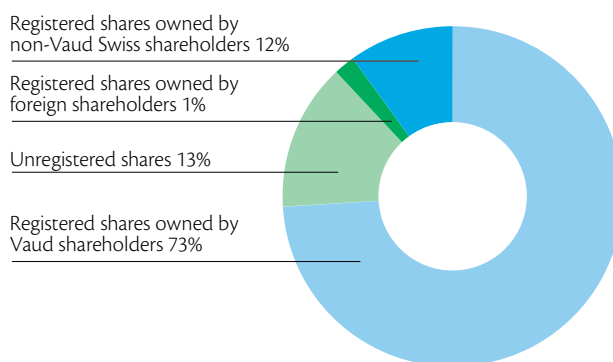
As in 2020, BCV's stock-market performance led to the share's inclusion in major indices such as the STOXX Europe 600 (in September) and the MSCI World Index (in November), further amplifying its uptrend. Trading volumes increased significantly, as they had also done in 2020 after the share joined those indices. With an average of CHF 7.3m changing hands daily, the BCV share was the fourth most liquid Swiss banking stock in 2022.

At 31 December 2022, 16,362 shareholders were listed in the share register, 15,412 of which were individuals.

Share ownership structure



Share ownership by geographical zone

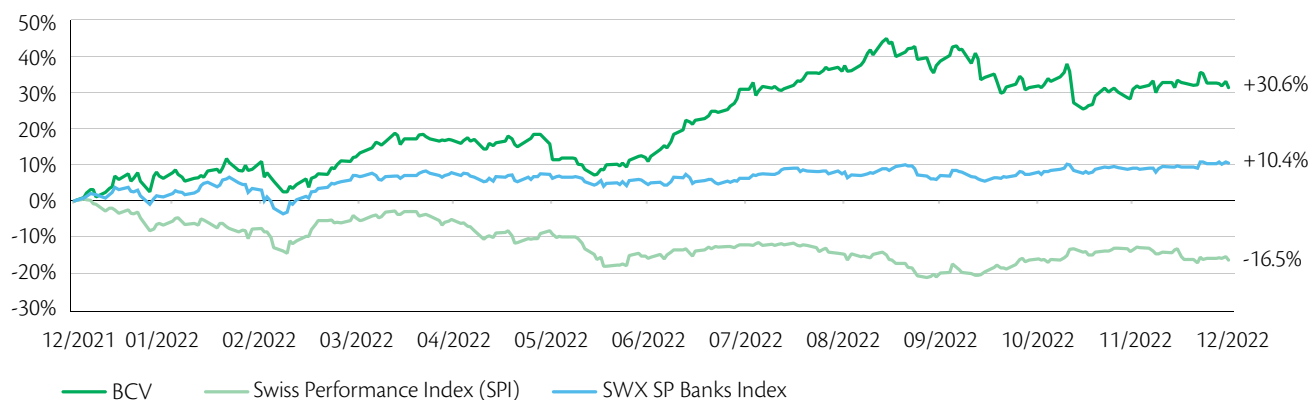


Listed on: SIX Swiss Exchange
 Par value: CHF 1
 Swiss security number: 53 175 175
 ISIN code: CH0531751755
 Ticker symbols: BCVN

Standard & Poor's
 Long-term credit rating: AA / stable
 Short-term credit rating: A-1+

Moody's
 Long-term credit rating: Aa2 / stable
 Short-term credit rating: Prime-1

Total shareholder return¹



¹ Stockmarket performance over the period plus dividends and capital distributions

	2018	2019	2020 ²	2021	2022
Number of shares outstanding (in thousands)	8,606	8,606	86,062	86,062	86,062
Period-end share price (in CHF)	741.00	790.00	96.30	70.80	88.75
Share price high / low (unadjusted, in CHF)					
– high	823.00	820.00	101.40	101.60	98.80
– low	688.00	708.00	67.50	67.30	70.70
Adjusted EPS ³ (in CHF)	40.8	42.3	3.85	4.41	4.52
Dividend per share (in CHF)	35.0	36.0	3.60	3.70	3.80 ⁴
Dividend yield ⁵ (in %)	4.7	4.6	3.7	5.2	4.3

² Amounts adjusted for the 10-for-1 stock split on 28 May 2020

³ Reported net profit after minority interests over average number of shares outstanding over the period

⁴ Dividend to be proposed at the 2023 Shareholders' Meeting

⁵ Relative to the period-end share price

Who We Are

Our Missions

Under the Cantonal Act Governing the Organization of Banque Cantonale Vaudoise (LBCV), BCV's objective as a full-service bank with a community focus is to contribute 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 as well as to help meet demand for mortgage lending in the Canton. Furthermore, these missions apply across the Canton and entail a particular focus on the principles of economically, environmentally, and socially sustainable development. Our role as a cantonal bank is to produce positive impacts for all our stakeholders – our customers, shareholders, employees, and the people of Vaud. As a modern company mindful of our duties and obligations, we have defined a series of objectives for our Bank:

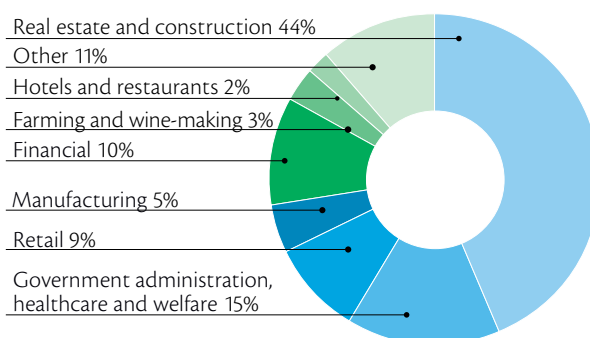
1. Contributing to the development of all sectors of the economy of our home region, the Canton of Vaud, and to the financing of public-sector entities, as well as helping meet demand for mortgage lending in the Canton.
2. Meeting our clients' needs with high-quality financial products and services.
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

We are 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, 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. According to representative surveys, BCV has been the most recommended bank in the Canton since 2019.

Our strong market position 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 helping meet demand for mortgage lending in the Canton.

Business loans by sector



Source: BCV

The way we kept executing on our mission during the Covid-19 pandemic was appreciated by people and businesses across Vaud. In 2020, BCV worked with the federal and cantonal authorities and other banks to develop the federally backed Covid-19 bridge-loan program and its equivalent for Vaud startups. Overall, we granted more than 6,000 bridge loans for a total of over CHF 700m; at end-2022, nearly half of that amount had been paid off.

In 2020 and 2021, we offered Vaud SMEs the option of deferring the 31 March and 30 June principal repayments on their loans (including mortgage loans, overdraft facilities, and capital goods loans), leaving them with nearly CHF 40m of additional cash. In all this, we fulfilled our role as the Canton's largest lender.

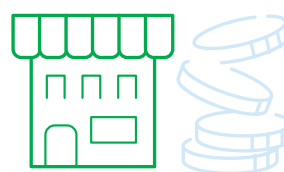
In 2021, we supported Vaud businesses during the rollout of the government's hardship assistance program in selecting and using the type of assistance best suited to them. And last year, as in 2020 and 2021, we conducted a survey of Vaud SMEs to better understand their concerns about the changing economic environment.

During the pandemic, we introduced special measures to protect our customers and employees (remote working, teams working in separate areas, masks, social distancing, hand sanitizing, etc.), while continuing to provide a full range of banking services to the people and businesses of Vaud. Customers were able to do their banking and speak with our advisors at their local BCV branch or remotely. The Bank also offered on-site vaccination for employees and their families.

80% of our lending is local

Our loan book covers all of our client segments across the entire Canton, with the people and businesses of Vaud accounting for 80% of total lending volumes. At end-2022, 51% of our outstanding customer loans were to individuals and 49% to companies across all sectors of the economy as well as public-sector entities.

We work with companies through every stage of their development: from startup 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 2022, we financed over 50 business successions for a total of CHF 54m and provided CHF 39m in financing to get around 130 startups off the ground in Vaud Canton.



Nearly
130
new
businesses
financed

In addition, BCV is part of Innovaud, the Vaud Cantonal Government's platform for promoting innovation in Vaud Canton. As part of the Innovaud project, we have renewed our commitment to the Foundation for Technological Innovation (FIT), agreeing to provide CHF 500,000 in funding per year for a further eight years.

These activities are part of an initiative launched several years ago. For example, we have published guides to setting up a business, in collaboration with the Vaud Chamber of Commerce and Industry (CVCI). We also conduct seminars in collaboration with the CVCI and GENILEM (a startup support organization). In 2022, 117 people participated in the "Transformer son idée en entreprise" ("Turn your idea into a business") course. After a period of lower attendance due to pandemic-related protective measures, around 150 people took part in these seminars last year.

Working with clients in difficulty

In line with our mission, we aim to continue our relationship for as long as possible with businesses and individuals 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 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

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 regional centers of expertise and nearly 60 branch offices across the Canton (see our retail map and list of branch addresses on pages 202–205).

We believe that our branch footprint effectively aligns with the needs of the dynamic and diversified community and economy that we serve. And we enhance our network each year to meet those needs, for example by renovating our Cheseaux-sur-Lausanne branch in 2022.

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 with BCV advisors available

Monday through Friday from 8am to 7pm and on Saturday mornings in some of our shopping center branches. Our customers may also speak with an advisor remotely. Our Customer Service Center is available every weekday from 7:30am to 7:30pm, and customers can contact our center's advisors through traditional channels – such as telephone, email, and the post – or through our instant messaging service. Our advisors provide answers to customers' questions on topics spanning day-to-day banking, investments, and loans in videoconference sessions or via call-back for individuals who make a request on bcv.ch. In 2022, our Customer Service Center handled 680,000 customer contacts – a decrease compared to 2021, as life returned to normal for our customers following the end of the pandemic. Our banking hotline for businesses and self-employed people is available between 8am and 6pm, Monday to Friday. Last year, our advisors handled around 95,000 customer contacts. This was less than in 2020 and 2021 and reflects a calmer economic environment following the turbulence caused by the pandemic, as well as a return to a semblance of normalcy for businesses.

We also offer automated services through our network of over 200 ATMs in more than 120 locations across Vaud. For greater ease of use, our ATMs feature touchscreens and an interface for the visually impaired and run on the new ATM Futura software for Swiss bank ATMs. In 2022, around 6.7 million transactions were carried out via our ATMs – an 8% increase after the pandemic-related decline in recent years, also reflecting a return to normal life. At the same time, the use of paperless payment

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

	Broye	Lavaux	Nord Vaudois	Nyon	Morges	Riviera	Chablais	Gros- de-Vaud	Lausanne
Mortgages	4%	11%	15%	16%	12%	10%	8%	9%	15%
Other loans	3%	8%	16%	14%	11%	8%	12%	9%	18%
Workforce distribution	3%	5%	11%	10%	9%	9%	5%	6%	43%

Sources: BCV; Statistique Vaud
 Mortgages: real-estate lending including fixed-term loans secured by a mortgage
 Workforce distribution: Structural Business Statistics, 2020

methods, which had grown sharply in popularity since 2020, continued to rise: in 2022, debit card transactions (with a Maestro or Visa Debit card) were up 14% and BCV TWINT transactions were up 70%.

A broad digital proposition

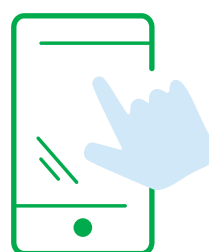
Our corporate and individual clients are also increasingly taking advantage of the 24/7 access provided by our online banking services through our website, [bcv.ch](https://www.bcv.ch), and our online banking platform accessible via BCV-net on a computer or via BCV Mobile on a smartphone or tablet. Currently, over 70% of our customers bank online and more than nine out of every ten payments are made on BCV-net or BCV Mobile. Our customers are increasingly using their smartphones to access our online banking services. More than four-fifths of e-banking logins are via our BCV Mobile app, and nearly 60% of users now do their online banking exclusively on their smartphones.

We have significantly expanded our online banking services in recent years. From our website, [bcv.ch](https://www.bcv.ch), anyone can now open an account or use our enhanced investment proposal tool, which includes an option to filter for funds that integrate environmental, social, and governance criteria (ESG) into their investment process. On our online banking platforms, customers can do far more than just check their account balances and enter and view payments. For example, they can use the financial cockpit functions to monitor their income and expenses and manage their cards, and corporate clients can manage employees' access rights. Customers can also schedule a videoconference meeting with their advisor, apply for and manage certain loans (e.g., fixed-term advances for businesses or mortgage-loan renewals for individual customers), and pay and issue QR bills.

In 2022, we continued to improve and add features to BCV-net and BCV Mobile. For example, customers can now manage their credit cards in BCV Mobile. They can also sign up for standard banking packs, foreign currency accounts, savings accounts, and retirement investment accounts directly in the app. This function will be gradually expanded to include other products and services, such as purchasing shares in BCV investment funds and setting up a BCV Start Invest savings plan. Thanks to our continual upgrades, BCV Mobile is now one of the highest-rated banking apps in Switzerland.

BCV TWINT mobile payment

Our BCV TWINT app has been growing in popularity every year since it was launched in 2017. During the pandemic, the number of active users soared, and last year this figure increased a further 20% to 131,000. TWINT is a payment app developed by the Swiss banking sector that allows users to pay for in-store and online purchases, transfer money to other TWINT users, buy public transportation tickets, and pay for parking.



70%
of our customers
use our digital
banking services

BCV's TradeDirect platform remains one of the most competitively priced online brokerage services in Switzerland. The TradeDirect website was completely redesigned in 2020, and our TradeDirect app for smartphones was also revamped in 2021. This platform provides access to 35 stock exchanges and over 100,000 investment vehicles and has powerful market-tracking, search, and analytical tools. Users can enter orders, manage their portfolios, track individual stocks, stay up to date with the latest market news, and view ratings and analyses provided by research firm TheScreener. In a tough climate for online brokerages due to widespread stock market losses, TradeDirect continued to attract new customers in 2022, although at a more gradual pace than in the previous two record years.

In Wealth Management, our BCV Conseil advisory services include an online platform – which was fully integrated into our BCV Mobile app in 2022 – where customers can speak with their dedicated advisor, manage their portfolio, and stay informed with our expert analysis of the latest financial news.

In addition to the content on our website, BCV publishes economic news and information on a single platform

(www.bcv.ch/pointsforts). This includes analyses from our specialists, videos of their guest appearances on the “Votre argent” segments broadcast on La Télé Vaud Fribourg, and an array of articles covering investments, financial planning, real estate, and the Vaud economy.

These various physical and digital distribution channels allow us to offer rapid, practical, and efficient services that customers can access whenever and wherever they need.

High-quality customer care and a full range of banking services

We constantly strive to satisfy the changing needs of our customers – individuals, businesses, pension funds, and public-sector entities. Through our various digital and physical channels, we provide products and services that cover the full range of banking requirements, with a special focus on service quality. That focus is a strategic priority and differentiating factor for our Bank, and in 2015 we set up a bank-wide program to continually improve the quality of our customer interactions and the wider BCV customer experience. Those efforts have been recognized by the people of Vaud. In 2022, for the fifth year in a row, BCV was named the most recommended bank in the Canton, according to a survey carried out by AmPuls Market Research among a representative sample of Vaud residents.

What’s more, we have put in place a service-quality monitoring system based on data gathered from customer satisfaction surveys and other key indicators within the organization. This system enables us to meet our objectives in this area and measure customer satisfaction. It also helps us identify concrete ways in which we can improve our products and services. For example, thanks to insights gained through this system, new customers can now open an account in less than two days on average, and half of all mortgage applications are processed within 48 hours.

As for our specific banking solutions, we offer our personal banking customers a comprehensive and constantly evolving range of products and services. In 2022, we rolled out the new Visa Debit card – which can be used for online payments – to replace our Maestro card. Customers of all ages, whether working or in school, can choose the BCV banking pack that best fits their daily banking needs and

open it online or at a BCV branch. Our Youth and Family accounts are particularly popular.



We provide 1 of 3
mortgage loans in Vaud

Personal banking customers can also take out mortgage loans to meet their home financing needs. Our Start Immo offer, with its preferential lending terms, has had strong traction with first-time home buyers. In addition, our Green Bonus loans offer preferential terms on financing for properties with an eco-rating of A or that are undergoing energy-efficient renovations eligible for a cantonal subsidy (both primary residences and rental properties). What’s more, thanks to our partnership with Romande Energie, homeowners can use the calculator available from our website, bcv.ch, to estimate how much they would save by installing solar panels or a new heating system. They can also carry out a CECB® Plus energy audit – which consists of a cantonal energy certificate for buildings plus an analysis of potential green renovations – for a reduced price. We recently created a guide on energy-efficient renovations to help our customers learn more about this topic.

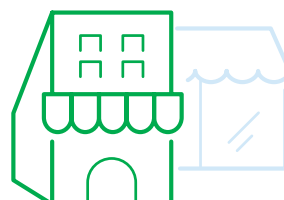
In addition, our customers can use our asset allocation funds, which incorporate sustainability criteria, and third-pillar individual retirement accounts to invest their savings for the long term. As of summer 2022, customers can even open an investment savings account as a long-term gift for a child. All individual customers, regardless of their wealth, can receive comprehensive financial planning and wealth management services, and in 2022 we introduced additional options for passing on their estate, such as by creating a philanthropic foundation.

In Wealth Management, we offer a full range of banking and investment solutions along with advisory and asset

management services. All our wealth management customers can speak with their dedicated advisor and, through an online platform accessible via BCV-net and BCV Mobile, manage their portfolio and stay informed with financial news articles written by our experts. We have made a full range of ESG investment solutions available to customers to meet their expectations in this area, and understanding those expectations is a key component of our advisory services. Our regional footprint means we have advisors throughout the Canton; customers appreciate knowing that our specialists are close by when they want to talk over their financial situation or the larger economic picture. In 2022, we hosted a number of talks and round-tables, both online and in-person, and continued to send out our regular newsletters so that customers could stay on top of market and economic news.

In Corporate Banking, BCV offers a comprehensive range of products and services, including financing, treasury management, hedging, occupational pension solutions, and advisory services at all stages of the company's life, from startup to succession. 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. We also regularly enhance our online banking features for corporate clients. Our Green Bonus offer includes loans for commercial and administrative properties as well as capital goods loans for companies that carry out a PEIK energy-efficiency audit or receive a cantonal subsidy. Like our individual customers, BCV's corporate clients can carry out a CECB® Plus audit at a reduced price through our partnership with Romande Energie and finance their renovations with our Green Bonus loan. These clients can now take advantage of the flexibility provided by our new mortgage loan based on the recently introduced SARON reference rate. In 2022, we partnered with the main Vaud business associations and other trusted local companies to offer BCV clients special deals to help them create or manage their businesses – such as discounts on PayEye QR bill readers and the bexio online accounting software. We also continued our efforts to support businesses and keep them informed of developments affecting them. To that end, we held various events and released short videos on key topics such as cybersecurity, the real estate market, and the energy transition. Regarding the energy transition in particular, we issued a guide in association with PME magazine to help companies navigate the new

energy landscape.



1 of 2 Vaud small businesses
banks with BCV

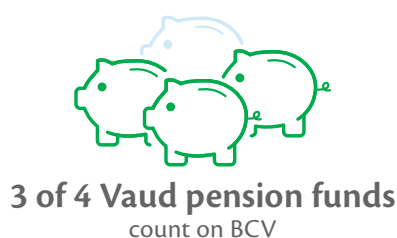
In Asset Management & Trading, investors can take advantage of BCV's investment strategy and proven expertise through our comprehensive range of advisory and other services together with investment products, from investment funds and structured products to management agreements and asset allocation funds in both specific and global investment universes. To continue meeting our clients' needs in private and institutional asset management – areas in which BCV is a leading player – we have focused on investment solutions that incorporate ESG criteria. Our Bank is playing an active role in this field. In discretionary asset management, for example, all of our asset allocation funds and asset management agreements for private clients incorporate ESG criteria. We expanded our range of funds in 2022 with an ESG fund investing in physical gold. And we work with several organizations to support our socially responsible investment (SRI) approach, including Swiss SRI specialist Ethos, with which we entered into a strategic partnership in 2020.

In structured products, our AMC Access360 tool – which allows investment professionals to manage their actively managed certificates directly online – continued to add new features, such as generating reports for asset managers. We also continued to expand the range of structured products we issue via deritrade®, Vontobel's multi-issuer platform for derivative instruments, with the goal of eventually offering one of the most comprehensive product ranges on the platform.

All this shows that we are continually striving to meet our customers' needs and improve our service quality.

Given the current and upcoming regulatory changes affecting financial products, we are adapting our service

model and product range accordingly. Our aim is to ensure that all individual and corporate customers are well-informed, protected, and provided with high-quality service across all our physical and digital distribution channels. With regard to our institutional clients, BCV's Asset Management Department complies with the ISAE 3402 Type II standard on the effectiveness of internal controls for the full range of services we provide – from client onboarding to performance reporting.



3. Acting on the principles of sustainable development

The principles of economically, environmentally, and socially sustainable development are innately linked to BCV's mission and our success in the Vaud market. We see this link as a chance to create a virtuous circle that allows us to be both competitive and socially responsible. That is how we can maximize the benefits we bring to all our stakeholders – by creating value for our customers, shareholders, employees, and the people of Vaud all while doing our part to address economic, social, and environmental issues. For more than ten years, we have shared the details of our sustainable development performance as well as the impacts of our Bank's activities across Vaud in our sustainability report.

As part of the strategic plan we defined in 2019, called *vista* (see the Overview of BCV and BCV in 2022 sections), we have enhanced our approach to sustainability. We have created dedicated CSR organizational and governance structures and, since 2020, have been publishing our sustainability report annually in both French and English (it was previously published in French every two years), with added content in line with the international Global Reporting Initiative Standards. The French version of this

year's report was published at the same time as this annual report, and the English version is scheduled for release in May 2023. Our sustainability reports are available on our website at <https://www.bcv.ch/en/home/la-bcv/responsabilite-d-entreprise/isr.html>

We have also continued to reinforce our CSR approach in the range of solutions we offer. For example, we have broadened the scope of our Green Bonus offer, which consists of preferential terms on loans used to finance energy-efficient properties and renovations. In 2020, we extended these loans to include properties that have an eco-rating of A, and in 2021, we expanded the offer to cover not just primary residences but also other types of real estate, such as rental properties and commercial and administrative properties, as well as capital goods loans. In addition, we entered into a partnership with Romande Energie to provide an online tool to calculate savings from a new heating system or newly installed solar panels, and to offer preferential rates on CECBR Plus energy audits. And in conjunction with the Swiss government's PEIK program, we set up a similar arrangement for businesses to obtain energy audits for their commercial equipment at preferential rates.

BCV is a signatory to the United Nations Principles for Responsible Investment (UNPRI) and is a member of Swiss Sustainable Finance, which aims to strengthen Switzerland's position as a hub for sustainable finance. We have made it possible for institutional and private clients to build portfolios that integrate ESG criteria, in accordance with SRI principles. We incorporate ESG factors into our stock-picking and investment management process primarily through negative screening, ESG integration, best-in-class selection, positive screening, and stewardship (active ownership). We also offer thematic products that invest in companies whose products and services offer sustainable solutions to environmental and social issues. More information can be found on our website at <https://www.bcv.ch/en/home/la-bcv/responsabilite-d-entreprise/isr.html>



100%

of our discretionary agreements and
Swiss asset allocation funds incorporate
ESG criteria

Our range of products incorporating ESG criteria includes investment funds, management agreements, and certificates. We also offer products managed in collaboration with Swiss SRI specialist Ethos. This partnership, which we entered into in 2020, currently covers seven Ethos funds. Under our agreement, Ethos is responsible for carrying out ESG analyses, exercising voting rights at shareholders' meetings in accordance with its own guidelines, and actively engaging in dialogue with investee companies to encourage them to improve their ESG practices. BCV's Asset Management Department's role is to select investments and build the portfolio, taking Ethos's ratings into account, and to conduct financial and risk analyses. Ethos and BCV's asset management team will work together closely in order to strengthen this partnership over the coming years and create a new center of expertise in sustainable finance in Switzerland.

Our partnership is already seeing results. BCV-managed funds Ethos II - Ethos Swiss Sustainable Equities and Ethos - Equities Sustainable World ex-CH were awarded FNG's three-star label, the highest ranking awarded by FNG, for 2023. This independent label was created by Forum Nachhaltige Geldanlagen, an association specializing in SRI in Germany, Austria, and Switzerland. It is awarded to funds that meet FNG's quality standards for sustainable investments and pass an independent audit conducted by the University of Hamburg.

Among the three dimensions of sustainable development, economic development is, of course, fundamental for a bank. The previous sections of this chapter have illustrated some of the ways we contribute to the local economy and serve individuals and businesses in Vaud. To continue achieving our objective of contributing to the economic

development of our Canton, we must ensure that our foundations are solid and that our vision for BCV leads to steady profitability going forward. In keeping with this mission, our strategy targets sustainable growth and a moderate risk profile. This approach benefits all our stakeholders. In 2022, for example, we paid out CHF 243m to our majority shareholder (the Canton of Vaud) and to Vaud municipalities. This amount comprised a dividend and cantonal and municipal taxes.

The principles of sustainable development underpin the actions we take to enable employees to reach their full potential and are reflected in our involvement in the local community. Yet another example of this approach concerns the environment. We continued our efforts to reduce our energy consumption and environmental footprint in 2022. For several years now, we have been commissioning an environmental assessment in order to quantify our impact and suggest targeted mitigation measures. While we regularly take steps to reduce our consumption of paper and other supplies and to make our IT system more energy efficient, most of the potential savings are to be found in our infrastructure, an area we have been investing in for a number of years. For example, we cut our electricity consumption by 35% between 2017 and 2022, in part by installing new electrical equipment. In recent years, we have invested several million francs in our Aigle and Nyon regional decision-making centers so that the buildings meet "Minergie" energy-efficiency certification criteria and to reduce energy consumption in both buildings by at least 60%. We have committed to cutting the CO₂ emissions from our operations by at least 35% from 2019 levels by 2030, in line with Vaud Canton's Climate Plan and the targets set by the federal government. And when it comes to our equity funds, we have screened out companies that generate a significant proportion of their income from thermal coal.

We offset 100% of the greenhouse gas emissions from our operations by financing projects in Vaud and outside Switzerland in conjunction with Swiss Climate. These projects eliminate the equivalent amount of carbon emissions that are associated with our direct impacts. In 2022, BCV earned an A- rating from the CDP survey, placing us in the "Leadership" category. This is the second highest of eight scores, ranging from A to D-. The Bank has been taking part in the CDP survey, which measures the greenhouse gas emissions of companies, since 2010.

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 moderate 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 a total of CHF 4.0bn to our shareholders between 2009 and 2022. Over the same period, the BCV share price more than doubled, making it one of the best-performing stocks in the Swiss banking sector. That share-price appreciation, coupled with the distributions paid out over the years, equates to an average total shareholder return of about 14% per year.

Our financial strength, solid market position and status as a cantonal bank have won recognition from the rating agencies. Standard & Poor's maintained our AA rating for the 11th year running, and Moody's reaffirmed our long-term rating of Aa2 for the eighth year in a row. Both agencies' ratings are accompanied by a stable outlook. Our ratings attest to 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, bcv.ch.

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 clear job descriptions and performance objectives, skills development is a key employee success factor. We encourage training as a driver of staff motivation and knowledge management. Moreover, we are dedicated to creating workplace equality, promoting diversity, and offering the same opportunities to all staff.

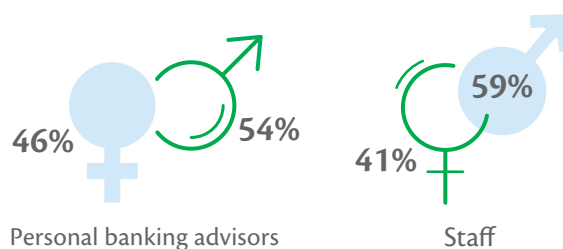
A common corporate culture is an integral part of our human resources policy. At the heart of this culture are BCV's four core values: responsibility, performance, professionalism, and close ties with our customers and the broader community. These values are also central to the ethical principles described in the code of conduct in

force within BCV Group. This code of conduct, which is available on our website, was reviewed and expanded in 2021.

Staff

At the end of 2022, BCV Group had 1,957 employees on a full-time-equivalent (FTE) basis, up slightly from the prior year. The parent company accounts for the largest share of the workforce, with a total of 1,923 employees, or 1,755 FTEs. In 2022 we filled 278 positions: there were 236 outside hires and 42 people were kept on after they completed BCV internships or training programs. Apart from retiring staff, average staff turnover was 9.5% in 2022.

In terms of gender equality, the parent company had 790 female employees (41% of the workforce) at the end of 2022. Women accounted for 31% of managers (404 positions) and 16% of all senior managers (52 positions). We aim to have 25% of our senior leadership positions held by women by 2030. In addition, women run 30% of our branches (9 positions), where they play a key role in running our retail network. There were 481 employees (25% of the Bank's staff) working part time at the end of the year.

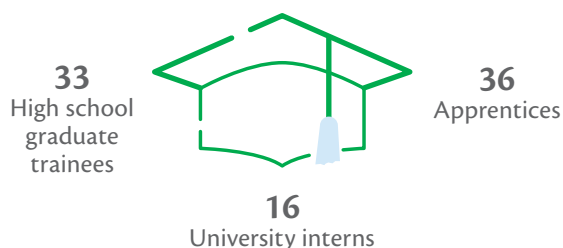


Every two years, BCV commissions a third-party polling service to conduct an anonymous survey of all staff members in order to obtain their opinions on working conditions, workplace relations, and satisfaction with supervisors and, more generally, to determine employee buy-in and commitment. 83% of employees took part in the last survey, which took place in 2022. The findings showed that employee buy-in remains high. Once again, the results were considered very good in comparison with those at other companies in almost all areas studied, but especially in terms of support for the Bank's strategy and confidence in senior management.

Equal pay

In compliance with the amended Swiss Federal Gender Equality Act, in 2021 we hired Comp-On SA, a human-resources consulting firm specializing in employee compensation, to conduct a pay analysis of all employees. The results showed that BCV's compensation meets Swiss federal requirements on gender-equal pay. The analysis was approved by the Consortium of Social Partners for Equal Pay in Banks (CeParEB).

Beyond meeting Swiss legal requirements, we were awarded the Fair-ON-Pay+ certification by Comp-On SA and SGS. This certification, which is valid for four years and includes a follow-up audit in the third year, recognizes BCV's equal pay practices over the long term.



Focus on training

In 2022, BCV provided job training for 92 trainees, including 36 apprentices, 33 high school graduate trainees, 16 university interns, and 7 participants in our “Rejoignez-nous” training program for people moving into banking after a career break.

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 2022, the training center focused on skills development for all of the Bank's employees. 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, we adopted a certification system used by several other banks that is in line with

the ISO 17024 standard and recognized by the Swiss Association for Quality (SAQ). 239 client advisors had received their certification by end-2022.

The eighth edition of BCV's Micro MBA program, offered in collaboration with the Entrepreneurial Leadership program at the University of Geneva's School of Economics and Management, started in 2021 and ended in 2022. The 20 participants developed interdisciplinary and project management skills. In addition, 18 BCV employees received post-secondary degrees from outside institutions in 2022, 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 coverage 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 2022, pension fund members comprised 2,099 employees, 1,883 of whom were working at the parent company, and another 1,373 pension recipients, including 1,057 retirees.

BCV takes several kinds of action in the interest of employees' health. Our focus is on prevention, for instance by providing flu shots and financing a sports association. In 2021, we partnered with a local healthcare group to offer on-site Covid-19 vaccinations to employees and their families; we repeated this measure for booster shots in 2022.

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. Our commitment has not wavered. In 2020 and 2021, we continued to support events and activities, especially those related to culture and sports, that could not take place because of the pandemic-related public health measures. Our goal there was to contribute to sustaining these events through a difficult period.

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 Cully Jazz Festival, the 4 Seasons Festival, the Blues Rules Crissier Festival, the Red Pigs Festival, the Théâtre du Jorat, the Théâtre de Beausobre, the Vevey Festival of Images, the Castrum Festival, the Lausanne International Percussion Festival, Lausanne-Pully Museum Night, the Maison d'Ailleurs science-fiction museum, the Fondation Vaudoise pour la Culture, the Fondation du Conservatoire de Lausanne, and Plateforme 10 (i.e., the Musée cantonal des Beaux-Arts, or MCBA, in Lausanne).

We also support a number of outreach initiatives that help bring together the local community. In 2022, these included: Société Vaudoise d'Utilité Publique (an association of social-service institutions), Pro Senectute Vaud (an organization that helps senior citizens), La Paternelle (a not-for-profit mutual insurance company for orphans), the Vaud Red Cross, Ma Vie Ton Sang, Swiss Solidarity's fundraising day for Ukraine, the Fondation Mère Sofia, the Ligue Vaudoise contre le Cancer, Marchethon (a walkathon for cystic fibrosis), Association Cerebral Vaud (an organization that supports people with cerebral palsy and their families), and the Fondation Compétences Bénévoles (an organization that provides support services to charities).

The future of Vaud is taking shape in its schools. Last year we presented prizes at schools across the Canton (including primary schools, secondary schools, and universities) and provided support for Lausanne's Centre Sports-Etudes for school-age athletes and the 42 Lausanne computer programming school.

Sports activities are also a key part of the social fabric of Vaud and are central to our sponsorship policy. Last year we sponsored a number of sports clubs and events, including: FC Lausanne-Sport, the Association Cantonale Vaudoise de Football, the Lausanne Hockey Club, the Lausanne 20K, the Vaud Canton Gymnastics Festival, the Villars Ultraks trail races, the Fondation d'Aide aux Sportifs Vaudois, the Mérite Sportif Vaudois, the Vevey Lavaux Up car-free event, and the Leysin Tobogganing Park.

We also support various other important initiatives in the Canton, including the Forum de l'Economie Vaudoise, the Forum des 100, the Ouest Forum, the PERL awards, the Prix Strategis for the best Swiss startup, the Mérites de l'Economie awards, the Numerik Games Festival in Yverdon-les-Bains, and the Enterprise for Society Center (E4S).



Bike to work:
15,000 km
covered by bike or
on foot

For over ten years we have had links with programs that allow staff members to take part in humanitarian and environmental initiatives in association with non-governmental organizations. In 2022, we supported the following programs: Don du Sang, a blood-donation program; the yearly orange-sale fundraiser by the NGO Terre des Hommes; and the Red Cross flower-selling initiative Mimosa du Bonheur. In 2022, over 60 employees took part in environmental initiatives, including group efforts to remove invasive plants in Clarens, with the Association pour la Sauvegarde du Léman (ASL), and in the Jorat forest, with the Association Jorat Parc Naturel.

A group of BCV employees also helped clean up the shores of Lake Geneva in a project organized by the ASL. We sponsored a carbon emissions targets project from UCreate3, an acceleration program for innovative projects that is run by the University of Lausanne's HUB Entrepreneurship and Innovation. We backed the Webeelong Association's "CHF 1 for the climate" initiative, which lets restaurant owners and their customers support both the environment and the local economy. Finally, BCV took part in the "bike to work" challenge, which encourages people to ride their bikes on a daily basis.

Another initiative close to our heart is BCV Solidarity. In 2012, we decided to replace the end-of-year gift to employees with an annual donation in our employees' name to a humanitarian project somewhere in the world. Every year, a different project is chosen by a working group selected from a pool of volunteers. For the initiative's tenth anniversary in 2022, BCV Solidarity supported IFPD Foundation's project to build a hotel school in Katmandu, Nepal. This school will help young people from disadvantaged families in one of the world's poorest countries to enter the workforce.

In addition, BCV supports its employees' involvement in the community, thereby contributing to their personal development. In 2022, over 200 staff members were actively involved in a variety of societies, associations, and other organizations of a social, political, cultural, or sporting nature. However, BCV has a policy not to provide any type of formal support to any political party or organization.





BCV Generosity employees pull out knotweed

One June morning last year, a dozen employees volunteering under our BCV Generosity program joined Association pour la Sauvegarde du Léman on an initiative to remove invasive knotweed from the banks of the Baye de Clarens.

Year in Review

Economic Environment

2022 started on a positive note with hopes that the Covid-19 pandemic was coming under control, although inflation was rising and global growth was slowing compared with the sharp rebound in 2021.

Then the war in Ukraine and its various consequences caused economic conditions to deteriorate. Whereas at the start of 2022 the International Monetary Fund (IMF) predicted global growth of 4.4% for the full year, the world economy actually grew by only 3.4%, according to IMF estimates published a year later.

The slowdown also affected Switzerland and Vaud Canton, which saw GDP growth of 2.1% and 2.7% respectively – based on early 2023 estimates – rather than the 3.0% and 3.6% figures forecast at the start of 2022. However, both got off relatively lightly compared to the turmoil affecting their neighbors, with inflation approaching 10% in the eurozone. Although Swiss-franc interest rates also rose, the increase was smaller than in most industrialized economies.

Slower global growth

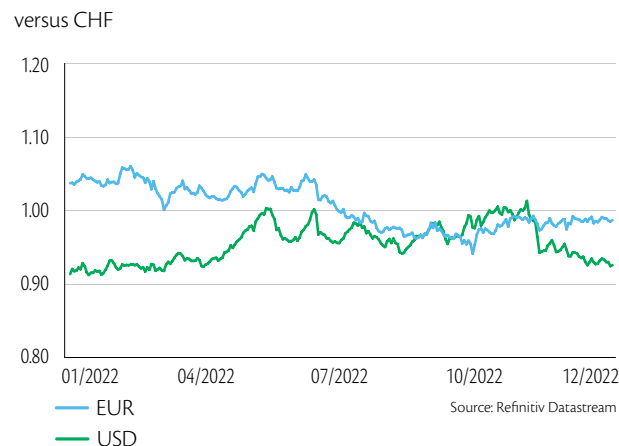
In early 2022, two years after the Covid-19 crisis began, the global economy seemed to be getting over the shock. After the recession caused by lockdowns put in place around the world starting in spring 2020, consumers and businesses regained confidence and economic activity rebounded in all regions. As a result, growth was very strong in 2021 and looked set to continue in 2022, although at a slower pace. In addition, vaccine rollouts meant that an easing of pandemic restrictions looked likely in many countries. In late February 2022, the outbreak of the war in Ukraine caused a fundamental change in the outlook. In the following months, commodity prices and energy prices surged, inflation made a comeback in many countries, and interest rates rose.

All of this caused growth prospects to deteriorate all over the world. In January 2022, the IMF expected the world economy to grow by 4.4%, after rebounding by around 6.0% in 2021. However, the forecast was downgraded

GDP growth around the world



Exchange rates



each quarter during the year, and in January 2023 the IMF estimated that the global economy grew 3.4% in 2022. The outlook worsened most in industrialized economies, which grew 2.7% according to early-2023 estimates, as opposed to the 4.0% forecast published at the start of 2022. Inflation was high, and fears of energy shortages affected consumer and business confidence, particularly in Europe. In emerging economies, some of which benefited from the rise in commodity prices, the growth estimate fell less sharply, from 4.8% to 3.9%.

Mixed financial-market and macro climates

2022 was not a good year for stock markets. Renewed uncertainty and inflation, along with higher interest rates, caused a decline in the main stock-market indices. In the US, the S&P 500 fell 26.9% to 3,840 points. In Switzerland, the Swiss Market Index (SMI), made up of the largest companies listed on the SIX Swiss Exchange, lost 16.7% to close at 10,729. The eurozone's blue-chip EURO STOXX 50 Index fell by 11.7%, and the MSCI Emerging Markets index (USD) declined by 22.4%.

In the bond markets, 2022 brought a sharp increase in long-term sovereign bond yields, while central banks performed a U-turn, raising their policy rates several times in a short space of time. The yield on 10-year US Treasuries rose from 1.50% to 3.83%, while the Federal Reserve hiked its Fed funds target range from 0%–0.25% to 4.25%–4.50%.

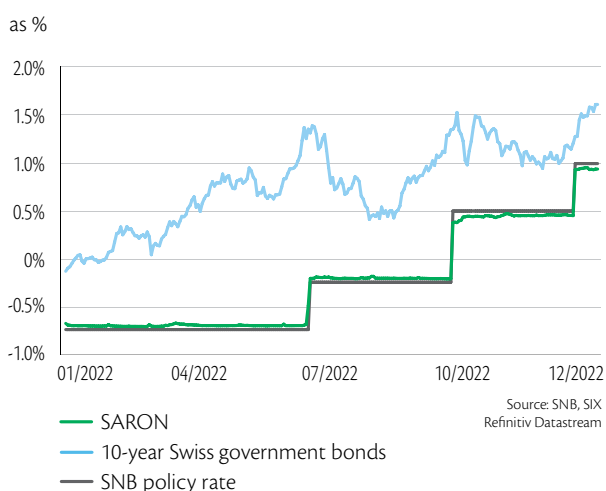
In the eurozone, the 10-year German Bund yield rose from –0.18% to +2.56%, while the European Central Bank raised its deposit facility rate from –0.5% to +2.0%. In Switzerland, the 10-year government bond yield went from –0.14% at the start of the year to +1.62% at the end, and the Swiss National Bank increased its key interest rate from –0.75% to +1.00%.

The increase in interest rates was driven by severe inflationary pressure around the world in 2022, caused in particular by higher prices for energy and other commodities after war broke out in Ukraine. In the second half of 2022, inflation rose to 9.1% in the US before easing back to 6.5% at the end of the year. In the eurozone, inflation ended 2022 at 9.1% after peaking at 10.6%. Switzerland was less affected, partly because of the strong franc, with inflation rising to 3.6% before declining to 2.8% in December 2022.

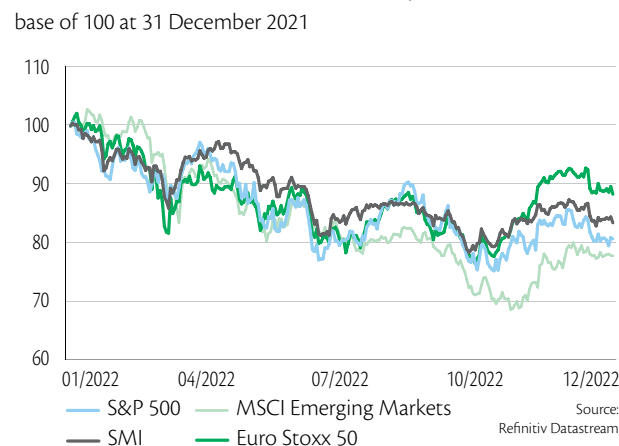
In the precious metals market, the gold price ended the year down 0.4% at USD 1,816 per ounce. In Swiss-franc terms, however, gold rose 0.7% to CHF 53,997 per kilo.

In currency markets, the Swiss franc strengthened against the euro. The euro was worth CHF 1.04 at the start of the year and CHF 0.99 at the end, a decline of 4.9%. The dollar, meanwhile, rose 1.3% from CHF 0.91 to CHF 0.92.

Interest rates



Stock-market indices in local currency terms



Economic slowdown in Switzerland

Switzerland was also affected by the worsening global economic climate: Swiss GDP rose 2.1% in 2022 (based on the February 2023 estimate), one percentage point less than the figure predicted at the start of the period. The domestic economy remained solid, but some export-focused industries were held back by slower growth in their destination markets. Nevertheless, a semblance of normal life returned in 2022 after two years of efforts to combat Covid-19. Pandemic-related restrictions started to be lifted in mid-February, meaning that restaurants could again operate as normal and foreign tourists could return to Switzerland.

Conditions remained good in the labor market. The number of full-time-equivalent jobs rose by 2.4% to 4.2 million in 2022. In the fourth quarter of 2022, employment was up 2.3% year on year to 1.0m in the secondary sector and up 2.4% to 3.2m in the tertiary sector. The unemployment rate declined from an average of 3.0% in 2021 to 2.2% in 2022, a 20-year low. The number of people receiving partial unemployment benefits, which peaked in 2020, fell back to its pre-pandemic level.

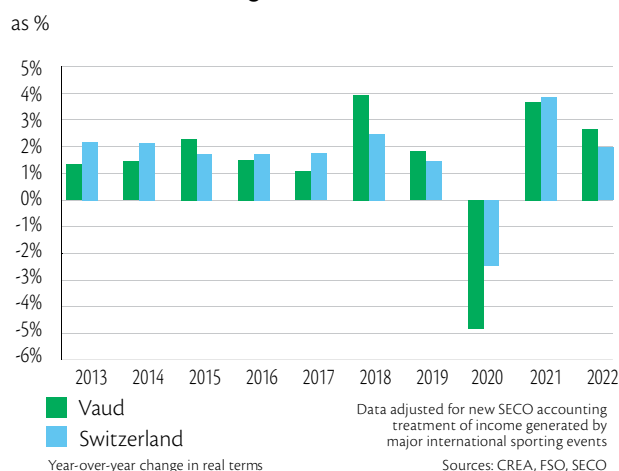
Swiss exports continued to grow in 2022, rising 7.2% to a new all-time high of CHF 278.6bn. However, the increase was mainly due to higher prices. In terms of the volume of goods sold – i.e., in real terms – exports were up only 0.1% according to the Federal Office for Customs and Border Security. For example, while income from exporting chemicals and pharmaceuticals rose by 2.8%, the volume exported fell by 4.4%. The situation was similar in the watchmaking industry, with exports up 11.4% in nominal terms but down 0.8% in real terms. The machinery, precision instruments, and food industries fared better, with exports rising in both nominal and real terms.

Slower growth in Vaud Canton

The Vaud economy followed a similar trajectory to the rest of Switzerland, although its GDP growth of 2.7% was higher than that of the country as a whole. As was the case across Switzerland, most Vaud industries posted growth, according to January 2023 figures from the CREA Institute of Applied Economics in the Business and Economics Faculty of the University of Lausanne. The fall economic survey of the Vaud Chamber of Commerce and Industry (CVCI) also showed an upturn in business in both services and manufacturing.

The Vaud job market was firm. The number of jobs (on a full-time-equivalent basis) in the Canton was up 0.4%, with a 2.3% increase in the secondary sector but a 0.1% decline in the tertiary sector. As in Switzerland as a whole, the unemployment rate in Vaud fell, going from an average of 4.1% in 2021 to 3.3% in 2022. However, that figure masks regional differences. Unemployment was below the Vaud Canton average in Gros-de-Vaud (2.5%), Lavaux (2.5%), Morges (2.5%), Nyon (2.8%), and Nord Vaudois (3.0%), while it was close to the average in Chablais (3.3%). Unemployment was above average in Broye (3.6%), Riviera (3.8%), and Lausanne (4.0%). The number of people receiving partial unemployment benefits fell to its pre-pandemic level.

Vaud and Swiss GDP growth



Real-estate market still dynamic

The Vaud real-estate market continued to show good momentum in 2022. Prices of owner-occupied housing remained on an upward trend. On average across the Canton, prices of single-family homes rose 6.9% year on year and condominium apartment and townhouse prices were 5.9% higher, according to Wüest Partner figures. Prices rose more slowly than they did between 2006 and 2012, and the rate of increase eased in the second half of the year. Nevertheless, prices still hit new all-time highs.

Although high prices limited the pool of potential buyers, demand was boosted by low interest rates and greater interest in comfortable homes since the Covid-19 pandemic. However, the supply of homes remained limited. There have been around 5,000 new home starts per year in

Vaud since 2013, but the proportion intended for owner-occupiers has fallen from around two-thirds between 2005 and 2015 to less than half in 2022. In absolute terms, this reduced the number of new homes for owner-occupiers from 3,400 to around 1,900.

Prices have been rising across Switzerland, and the Swiss National Bank is seeking to slow the momentum by reactivating the counter-cyclical capital buffer. In the fourth quarter of 2022, bank regulatory capital requirements on residential mortgages in Switzerland increased by 2.5 percentage points. The counter-cyclical buffer was first introduced in 2013 but deactivated during the Covid-19 crisis in order to give banks more leeway.

Vaud Canton and Switzerland in figures

	Vaud	Switzerland
Area	3,212 km ²	41,285 km ²
Population (end-2022) ¹	831,327 residents	8,806,704 residents
Population density	259 residents/km ²	213 residents/km ²
Working population ²	420,132	4,638,526
Number of companies ³	62,418	694,851
Primary sector	6.1%	7.5%
Secondary sector	13.1%	13.8%
Tertiary sector	80.8%	78.7%
Jobs	459,661	5,289,594
Primary sector	2.9%	3.0%
Secondary sector	16.1%	20.4%
Tertiary sector	81.0%	76.6%
Unemployment rate (2022 average)	3.3%	2.2%
GDP (2022 est.) ⁴	CHF 61.0bn	CHF 769.4bn
GDP/inhabitant	CHF 74,323	CHF 87,365

¹ Vaud: Source = Statistique Vaud; Switzerland: Source = estimate based on quarterly FSO data

² Permanent residents aged 15 and over, 2021

³ A company or part of a company (e.g., a workshop or factory) located in a given place, 2020

⁴ Data adjusted for new SECO accounting treatment of income generated by major international sporting events

Sources: FSO, Statistique Vaud, SECO, CREA



BCV Immobilier

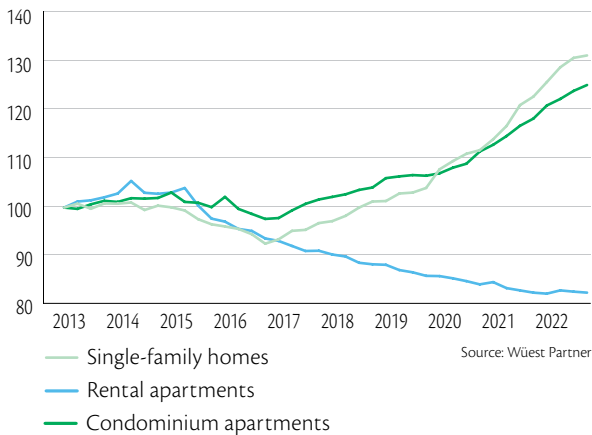
In 2022, BCV published two more issues of BCV Immobilier, a half-yearly report on the Vaud real-estate market that first appeared in 2017. These latest issues analyzed the Riviera region and presented the first carbon audit of Vaud Canton's housing stock. Although no substitute for advice from a real-estate professional, these 24-page guides provide valuable information to prospective buyers, homeowners, individuals, and businesses wanting to keep up to date with market developments.

The reports (in French only) can be downloaded from the BCV website at bcv.ch.

The investment real-estate market remains strong. Prices rose 5.6% nationally in 2022 and are now at historically high levels. However, spending on rental property construction fell and the vacancy rate in Vaud Canton declined from 1.3% in 2021 to 1.1% in 2022. Rents stabilized in 2022 after having fallen by around 20% since 2014.

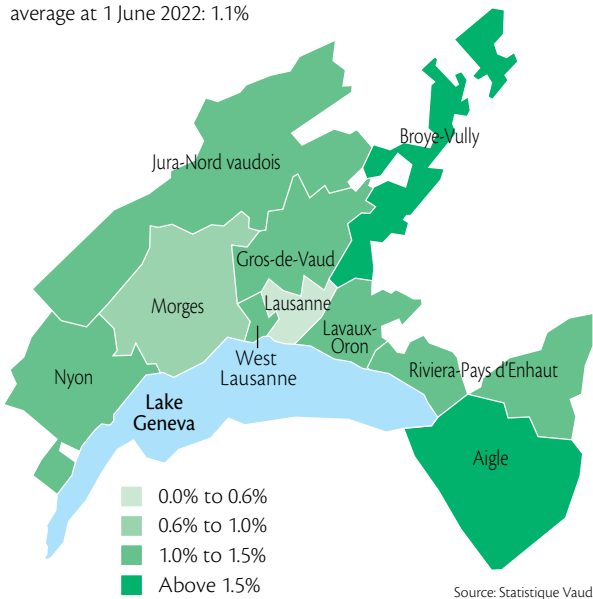
Real-estate prices in Vaud

indices, base of 100 in Q1 2013



Housing vacancy rates in Vaud

average at 1 June 2022: 1.1%



Outlook

As 2023 began, the outlook was gloomy. Although inflation started to recede in fall 2022 – a trend that the IMF expects to continue at a gradual pace according to its January forecasts – it is likely to remain well above average, adversely affecting households' real incomes. Higher interest rates are also holding back growth. In addition, energy shortages – which at the time of writing seem to have been avoided for winter 2022/23 – are a risk for next winter.

These disruptive factors mean that growth is expected to continue slowing on both sides of the Atlantic. In the US, the IMF forecasts a decline in GDP growth from 2.0% in 2022 to 1.4% in 2023. In the eurozone, the slowdown is expected to be even sharper, with growth going from 3.5% to 0.7%. Overall, growth in industrialized economies is likely to drop by more than half, from 2.7% to 1.2%. Emerging economies should fare better, with growth expected to come in at 3.9% in 2022 and 4.0% in 2023.

Further population growth

Vaud Canton's population rose by 7,400 (+0.9%) to 831,300 in 2022 according to estimates from Statistique Vaud. Population growth was slightly slower than the 1.1% recorded in 2021, and for the last few years has remained below the 1.7% annual rate seen on average between 2008 and 2016.

The population increased in all regions of the Canton, with the strongest growth recorded in Broye (+1.6%), Morges (+1.6%), and Chablais (+1.3%).

Vaud's foreign residents, who make up a third of the people living in the Canton, are a major driver of population growth. The foreign-born population grew by 1.2% in 2022, faster than the Swiss population (+0.8%), although its increase was smaller in absolute terms (3,200 versus 4,300). French people now represent Vaud's largest foreign community: the number of French people living in Vaud rose in 2022, accounting for 21% of the Canton's foreign population, while the next-largest group – the Portuguese community, with 19% of the total – saw its numbers fall.

Switzerland posted GDP growth of 2.1% in 2022, and SECO is forecasting 1.1% this year. In Vaud Canton, CREA expects the economy to grow by 1.3% after reaching 2.7% in 2022. A gradual upswing could take place in 2024.

Economic sectors in the Canton

Primary sector

2022 was the hottest year since records began in 1864. It was much sunnier than average with limited precipitation – the opposite of the rainy weather experienced in 2021. Although the summer drought meant that conditions were far from ideal, harvests were good overall according to the report published by AGIR (the agricultural information agency for French-speaking Switzerland).

The value of farming output rose 11.6% according to data from the Federal Statistical Office (FSO), mainly owing to grain, fruit, and vegetable crops. The summer drought had

a much less severe impact than the heavy rain experienced in 2021. Livestock revenue rose only slightly, hampered by water shortages, while demand for certain products popular during the pandemic – such as eggs – was flat. In forestry production, the energy crisis led to greater demand for firewood.

For Vaud Canton’s winegrowers, weather conditions meant that 2022 was a good year. Harvests began early, at the start of September, and the amount of grapes collected rose 43.0% year on year to 34.2m kilos according to Vaud’s Department of Agriculture and Winegrowing. However, this increase should be viewed in context: the 2021 harvest was one of the lowest-yielding this century and the 2022 harvest was below average, with harvests once again coming in below yield limits. On the plus side, the hot, dry conditions led to highly concentrated wines, and the 2022 vintage is very promising, according to the Office des Vins Vaudois.

While the easing of Covid restrictions in Switzerland allowed restaurants and events to get back to normal, the Vaud wine industry continued to face the same difficulties as in previous years. Although low harvests in 2021 allowed winegrowers to run down their inventories, competition from imported wines in the Swiss market increased because of the strong franc. The Vaud authorities worked with the wine industry to develop a five-year recovery plan, which they unveiled in 2022 with a budget of CHF 25m. The aim is to boost the standing of Vaud wines in the market by promoting the Canton’s terroir, reducing the industry’s environmental impact, and increasing marketing efforts.

2022 growth by economic segment in Vaud

Growth above 2%

- Hotels and restaurants
- Transport, postal services, telecommunications, and publishing
- Primary sector
- Machinery, instruments, watches, etc.
- Government administration, healthcare, education, sports, etc.
- Chemicals, pharmaceuticals, rubber, glass, metallurgy, etc.

Growth of 0.5% to 1.5%

- Real estate, business services, etc.

Growth of –0.5% to +0.5%

- Water and electricity production and distribution
- Wholesale and retail distribution, repairs, etc.
- Finance and insurance

Contraction of 0.5% to 2%

- Food, textiles, leather, wood, and paper

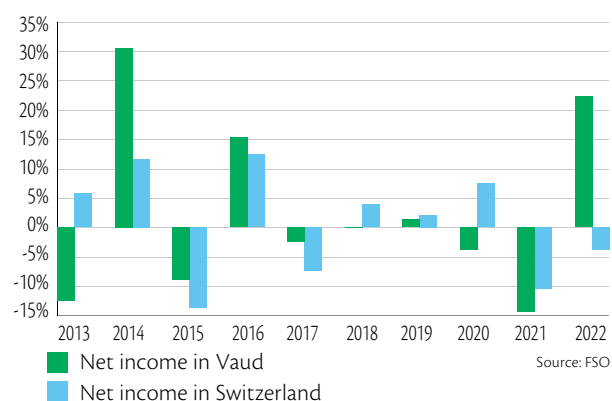
Contraction of more than 2%

- Construction

Sources: CREA, FSO, SECO

Change in farming income

as %



Secondary sector

Despite the deteriorating global economic environment, Vaud’s manufacturers had a good 2022. The CVCI’s fall survey showed that the 2021 improvement in business sentiment among manufacturing companies continued into 2022. Domestically oriented firms, particularly those in the construction industry, saw business conditions remain broadly stable in 2022.

Manufacturing

The end-2022 review by the Commission Conjoncture Vaudoise (CCV) showed that business levels remained solid for Vaud’s manufacturers, despite difficult economic conditions. As in 2021, the composite index of business sentiment was at pre-pandemic levels, and at the end of 2022 most companies surveyed regarded their business trend as satisfactory (63%) or good (25%). However, Vaud manufacturers struggled to hire workers, with almost half of companies reporting this as a problem (48%). Tough economic conditions also led to a decline in new orders, particularly in the second half of the year.

Construction

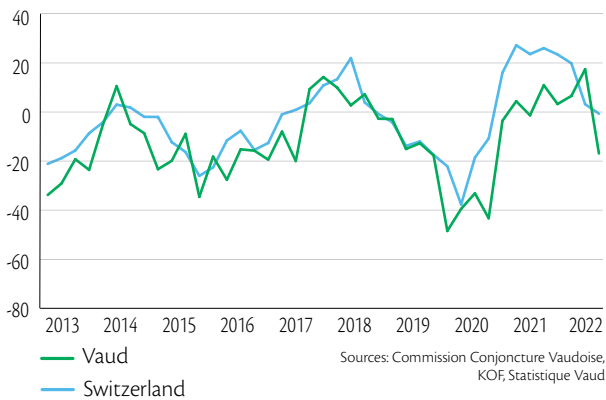
Business conditions in the construction industry were good, with a large number of building projects underway in Vaud Canton. The number of people working in the sector rose by 1.0% year on year to 28,830. However, the industry experienced difficulties arising from global factors, i.e., higher prices for certain materials and energy, along with supply chain issues. Like other parts of the economy, building firms are finding it hard to recruit staff: the CCV reported that “labor shortages are becoming a chronic problem affecting the whole construction industry.”

Tertiary sector

Business levels also continued to improve in the tertiary sector, as shown by the CVCI’s fall 2022 survey. Segments that only partly benefited from the 2021 recovery – such as hospitality and events – were boosted by the easing of pandemic restrictions in early 2022, joining segments that had already seen a strong post-Covid rebound. This meant that the tertiary sector once again drove growth in Vaud Canton.

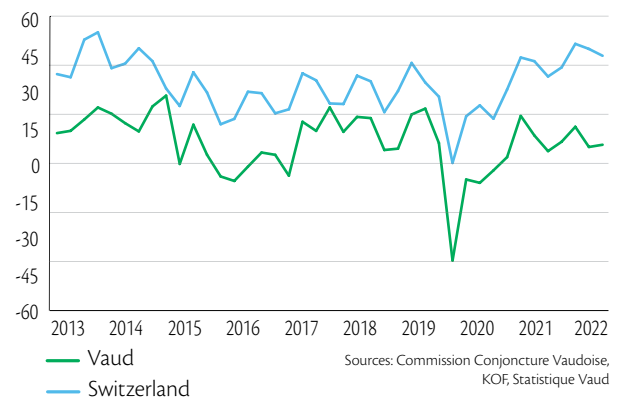
Composite index of business sentiment in manufacturing

net positive responses



Business sentiment in construction

net positive responses



Structure of the Vaud economy

Sectors and segments	Share of Vaud GDP (2022)	Full-year growth (2013–2022)	Jobs (2020)	Share of total jobs (2020)
Primary sector	0.9%	0.3%	13,312	2.9%
Agriculture, forestry, hunting, fishing	0.9%	0.3%	13,312	2.9%
Secondary sector	21.0%	1.9%	74,037	16.1%
Food, textiles, leather, wood, paper	2.3%	-1.4%	10,994	2.4%
Chemicals, pharmaceuticals, rubber, glass, metallurgy, etc.	8.4%	9.3%	11,214	2.4%
Machinery, instruments, watches, etc.	4.9%	0.2%	17,693	3.8%
Water and electricity production and distribution	1.5%	-4.4%	4,133	0.9%
Construction	4.3%	-0.6%	30,003	6.5%
Tertiary sector	78.2%	1.4%	372,312	81.0%
Wholesale and retail distribution, repairs, etc.	13.8%	1.4%	54,152	11.8%
Hotels and restaurants	1.7%	-0.3%	19,388	4.2%
Transport, postal services, telecommunications, publishing	4.7%	-0.4%	24,091	5.2%
Finance and insurance	7.3%	1.1%	18,041	3.9%
Real estate, business services, etc.	23.8%	1.4%	91,180	19.8%
Government administration, healthcare, education, sports, etc.	26.1%	2.0%	158,741	34.5%
Other	0.8%	-0.2%	6,719	1.5%
Total Vaud GDP (after adjustments)	100.0%	1.5%	459,661	100.0%

Sources: CREA. SECO. FSO. Swiss GDP figures have been adjusted for the impact of major international sporting events.

Wholesale and retail distribution

Retailers enjoyed more normal conditions again after Covid restrictions were removed early in the year. According to the FSO’s national index, retail sales fell slightly in the food segment, having risen significantly during the pandemic owing to the closure of restaurants and a decline in the number of Swiss residents shopping in neighboring countries. In non-food retail, sales in the furniture and home decoration segments fell, having jumped in 2021 as consumers spent money they were unable to spend on travel or entertainment. Overall, though, non-food sales continued to recover, with growth still substantial although weaker than in 2021. Sales increased in various segments, including cultural and leisure goods, clothing, footwear, and electronic equipment. CCV figures show that business sentiment was broadly positive among Vaud Canton’s retailers and wholesalers.

Hospitality services

After two years of protective measures designed to slow the spread of Covid-19, conditions improved for the Swiss hospitality industry in early 2022 as the government announced the lifting of all restrictions. This, combined with exceptional summer weather conditions, led to a clear improvement in business sentiment for Vaud’s hotels and restaurants, as shown by CCV surveys. Overnight stays in Vaud’s hotels were up 28.5% compared to 2021. While the

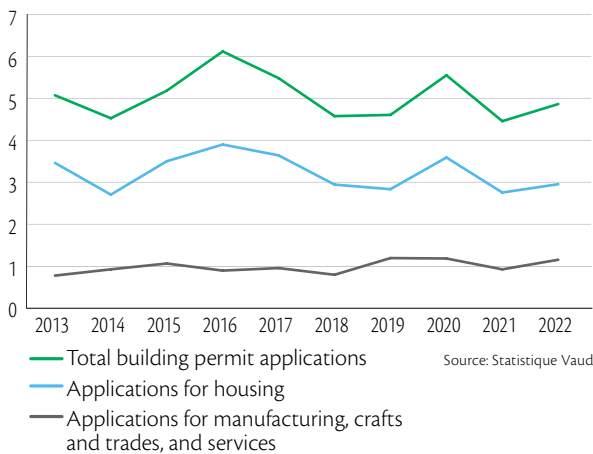
number of Swiss tourists visiting Vaud increased slightly, the main development in 2022 was the return of foreign guests. Restaurants saw their revenues rebound and returned to profitability. However, they were hampered by labor shortages, while surging energy and food prices prompted Vaud’s restaurateurs to consider raising their prices.

Services

Business levels were stable in the services sector. The CCV business indicator moved back into positive territory in 2021 after a sharp decline in 2020 and remained at a similar level in 2022. As in other sectors, the lack of available workers is a major concern for companies and the main limiting factor for their business levels. Confidence levels were highest among IT businesses in 2022, while inflationary pressure tempered the optimism in information and communication services and in transport. Sentiment was cautiously optimistic in business services. The personal services segment – which includes event-related activities – was still recovering from the Covid-19 crisis.

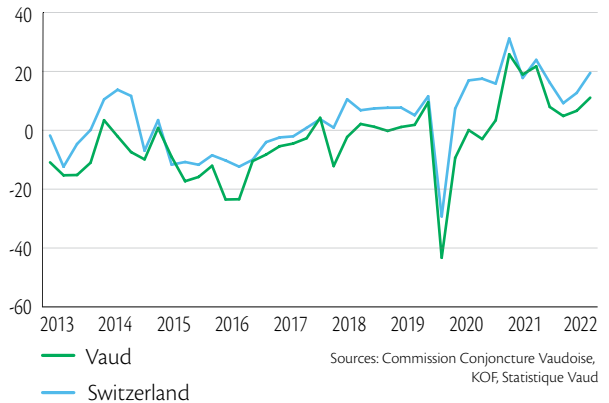
Value of work from building permit applications in Vaud

in CHF billions



Business sentiment in the retail sector

net positive responses



Regional overview

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

Broye remained Vaud’s fastest-growing region demographically, alongside Morges, with a 1.6% increase in its population. Its housing vacancy rate was very high at 2.7% in 2019 because of significant construction activity in previous years but has since declined, falling again to 2.1% in 2022. The continuing development of the Swiss Aeropole business and technology park in Payerne supported the local economy, and the unemployment rate fell from an average of 4.6% in 2021 to 3.6% in 2022. In the primary sector, the drought adversely affected farming and winegrowing to some extent, but less so than the heavy rainfall experienced in 2021, and the 2022 harvest was good overall.

Chablais

Conditions continued to improve for tourism-related businesses. The removal of Covid restrictions meant that hotels in the main Alpine resorts saw overnight stays rise again in 2022 (+35.1%). Swiss tourists remained loyal to the area, and the number of foreign tourists increased.

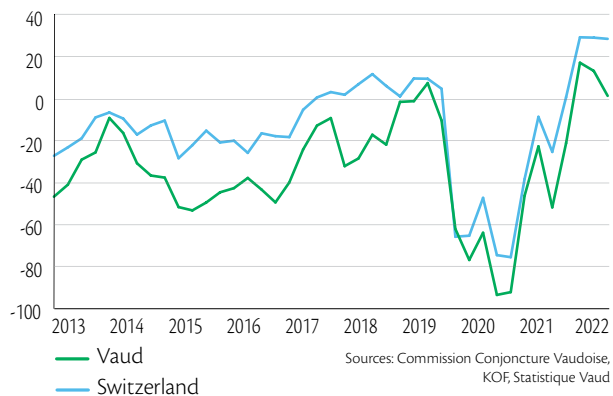
Real-estate and construction companies again experienced strong demand, along with growing interest in property renovations. The Chablais region’s population grew by 1.3% in 2022, more than the cantonal average. The proportion of homes lying vacant fell from 2.1% in 2021 to 1.5% in 2022. SMEs held up well against the economic slowdown, and the unemployment rate declined from 4.1% to 3.3%.

Gros-de-Vaud

This region was boosted by the opening of the tunnel on the Lausanne-Echallens-Bercher (LEB) tram line, improving connections with Lausanne. Gros-de-Vaud’s development continued with a 1.1% increase in its population along with several major real-estate projects underway, particularly in Echallens and Cheseaux-sur-Lausanne. The housing vacancy rate fell from 1.2% to 1.0%. As regards commercial space, work started on a new light industrial park that will rent out space to small businesses in Cheseaux-sur-Lausanne. Nevertheless, the shortage of available commercial property is a concern for both the local business community and the authorities. In general, businesses overcame the economic challenges in 2022 and the jobs market was stable, with the unemployment rate falling from 3.0% to 2.5%.

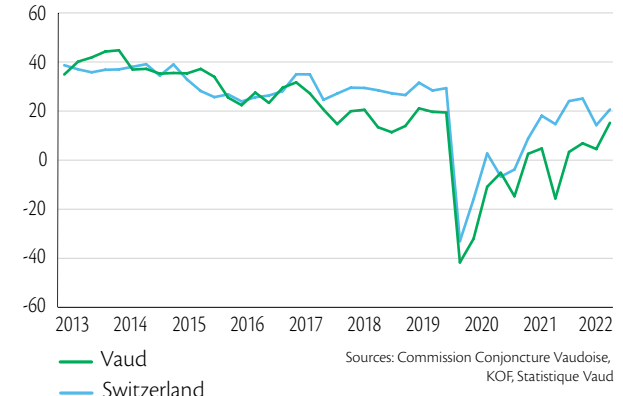
Sales index in the hotel and restaurant industry

net positive responses



Sales index in the services sector

net positive responses



Lausanne

Vaud Canton's capital had to contend with the closure of the Grand-Pont, a major thoroughfare in the city, for a ten-month-long upgrade. However, locals adapted and economic activity was not overly affected. That upgrade is one of a number of building projects, some of which are still ongoing. They include the new Malley aquatic center and EHL Hospitality Business School's new campus, which both opened in 2022, while the Plaines-du-Loup eco-district welcomed its first residents. Lausanne's population increased by a further 0.6%, with most of the growth coming in the suburbs. After rising slightly in 2021, the proportion of homes lying vacant tightened from 1.0% to 0.8%. The unemployment rate fell from 4.9% to 4.0%, in line with the general trend in Vaud.

Lavaux

Despite strong demand for homes, a lack of buildable land held back the region's population growth which, at 0.4%, was below the cantonal average. Despite that, the housing vacancy rate still fell from 1.3% to 1.0%. Construction businesses fared well in 2022 and the outlook is positive, with order books full for the coming months. As in Vaud's other regions, businesses adjusted well to the economic slowdown, higher raw materials prices, and the increase in interest rates. Overall, unemployment continued to fall in Lavaux, from 3.3% to 2.5%. It was a positive year for winegrowers: harvest volumes returned to normal and the quality of grapes was good.

Morges

The Morges region has seen a large number of homes built in recent years, particularly in the rental segment, and its population rose by 1.6% in 2022. This made it Vaud's fastest-growing region in demographic terms, along with Broye. The housing vacancy rate remained stable at around 1.0%. As in the Canton's other regions, businesses rose to the challenges that appeared in 2022, and the unemployment rate fell from 3.2% to 2.5%. However, hospitality businesses benefited slightly less from the recovery in tourism than in Vaud's other regions, and most of them saw revenue remain below 2019 levels. There is also a lack of available premises for manufacturers in the Morges region, prompting some firms to look elsewhere.

Nord Vaudois

Business trends remained strong for manufacturers in segments like machinery, precision instruments, and plastic injection. In watchmaking, volumes were solid, while the sector experienced difficulties recruiting qualified staff. The Y-Parc technology park continued to expand, attracting new companies in the medical and training sectors, for example. Construction firms had strong order books but found it difficult to pass on rising raw material costs to their customers. And despite higher interest rates, demand held up on the real-estate market, particularly in urban areas, although some projects had a hard time obtaining building permits.

Nyon

The end of Covid restrictions and the resumption of the region's numerous festivals – most notably Paléo, Switzerland's largest open-air festival – boosted the region's hospitality sector. Nyon's economy is very diverse: for example, the region is home to the headquarters of several multinational companies and a life sciences hub. It coped well with the challenges arising in 2022, and the unemployment rate continued to fall, from 3.7% to 2.8%. The population continued to expand (+1.1%), despite the lack of buildable land and a slower pace of residential construction than in the Canton's other regions. The housing vacancy rate fell from 1.3% to 1.1%.

Riviera

The return of foreign tourists was a major boost for the region's businesses in this sector. Although tourist numbers remained around 25% lower than pre-Covid levels, they doubled relative to 2021. The resident population, meanwhile, grew by 0.7%, slightly less than the cantonal average. This was due to a combination of region-specific factors: challenging topography, high population density, and the recent decision by the Swiss Supreme Court to overturn Montreux's land-use plan. The proportion of homes lying vacant fell from 1.4% to 1.2%. The Riviera economy coped well overall with the obstacles that arose during the year, as in Vaud's other regions, and its unemployment rate declined from 4.8% to 3.8%.

Economic structure by BCV region

	Broye	Chablais	Gros-de-Vaud	Lausanne	Lavaux	Morges	Nord Vaudois	Nyon	Riviera
Population at end-2022	36,477	52,811	66,891	243,124	63,855	81,852	95,935	105,365	85,017
Population growth in 2022	+1.6%	+1.3%	+1.1%	+0.6%	+0.4%	+1.6%	+0.7%	+1.1%	+0.7%
Proportion of Canton's population	4.4%	6.4%	8.0%	29.2%	7.7%	9.8%	11.5%	12.7%	10.2%
Jobs (2020)	15,073	24,821	25,698	195,307	22,502	42,413	50,454	45,698	37,695
Proportion of Canton's jobs	3.3%	5.4%	5.6%	42.5%	4.9%	9.2%	11.0%	9.9%	8.2%
Jobs in the primary sector	9.3%	6.8%	5.9%	0.1%	5.9%	5.5%	5.0%	3.7%	1.5%
Jobs in the secondary sector	23.7%	20.4%	29.9%	10.3%	15.3%	20.8%	29.2%	15.2%	9.8%
Jobs in the tertiary sector	67.0%	72.8%	64.2%	89.6%	78.8%	73.7%	65.8%	81.1%	88.7%
Average unemployment in 2022	3.6%	3.3%	2.5%	4.0%	2.5%	2.5%	3.0%	2.8%	3.8%
Change in unemployment in 2022	-1.0%	-0.8%	-0.5%	-1.0%	-0.7%	-0.7%	-0.8%	-0.8%	-0.9%

Sources: Statistique Vaud, FSO, SECO

Year in Review

BCV in 2022

We delivered very strong FY 2022 financial results, with net profit at a 15-year high. Revenues were up 3% to CHF 1.04bn. Operating profit rose 4% year on year to CHF 448m, as we kept operating expenses well under control. Net profit increased 3% to CHF 388m.

Global deceleration

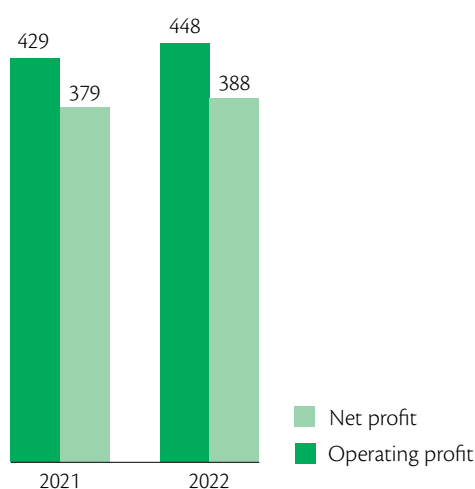
The economic climate deteriorated significantly in 2022 following a strong rebound in growth in 2021. That year, despite the ongoing Covid-19 pandemic, global GDP expanded by 6.2% according to the International Monetary Fund (IMF). At the start of 2022, the outlook for the year was fairly bright. Even though inflation was already picking up and global growth was slowing, the pandemic appeared to be drawing to an end. But then came the war in Ukraine, soaring commodity prices, rampant inflation and steep interest-rate hikes. All of that weighed heavily on output, and growth forecasts were downgraded as a result. The IMF revised down its global growth estimate for 2022 from 4.4% early in the year to 3.4% in January 2023.

Even though domestic demand remained robust, the Swiss and Vaud economies were not left unscathed by the global economic slowdown, with both recording lower-than-forecast growth in 2022. Swiss GDP growth came in at 3.9% in 2021 and slowed to 2.1% in 2022, based on the State Secretariat for Economic Affairs' February 2023 estimates. Similarly, Vaud recorded economic growth of 3.7% in 2021, with that figure falling to 2.7% for 2022, according to data published by the CREA Institute of Applied Economics in January 2023. Nevertheless, inflation remained lower than in other countries, mainly owing to the strong Swiss franc, and unemployment fell to a two-decade low.

The Vaud real-estate market remained dynamic, and prices of owner-occupied housing continued their upward trend, hitting new all-time highs. However, rising

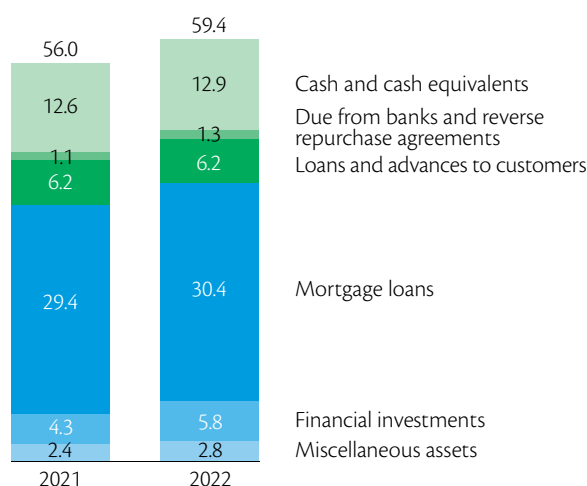
Operating and net profit

in CHF millions



Assets

in CHF billions



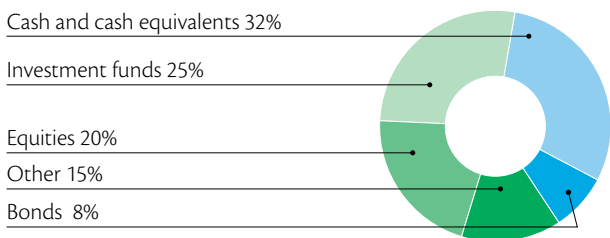
interest rates further slowed the pace of price growth, which had already dropped off from the levels recorded between 2006 and 2012. On average across the Canton, prices of detached single-family homes rose 6.9% year on year and condominium apartment and townhouse prices were 5.9% higher, according to Wüest Partner figures.

Continued growth in customer-driven business volumes

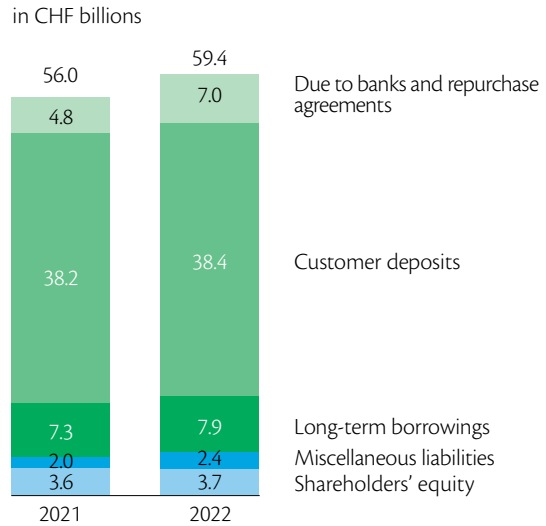
In a dynamic real-estate market, mortgage lending expanded 4%, or CHF 1.1bn, to CHF 30.4bn, with the mortgage book above the CHF 30bn mark for the first time. Other loans remained stable at CHF 6.2bn, as increased SME lending offset Covid-19 loan reimbursements and a decline in Trade Finance activity. On the liabilities side, customer deposits continued to expand, edging up 1%, or CHF 199m, to CHF 38.4bn.

Negative market performance of CHF 7.0bn reduced assets under management by 6% and was only partially offset by CHF 3.0bn in net new money (adding 3%) from all client segments – individuals, SMEs, institutional clients, and large corporates. Overall, the Group’s AuM fell 4%, or CHF 4.0bn, to CHF 108.9bn.

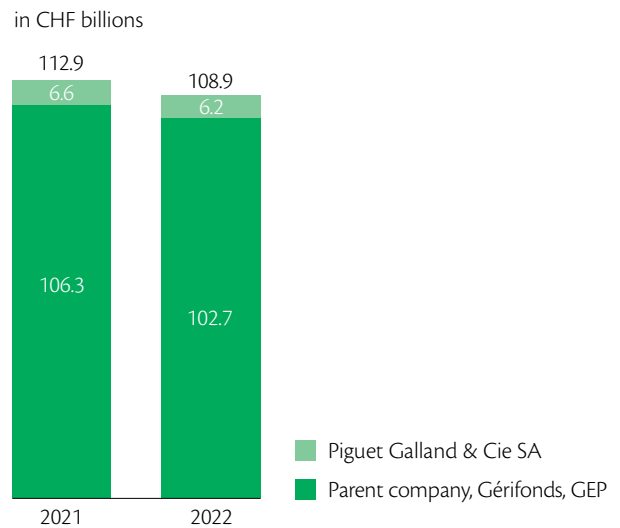
Assets under management by investment type



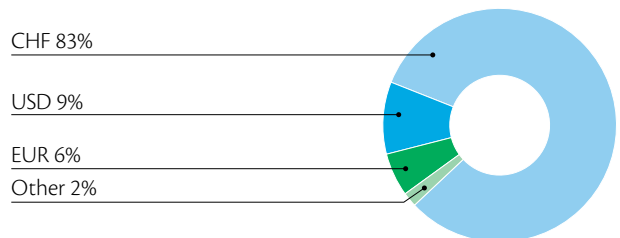
Liabilities and shareholders’ equity



Assets under management



Assets under management by currency



Financial results

Total revenues were up 3% year on year to CHF 1.04bn. Net interest income before loan impairment charges/reversals edged down 2% to CHF 462m. Net interest income was stable at CHF 464m on lower provisioning needs. Fee and commission income was affected by the downtrend on financial markets and declined 4% to CHF 343m. Net trading income climbed 32% to CHF 189m thanks to active balance-sheet management and strong client business driven by high volatility in forex markets. Other ordinary income rose 6% to CHF 43m.

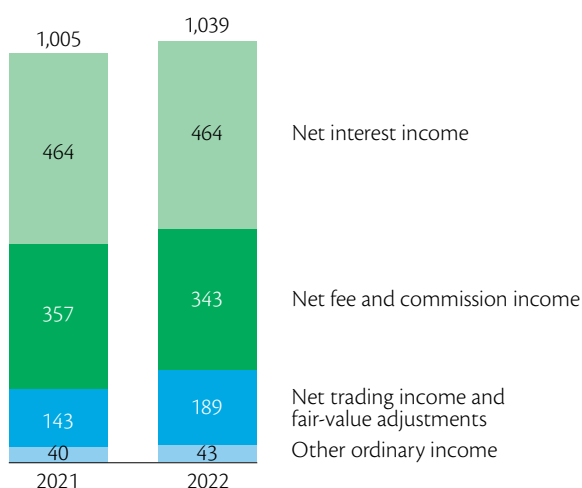
Operating expenses rose 2% to CHF 517m. Personnel costs edged up 1% to CHF 353m. Other operating expenses increased 5% to CHF 164m, mainly owing to the resumption of BCV-sponsored cultural and sporting events that had been canceled in 2020 and 2021 owing to the Covid-19 pandemic. Depreciation and amortization declined 3% to CHF 70m. Operating profit was up 4% to CHF 448m.

The Bank recorded a tax expense of CHF 61m. Net profit was up 3% to CHF 388m. That corresponds to an ROE of 10.7% – one of the highest in BCV's peer group.

The cost/income ratio went from 56.7% to 56.6%. The negative-interest-rate environment, which remained in place throughout much of the year, continued to weigh on the net interest margin, which fell from 0.86% to 0.79%. Shareholders' equity rose 2% to CHF 3.7bn. The Group's Common Equity Tier 1 (CET1) ratio at 31 December 2022 was 17.6%, and the leverage ratio was 5.5%.

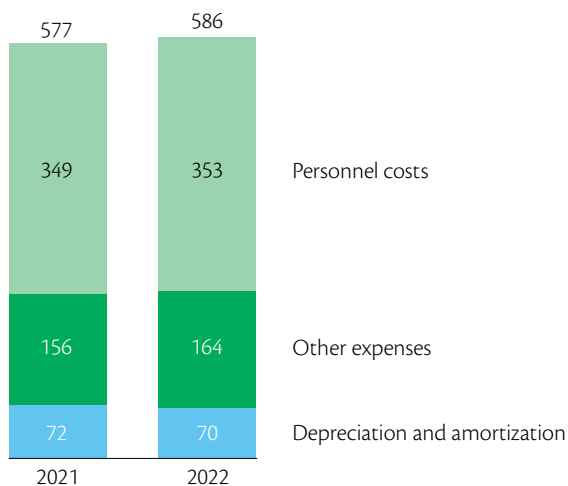
Revenues

in CHF millions



Operating expenses, depreciation, and amortization

in CHF millions



Business sector overview

Retail Banking

The Retail Banking Sector experienced a strong business trend in 2022. The mortgage book expanded 4%, as demand remained solid despite rising interest rates. Customer deposits increased once again, reaching CHF 11.7bn (+5%). Sector revenues rose 4% to CHF 193m and operating profit climbed 7% to CHF 51m, as we kept operating expenses under firm control. The Digital & Multichannel Banking Department, part of the Retail Banking Sector, continued to implement its growth plan and rolled out around a dozen new features and functions across all digital channels.

Corporate Banking

The Corporate Banking Sector had a solid year overall despite a difficult operating environment. Vaud SMEs fared well despite the Swiss franc's rise, and real-estate activities were lifted by the still-buoyant local market. The Large Corporates business held up well, particularly in the first half of the year, while the Trade Finance business contracted significantly owing to the war in Ukraine. Lending and commitments were flat at CHF 18.6bn, while deposits, which are always highly volatile at a time of rising interest rates, were down 1% to CHF 12.5bn. Amid the prevailing uncertainty, the Sector's revenues decreased 1% to CHF 263m and operating profit dropped 3% to CHF 154m. The corporate loan book remained healthy, and new provisioning needs were low throughout the year.

Wealth Management

The nearly uninterrupted decline in the financial markets throughout 2022 weighed on the Wealth Management Sector. Our private wealth management business continued to expand its product portfolio with the addition of private equity funds. We also evolved our approach to socially responsible investing to align with consumers' changing expectations in this fast-growing segment. In institutional asset management, rising volumes offset unrelenting pressure on margins. The Sector's assets under management declined to CHF 77.6bn (–7%) despite net new money from individual and institutional clients. The mortgage book expanded by 3% to CHF 8.6bn. Sector revenues and operating profit

both contracted, ending the year at CHF 392m (–3%) and CHF 168m (–7%), respectively.

Trading

BCV's Trading Sector focuses on customer-driven transactions for personal-banking and corporate clients. Last year, with interest rates on the rise and the Swiss franc appreciating against the euro, the Sector's business was mainly driven by currency trading. However, structured products activity cooled relative to 2021, which was an especially busy year. Trading revenues hit an all-time high of CHF 58m, up 4% on the already strong figure in 2021, while operating profit rose 3% to CHF 30m. Risk levels stayed extremely low, as the Sector does not engage in proprietary trading.

Highlights of the year

Dividend

Given the strength of our results, the Board of Directors is recommending that shareholders approve an ordinary dividend of CHF 3.80 per share, up CHF 0.10 on the prior-year figure, for a total payout of CHF 327m. This is in line with the distribution policy that we first adopted in 2008. Since then, we have paid out a total of nearly CHF 4.0bn to our shareholders.

Building on this approach, we have extended that distribution policy for another five years. Beginning with the 2023 reporting period, we intend to pay an ordinary dividend of CHF 3.80–4.20, barring significant changes in the economic or regulatory environment or in the Bank's situation.

Credit ratings reaffirmed

Standard & Poor's maintained our long-term rating of AA, with a stable outlook, a rating we were first assigned in 2011. Moody's reaffirmed our long-term rating of Aa2, also with a stable outlook.

Very solid ESG ratings

Our longstanding commitment to sustainable economic development is reflected in the Bank's ESG scores. In 2022, MSCI upgraded the Bank's ESG rating to AA, the agency's second-highest rating, placing BCV in the "Leader" category. Ethos reaffirmed the Bank's A- rating, the second-highest score. In addition, CDP included BCV in its "Leadership" category last year based on the Bank's rating of A-, the second highest of eight scores.

Change to the Board of Directors on 1 July 2023

Peter Ochsner, a member of BCV's Board of Directors appointed by the Vaud Cantonal Government and the chair of the Audit and Risk Committee, will step down from the Board on 30 June 2023 after seven years of service. The Bank would like to express its warmest thanks to Mr. Ochsner for his significant contributions as a member of the Board. To replace Mr. Ochsner, the Vaud Cantonal Government appointed Stefan Fuchs to BCV's Board of Directors, effective from 1 July 2023.

Upon joining the Board, Mr. Fuchs will also take up the position of chair of the Audit and Risk Committee. Mr. Fuchs has had a long career in auditing for the finance and banking industry. In 1991 he was licensed by the Swiss Federal Banking Commission as a lead auditor for banks, securities firms and investment funds, and has worked for over 35 years first for the auditing and consulting firm Andersen and then for Ernst & Young (EY) following the merger of those two firms in 2002. Mr. Fuchs has acquired extensive experience through auditing assignments in banking and asset management. He has served in various audit-related executive functions at EY since 2002 and has been in charge of compliance, risk management and professional standards in the financial sector as the professional practice director in EY's financial services division since 2017. He has also been a member of the financial services committee for EY Switzerland since 2020.

Change to the Executive Board

Gérard Haeberli retired on 31 December 2022 after serving as an Executive Board member and the head of the Private Banking Division since 2009. Under his leadership, the Division further expanded BCV's customer

and business volumes, implemented new regulations affecting the wealth management business, pursued its digital transformation through the creation of the Bank's BCV Conseil advisory services, and rolled out BCV's socially responsible investment offering for personal banking customers. The Board of Directors and the Executive Board would like to express their warmest thanks to Mr. Haeberli for his unwavering commitment, professionalism, and loyalty. He will continue to work within BCV Group as the chair of the board of directors of subsidiary Piguet Galland & Cie SA.

The Board of Directors appointed Christian Steinmann to the Bank's Executive Board as head of the Private Banking Division to replace Gérard Haeberli. Mr. Steinmann, born in 1971, is a Swiss certified fiduciary advisor and Swiss certified tax expert. He holds an MBA from the New York University Stern School of Business, HEC Paris, and London School of Economics. Mr. Steinmann has close to 30 years of experience in banking and wealth management and has held numerous leadership positions. He was previously regional head of private banking for French-speaking Switzerland and then regional head of French-speaking Switzerland at Credit Suisse. He took up his position at BCV on 1 November 2022.

Key projects and investments

Key projects

In 2022, we continued to invest in our digital banking services. For example, we added a number of new functions to our BCV Mobile app, including for credit-card management. Customers can also now use the app to open a banking pack, foreign-currency account, or savings account, or to set up a third-pillar individual retirement account that invests in funds.

We also continued to execute on our corporate social responsibility strategy. We made progress in a number of areas, including socially responsible investing (SRI), lending, reducing our direct environmental footprint and being a responsible employer. In SRI, we continued to build out our product range for all customers, integrate ESG criteria into our investment products, and further develop the partnership we entered into in 2020 with Ethos, a foundation that plays a leading role in SRI in Switzerland. We intend to press ahead on these initiatives going forward.

Investments

In recent years, we invested between CHF 50m and CHF 60m in our IT, spread over infrastructure, equipment, maintenance, and development.

Outsourcing of services

We entrusted IT service provider Kyndryl (formerly the IBM banking IT center) with carrying out activities that include data storage, operating and maintaining databases, and operating IT systems. Bank employee workstations have been provided and maintained by Swisscom since 2019. For printing and mailing banking documents to customers, our service provider is Swiss Post Solutions SA. This form of IT systems management meets the legal requirements relative to outsourcing. The maintenance and development of our banking platform are handled in-house.

In addition, BCV uses valuation models supplied by Wüest Partner (hedonic valuation functions for private residential properties and a capitalization valuation model for income-producing real estate). Our contract with Wüest Partner complies with legal requirements for the outsourcing of data storage.

Strategy and outlook

In 2019, the Board of Directors and Executive Board conducted a review of the strategy in place since 2014 and defined a new strategic plan for the years to come. This plan builds on those we have been implementing for more than ten years and positions the Bank to respond to future challenges. The strategic plan developed in 2019 – called *vista* – aims to maintain the positive trend that the Bank's business lines have been experiencing over the past few years. It is also designed to position the Bank to respond to the main challenges we will face in the coming years, such as heightened competition, advancements in digital technology, and ever-changing customer needs.

For the business lines, we are targeting:

- above-market growth in asset management, SMEs, and onshore private banking;
- at least market growth in retail banking;

- a focus on the profitability of our commodities trade finance and large corporates businesses;
- continued development of our other business lines.

We have identified several strategic focus areas. These goals include:

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

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

The Group aims to achieve sustainable growth, with revenues and operating profit trending along the same lines as in recent years. We are targeting a cost/income ratio of 57%–59% and a CET1 ratio of at least 13%; our ROE target based on this minimum target CET1 ratio is now 13.5%–14.5%. These targets should be viewed from a long-term perspective.

Business trends at the main subsidiaries

Piguet Galland & Cie SA

Piguet Galland & Cie SA is a private bank with its head office in Yverdon-les-Bains and five other branch offices across French-speaking Switzerland, in Geneva, Lausanne, Nyon, Neuchâtel, and La Chaux-de-Fonds. It provides comprehensive wealth advisory services and personalized investment solutions to private and institutional clients based primarily in Switzerland.

In 2022, Piguet Galland & Cie SA recorded a 7% decrease in net profit to CHF 7.2m, compared with CHF 7.7m in 2021. Revenues from banking operations were up 4% and operating expenses increased 7%. AuM was down CHF 449m, or 7%, to CHF 6.3bn as a result of the financial-market downtrend, the impact of which was partially offset by net new money of CHF 450m for the year.

Gérifonds SA

Gérifonds SA is the fund administrator for BCV and 11 other fund managers. At year-end, assets of funds under management were down CHF 2.7bn (-13%) to CHF 17.5bn, with net new money totaling CHF 380m. At 31 December 2022, Gérifonds managed 133 funds, 89 of which were registered in Switzerland and 44 in Luxembourg.

Gérifonds' 2022 revenues were down 1% to CHF 17.6m and net profit fell 6% to CHF 5.2m.

GEP SA

GEP SA manages the Fonds Immobilier Romand (FIR), a listed, Swiss-registered real-estate fund launched in 1953 and open to private investors. At end-2022, FIR had a portfolio of 4,113 residences in 149 buildings, most of which are in the Lake Geneva region.

At 31 December 2022, total assets were CHF 1.5bn (+9%) and rental income stood at CHF 75m (+2%). In recent years, FIR has applied a highly selective growth strategy. This, coupled with its debt ratio of 11%, which is well below average, means that FIR is well-positioned to weather the rise in interest rates, which has weighed on the indirect real-estate investment segment.

In addition to its ongoing efforts to enhance the energy efficiency of the buildings in its portfolio, FIR regularly embarks on new building projects. It is currently involved in the development of a large eco-district in Echallens, Vaud. Ninety-six highly energy-efficient units will be available for rent in summer 2023.

In an increasingly uncertain environment, FIR intends to keep its dividend stable while also generating capital appreciation over the long term.

Year in Review

Business Sector Reports

Retail Banking

- The Retail Banking Sector experienced a strong business trend in 2022. The mortgage book expanded 4%, as demand remained solid despite rising interest rates. Customer deposits increased once again, reaching CHF 11.7bn (+5%).
- Sector revenues rose 4% to CHF 193m and operating profit climbed 7% to CHF 51m, as we kept operating expenses under firm control.
- The Digital & Multichannel Banking Department, part of the Retail Banking Sector, continued to implement its growth plan and rolled out around a dozen new features and functions across all digital channels.

Business and strategy

In 2022, Retail Banking employed 355 people. They serve the banking needs of nearly 400,000 individuals with assets of up to CHF 500,000 and no wealth management agreement, or mortgages of up to CHF 1.2m. In addition to 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 (tradedirect.ch).

Most of BCV's customers first came to the Bank for retail banking services. We offer a comprehensive range of distribution channels: close to 60 branch offices providing dense coverage of Vaud, a network of more than 200 ATMs across the Canton, a highly efficient call center, and an online banking platform that can be accessed using a computer or a mobile device such as a smartphone or tablet.

Our retail banking operations are an integral part of our image as the bank of choice for the people of Vaud. We provide advice to customers in all phases of their lives, offering ongoing support through our broad array of products and services.

Retail Banking's experienced management and comprehensive product range also 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.

2022: business report

After plateauing in 2021, the vacancy rate in Vaud Canton again declined. The Canton continues to attract new residents from elsewhere in Switzerland and from abroad, and the number of construction projects leveled off, meaning that the supply of new homes was tight. Despite rising prices and interest rates, the Sector's mortgage book grew by 4% to CHF 9.6bn. Customer deposits continued to expand throughout the year, reaching CHF 11.7bn (+5%).

We kept pushing ahead on distribution-channel enhancements last year, delivering around a dozen new features and improvements. Our customers' needs are changing fast, particularly since remote working has become more widespread. One direct result of changing consumption patterns is that the number of connections to our digital platforms – BCV-net and BCV Mobile – has sharply risen. More than 70% of our customers now use our digital banking services, and more than nine out of every ten payments are carried out online.

In 2022, all of the asset allocation funds we offer to our retail customers incorporated ESG criteria. These funds were a hit with our customers, who invested a net total of around CHF 200m in them last year.

With full-year revenues of CHF 193m (+4%), the Retail Banking Sector turned in its best performance since 2013. The Sector's operating profit climbed 7% to CHF 51m, as we kept operating expenses under firm control.

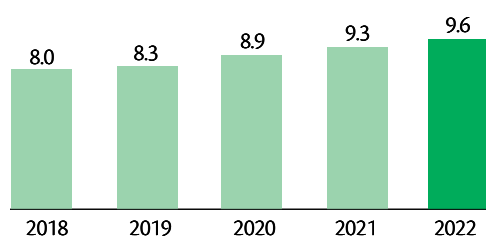
Objectives and outlook

Over the next few years, Retail Banking will continue implementing various initiatives to deliver an improved customer experience embracing all of its distribution channels. Through our close ties with customers and highly professional approach, we aim to maintain our position as the bank of choice for the people of Vaud, while continuously adapting to customers' changing behaviors and market trends. Our aim is to offer a customer experience that seamlessly and efficiently combines all distribution channels.

2018–2022 financial data

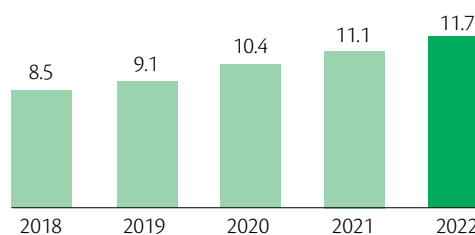
Mortgage loans

in CHF billions



Customer deposits

in CHF billions



Key figures

	2022	2021
Total revenues (CHF millions)	192.8	186.2
Operating profit (CHF millions)	51.0	47.7
Cost/income ratio (excluding goodwill amortization and write-downs)	71.9%	72.5%
ROE	16.0%	14.9%
Headcount	355	354

2021 figures were adjusted to facilitate like-for-like comparisons.

Corporate Banking

- The Corporate Banking Sector had a solid year overall despite a difficult operating environment. Vaud SMEs fared well despite the Swiss franc's rise, and real-estate activities were lifted by the still-buoyant local market. The Large Corporates business held up well, particularly in the first half of the year, while the Trade Finance business contracted noticeably as a result of the war in Ukraine.
- Lending and commitments were flat at CHF 18.6bn, while deposits, which are always highly volatile at a time of rising interest rates, were down 1% to CHF 12.5bn.
- Amid the prevailing uncertainty, the Sector's revenues decreased 1% to CHF 263m and operating profit dropped 3% to CHF 154m.
- The corporate loan book remained healthy, and new provisioning needs were low throughout the year.

Business and strategy

The Corporate Banking Sector comprises four front-line departments: SMEs, Real-Estate Clients, 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 is continuing 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. 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, soft commodities, and energy. The Sector focuses on certain key markets and systematically monitors all of its trade finance transactions.

2022: business report

The Corporate Banking Sector's four departments turned in a solid performance overall in 2022 despite a tough operating environment, including the stronger Swiss franc, rising energy prices, and geopolitical tensions.

The vast majority of Vaud SMEs held up well, although some sectors faced headwinds. Borrowing needs were limited among SMEs, which continued to have strong cash positions. And despite the Swiss franc's strength against the euro, business leaders in this segment were generally optimistic in the latest surveys.

In the Real-Estate Clients business, property prices continued to rise and business growth was mostly driven by institutional investors.

The Large Corporates Department held up well, with a slower second half as interest rates rose sharply.

Trade Finance revenues were noticeably lower, as the Bank's prudent stance given the geopolitical situation weighed on the number of transactions.

The Sector's lending and commitments remained flat at CHF 18.6bn. Deposits continued to fluctuate as interest rates rose, ending the year down 1% at CHF 12.5bn.

The Corporate Banking Sector's revenues declined 1% to CHF 263m, while operating profit dropped 3% to CHF 154m.

New provisioning needs were very low in 2022 despite geopolitical tensions relating to the war between Ukraine and Russia, and the loan book remained healthy.

Objectives and outlook

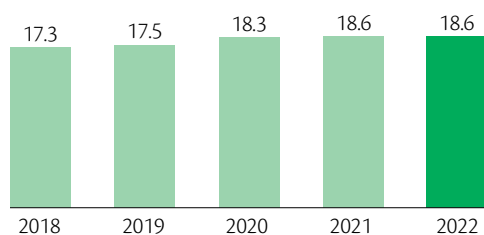
Corporate Banking will seek to increase its presence among local SMEs and ensure maximum responsiveness to their needs, standing with them during these still-uncertain economic times and throughout their life cycle – from creation to succession.

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

2018–2022 financial data

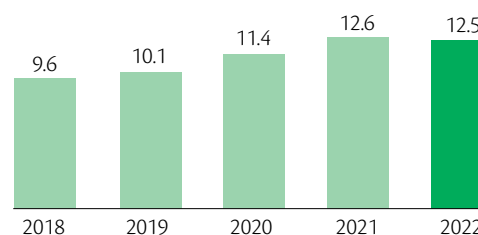
Lending and off-balance-sheet commitments

in CHF billions



Customer deposits

in CHF billions



Key figures

	2022	2021
Total revenues (CHF millions)	263.4	266.5
Operating profit (CHF millions)	154.0	159.4
Cost/income ratio (excluding goodwill amortization and write-downs)	36.6%	34.7%
ROE	9.8%	10.3%
Headcount	189	192

2021 figures were adjusted to facilitate like-for-like comparisons.

Wealth Management

- The nearly uninterrupted decline in the financial markets throughout 2022 weighed on the Wealth Management Sector.
- Our private wealth management business continued to expand its product portfolio with the addition of private equity funds. We also evolved our approach to socially responsible investing to align with consumers' changing expectations in this fast-growing segment. In institutional asset management, rising volumes offset unrelenting pressure on margins.
- The Sector's assets under management declined to CHF 77.6bn (–7%) despite net new money from individual and institutional clients. The mortgage book expanded by 3% to CHF 8.6bn.
- Sector revenues and operating profit both contracted, ending the year at CHF 392m (–3%) and CHF 168m (–7%),

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 & Trading Division works with institutional clients. With 549 employees in wealth management, BCV Group has a major regional presence in private banking. We are also Vaud Canton's leading institutional asset manager.

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 most of the 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 AVENA Fondation BCV Deuxi me Pilier, which manages the assets of around 1,000 member companies for over 17,000 fund members. Having traditionally focused our activities in French-speaking Switzerland, we have expanded our business in the German-speaking part of the country by leveraging our investment skills 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, Neuch tel, and La Chaux-de-Fonds. Piguët Galland & Cie SA aims to be one of the leading wealth managers in French-speaking Switzerland.

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 and rapidly expanding 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 mainly in residential properties in French-speaking Switzerland.

2022: business report

The financial markets broadly declined throughout the year, detracting from the performance of BCV's investment products.

The private wealth management segment evolved its approach to socially responsible investing to align with consumers' changing expectations in this fast-growing segment. It also added two private equity investment funds to its product portfolio.

In institutional asset management, margins came under further pressure both on traditional discretionary

management agreements and as a result of competition from index funds. This segment nevertheless managed to expand its volumes again last year, owing in part to client acquisition.

The financial-market decline weighed on the Sector's assets under management, which dropped to CHF 77.6bn (–7%) despite the inflow of net new money from individual and institutional clients.

The Sector's revenues and operating profit declined to CHF 392m (–3%) and CHF 168m (–7%), respectively.

Objectives and outlook

We will press ahead with the growth strategy that we implemented several years ago in private onshore wealth management, with the aim of becoming the market leader in Vaud Canton.

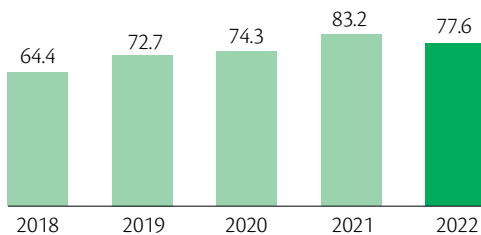
In institutional asset management, we aim to continue growing our business in Vaud and the rest of French-speaking Switzerland, as well as in the German-speaking part of the country through our representative office in Zurich. As a creator and distributor of investment products, Asset Management will continue to design innovative investment strategies. We will keep developing our product range in line with client needs and new investment styles, particularly in the area of socially responsible investing.

Piguet Galland & Cie SA is aiming to grow its business in French-speaking Switzerland's wealth management market and will continue to generate synergies with BCV.

2018–2022 financial data

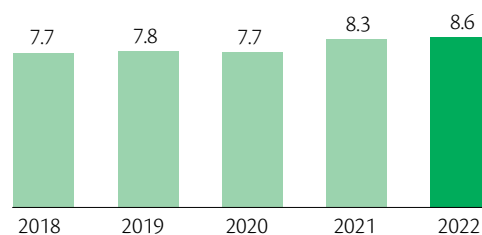
Assets under management

in CHF billions



Mortgage loans

in CHF billions



Key figures

	2022	2021
Total revenues (CHF millions)	391.7	401.9
Operating profit (CHF millions)	167.8	180.5
Cost/income ratio (excluding goodwill amortization and write-downs)	56.6%	54.1%
ROE	39.1%	43.4%
Headcount	549	545

2021 figures were adjusted to facilitate like-for-like comparisons.

Trading

- BCV's Trading Sector focuses on customer-driven transactions for personal-banking and corporate clients. Last year, with interest rates on the rise and the Swiss franc appreciating against the euro, the Sector's business was mainly driven by currency trading. However, structured products activity cooled relative to 2021, which was an especially busy year.
- Trading revenues hit an all-time high of CHF 58m, up 4% on the already strong figure in 2021, while operating profit rose 3% to CHF 30m.
- Risk levels stayed extremely low, as the Sector does not engage in proprietary trading.

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 floors in French-speaking Switzerland. Our traders operate directly on the SIX Swiss Exchange. Our Trading Sector focuses on investment and hedging products (currencies, equities, bonds, derivatives, and structured products) that are aimed at clients based mainly in Switzerland. Customers can also use our free BCV e-FOREX app to carry out spot, forward, and swap forex transactions, 24 hours a day, six days a week.

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

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

2022: business report

Persistently high inflation in 2022 swept aside the wave of optimism that had boosted financial markets when pandemic-related fears subsided. Stock markets were particularly morose, correcting in 2022 after having hit new highs in 2021. The SMI, for example, shed nearly 17% over the year.

With the SNB raising its policy rates several times over the course of the year, the euro continued to lose ground against the Swiss franc, going from CHF 1.04 to CHF 0.99 at year-end. It even hit a record low of CHF 0.95 in September. The US dollar was boosted by the significant interest-rate spread between the US and the rest of the world, with the Federal Reserve adopting a tighter monetary policy than central banks elsewhere.

The high level of volatility in forex underpinned a robust year for our currency trading business, whose results rivaled the banner years of 2011 and 2015. Our structured products business, on the other hand, slowed on the previous year, which had seen strong traction in that segment.

Full-year revenues for the Sector as a whole rose 4% to CHF 58m, and operating profit increased 3% to CHF 30m.

The Sector's risk profile remained very low, with an average Value-at-Risk (1-day, 99%) of around CHF 0.1m over the course of the year. In other words, at any point in the year, there was a 99% chance that our trading floor would not lose more than CHF 0.1m on a given day.

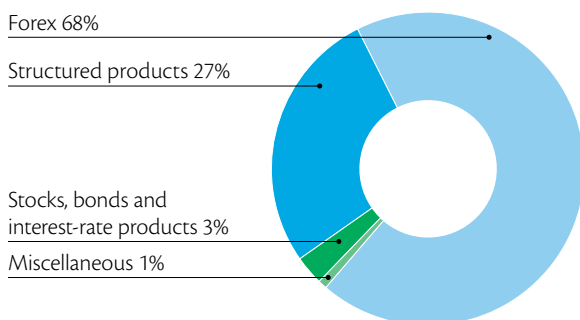
Objectives and outlook

In the coming years, the Trading Sector will further develop its range of services to focus on customers' core trading needs. Our products for both hedging and investment purposes will continue to meet strict transparency criteria.

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

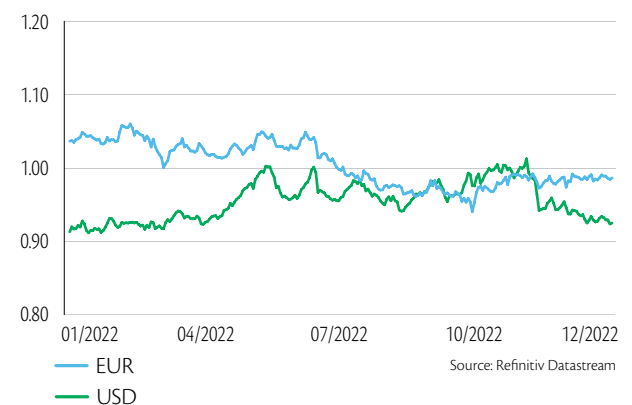
2022 financial data

Breakdown of trading income by market segment



Exchange rates

versus CHF



Key figures

	2022	2021
Total revenues (CHF millions)	57.8	55.9
Operating profit (CHF millions)	30.1	29.3
Cost/income ratio (excluding goodwill amortization and write-downs)	47.0%	46.7%
ROE	27.4%	36.4%
Headcount	49	50

2021 figures were adjusted to facilitate like-for-like comparisons.





BCV supports Vaud Générations Champions

This non-profit organization was created by three local Olympic athletes to help athletes from Vaud Canton reach their goals, to spotlight their achievements, and to forge ties between past and future champions.

Risk Management

1. General approach

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 as a result of 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 share 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 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, methodological approaches, and

organizational principles are applied in managing risk bank-wide.

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 fosters 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 could have an adverse effect on the Bank's strategic choices in the case of strategic risk, or from competitive or economic changes that could 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 is inherent in all lending exposure.
- **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 the structural funding of activities and potential problems with short-term liquidity management, is also deemed to be a component of market risk. Market risk is inherent in all market exposure.
- **Operational risk**, which arises from a possible deficiency or failure relating to inadequate processes, people, and/or information systems, or malicious behavior. Operational risk includes the risk of non-compliance, i.e., the risk of the Bank breaching legal requirements, standards, and regulations. Operational risk is inherent in all business activity.

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, an intervention by the authorities as a result of a failure by the Bank to comply with its legal and regulatory obligations.
- The **reputational impact**, that is, negative publicity concerning the Bank; the severity of the impact will depend on the reaction of the Bank's main stakeholders.

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. It is also responsible for high-level oversight of the Bank's risk profile. As part of this, the Board of Directors monitors the Bank's main risk factors and exposures, including those related to the climate.
- 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 and assesses the Bank's main risk factors and exposures, including those related to the climate. As part of this, 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 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, with the support of the Risk Management Department, 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. Together with the Compliance Department, the CFO ensures that due diligence is taken to combat money laundering and the financing of terrorism, monitor market abuse, and comply with economic sanctions.

- 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. The CCO is also responsible for developing and monitoring the models used to measure credit risk, particularly those used in the lending process, and for setting and implementing the criteria and rules governing lending decisions and monitoring.
- The Risk Management Department is responsible for setting up, implementing, monitoring, and adapting the Bank's oversight principles and methods for credit, market, and operational risk; monitoring the Bank's risk profile; and overseeing and executing risk reporting. It ensures that the Bank's main risk factors and exposures, including those related to the climate, are taken into consideration in these processes. The Department also ensures that the Bank's operational internal control system is effective and in keeping with the Bank's needs by coordinating the work of the entities responsible for level 2 oversight; it is also in charge of submitting all risk reports to the Bank's governing bodies. Finally, it is responsible for the overnight monitoring of market risk for BCV's trading floor.
- The Compliance Department is responsible for setting up, implementing, monitoring, and adapting the internal regulations and control system needed to combat money laundering and the financing of terrorism, monitor market abuse, and comply with economic sanctions and tax law. The Department is actively involved in raising employees' awareness of the respective obligations and carries out independent checks to ensure that internal regulations are in line with the Bank's activities.
- The Security Department is responsible for setting up, implementing, monitoring, and adapting the system that keeps the Bank's operations, IT systems, and data secure, and the people, infrastructure, and assets within

the Bank safe and secure. It pays particular attention to cybercrime. It also makes sure that measures put in place to manage crisis situations and ensure business continuity remain effective and adequate over time.

2. Credit risk

Managing credit risk is a core competency 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 that are designed to assist the debtor in distress as much as possible and thereby protect the interests of the Bank, as well as those of its depositors, creditors, and shareholders.

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

2.1 Lending decisions

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 high-quality loan portfolio. Its customer credit risk stems primarily from mortgage loans to individuals and businesses, as well as other types of business loans. 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. Credit risk exposure to other banks arises mainly from treasury management, from BCV's trading activities in over-the-counter derivatives, from securities and payment transactions (settlement), and from bank guarantees on trade-finance operations. The Bank reviews the limits applicable to each counterparty at least once a year. 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, and promoting and pricing loan products, whereas the Finance & Risks Division is responsible for managing relationships with and credit limits for financial institutions.

BCV risk profile

		31/12/19	31/12/20	31/12/21	31/12/22
BCV Group capital adequacy ¹	• Risk-weighted assets (CHF billions)	18.8	18.4	19.3	19.1
	• Total capital ratio	17.3%	17.8%	17.3%	17.7%
	• Tier 1 capital ratio	17.1%	17.7%	17.2%	17.6%
Non-impaired loans (parent company)	• Customer loans, on and off balance sheet ² (CHF billions)	33.9	35.2	36.6	37.4
	• Expected loss ratio (relative to amount drawn)	10 bps	10 bps	9 bps	7 bps
Impaired loans (parent company)	• Impaired loans ³ (CHF billions)	0.2	0.2	0.1	0.1
	• As a % of total customer loans and due from banks	0.5%	0.5%	0.3%	0.3%
	• Specific provisioning ratio	45%	49%	57%	60%
Market risk in the trading book (parent company)	• Trading Dept.: VaR ⁴ (CHF millions, 1-day, 99%)	0.2	0.2	0.1	0.1
	• Asset mgt. nostro portfolio: VaR ⁴ (CHF millions, 180-day, 99%)	0.1	0.1	0.1	0.1
Market risk in the banking book (parent company)	• Sensitivity of capital to a 100-bp rise in interest rates (CHF millions)	-396.3	-412.3	-399.8	-299.2
Operational risk (parent company)	• New provisions and direct losses (CHF millions) ⁵	0.6	1.6	-0.9	5.5

¹ Determined according to Basel III since 2013

² Excluding financial investments (bonds)

³ Net commitments (commitments to impaired borrowers for which the provision is above 0)

⁴ Average VaR for the year

⁵ Including gains and changes in provisions

Credit analysis and approval, along with the monitoring of credit limits, are the domain of the Credit Management Division, headed by the CCO. Analysis of credit risk is based on tools (rating models) developed by dedicated independent teams, and on assessments by credit analysts. Some low-risk forms of lending, such as standard mortgage loans, are approved on the basis of standardized criteria through an automated credit analysis, using scores obtained from rating models defined by the Bank.

Approval limits for 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

Assessing a counterparty's default risk 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 16 clearly defined sub-ratings. Default-risk assessment consists of 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. Barring a few exceptions, the rating models that the Bank uses meet the requirements of the Basel III Accord for Internal Ratings-Based (IRB) approaches. The models are under the responsibility of the 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 using a hedonic method.

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 or replacement 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 amount exposed to credit risk 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.

Collateral management

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

2.2 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. 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. For each customer segment, credit-risk exposures, risk-weighted assets, expected loss (amount and rate), provisioned commitments, value adjustments, and risk concentration indicators are analyzed and compared with prior years. Changes in the exposures on specific portfolios, including portfolios exposed to climate-related risk factors, are also analyzed. The results of these analyses are reported to management. Every year, the Bank evaluates the potential impact of adverse economic scenarios in order to assess its capital adequacy. This type of evaluation is also applied to specific loan portfolios so as to better understand their risk profiles.

2.3 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 a strategy that has been developed using criteria which, 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.

2.4 Exposure to credit risk

The parent company's total credit-risk exposure amounted to CHF 39.1bn at 31 December 2022, a year-on-year increase of 1.7%. At CHF 1.5bn, bank-counterparty lending represented 4% of total credit-risk exposure.

For non-bank-counterparty lending, the Bank's business is largely with customers located in Vaud Canton and accounts for 80% of this type of lending. BCV's corporate

loan book reflects the economic structure of the Canton, albeit with a somewhat larger exposure to real estate and construction (44%).

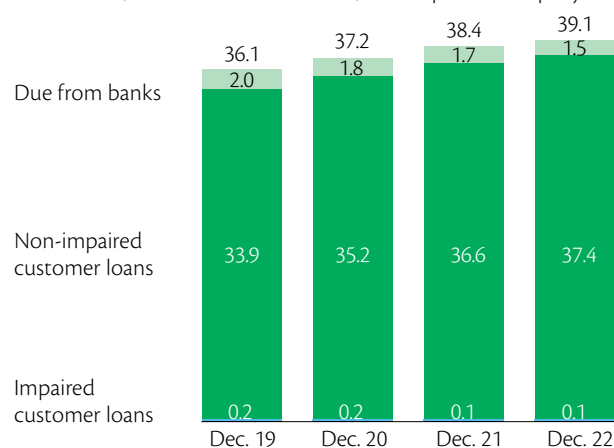
The 2022 breakdown by sector was generally stable compared with 2021. Retail and private banking clients remained the largest sector in total non-impaired loan-book exposures, at 51% at end-2022.

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 7 basis points, or 6 basis points excluding trade-finance exposures. Impaired loans were CHF 124m and represented 0.3% of total exposures.

The Basel III Pillar 3 report, available on the Bank's website, www.bcv.ch, contains more detailed information on the risk profile of the Bank's loan portfolio.

Customer loans and amounts due from banks

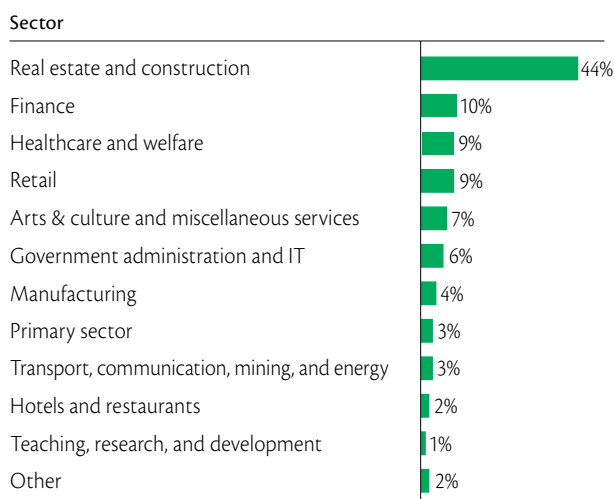
CHF billions, on and off balance sheet, for the parent company¹



¹ Excluding financial investments

Corporate loans by economic sector

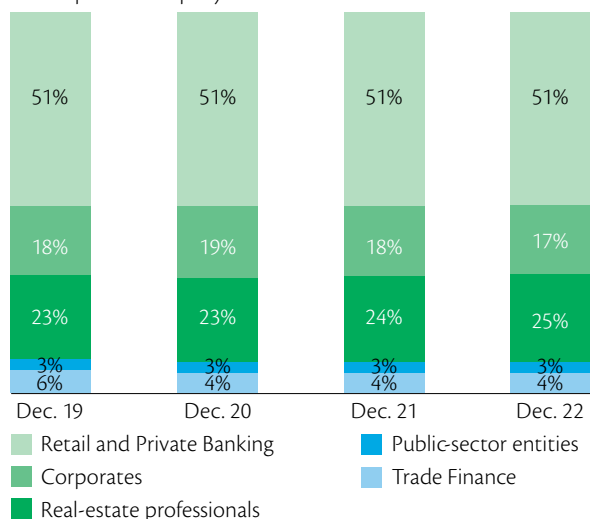
as a % of on-balance-sheet corporate loan exposure, for the parent company,¹ at 31 December 2022



¹ Excluding financial investments

Customer loans by segment

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



Customer loans by geographical zone

as a % of on-balance-sheet customer loan exposure, for the parent company¹

Client domicile	31/12/2021	31/12/2022
Vaud Canton	80%	80%
Rest of Switzerland	16%	17%
European Union + North America	1%	1%
Other	3%	3%

¹ Excluding financial investments

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.

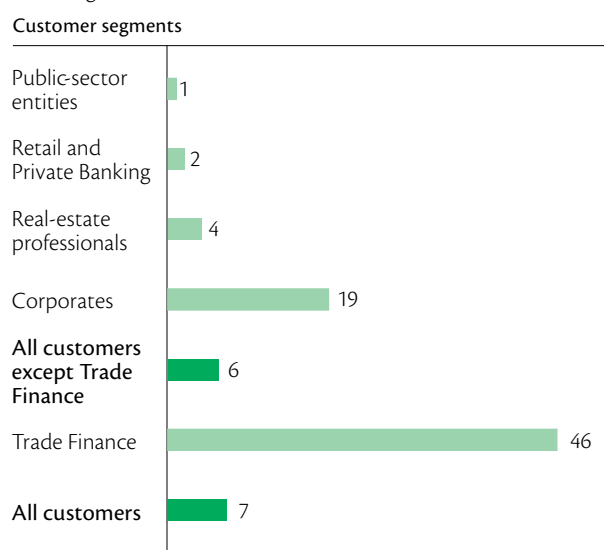
3.1 Market risk on the trading book

All trading activities are managed by the Trading Department within the Asset Management & Trading Division. The Trading Department carries out market transactions primarily in equities, fixed-income instruments, forex, and precious metals on behalf of clients. 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.

All new types of products and instruments issued by the Asset Management & Trading Division are validated by the Division's Product and Instrument Committee

Expected loss rate

expressed in basis points of drawn customer loans, including OTC derivatives, at 31 December 2022



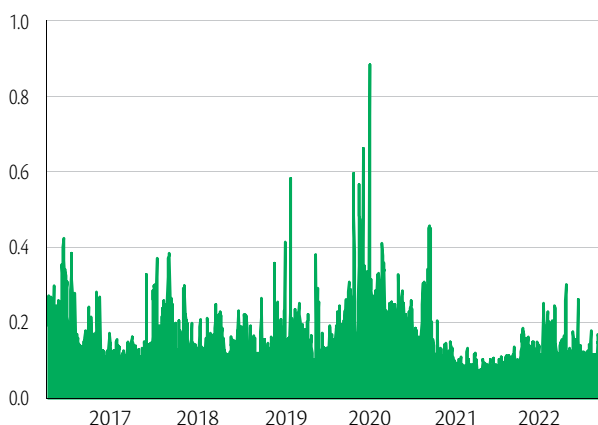
(PIC), which is chaired by the Executive Board member in charge of the Asset Management & Trading Division and includes the head of the Asset Management Department, the head of the Back Office Department, the head of the Investment Policy Department, the head of the Risk Management Department, and the head of the Trading Department. This process ensures that before a new type of product is launched, all requirements in the areas of risk management, asset and liability management (ALM), treasury management, back offices, legal, compliance, 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 & Risks Division's Risk Management Department. This ensures that control of market risk is performed independently of the Asset Management & Trading Division. The Market Risk Unit uses the following risk control metrics in particular:

- historical overnight value-at-risk (VaR) with a one-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.

VaR in the trading portfolio (1-day, 99%)

in CHF millions



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

Market risk arising from the trading book remains only a marginal source of risk for the Bank. Throughout 2022, VaR for the trading book remained low, at an average of around CHF 0.1m.

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

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 & 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 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. BCV'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 takes a comprehensive approach to managing operational risk in general and has designed specific approaches to the key risks managed by Compliance and Security. Further information on these types of risk is provided below.

The Bank's operational-risk management concept is based on the Basel Committee's principles of best practice and is in keeping with FINMA Circular 2008/21 on operational risks. It is designed to mitigate operational risk factors by identifying areas for improvement and strengthening the Bank's operational and management control systems. In particular, the Bank aims to reduce its exposure to:

- breaches of laws, regulations, standards, and Bank directives, including the potential occurrence of a control-related risk event (i.e., resulting from a design flaw in the internal control system, non-compliant implementation of that system, or a lack of rigor in carrying out internal controls);
- erroneous or malicious actions taken by employees, suppliers, bank counterparties, customers, or other parties external to the Bank;
- inadequacies of IT systems (e.g., applications, interfaces, and hardware) and communication systems (e.g., telephone, fax, email, and social networks);
- inappropriate infrastructure;

- an organizational structure that is not adapted to the Bank's activities, both in terms of processes (methods, procedures, organizational structure, etc.) and governance (rules, policies, directives, manuals, etc.);
- natural hazards.

Operational risk factors can give rise to risk events. The Bank categorizes potential risk events as follows:

- non-compliance, that is, a failure to comply with laws, regulations, standards, and Bank directives
- internal and external fraud, including cybercrime
- events related to human resources
- events linked to customer relations and business practices, including money laundering and the financing of terrorism, market abuse, and non-compliance with economic sanctions
- loss of operating resources
- failure of information systems
- events related to transaction and process management.

Reviews are carried out periodically to identify the main operational risks. These are supplemented by ad-hoc reviews, for instance if a potential new threat emerges, if FINMA submits a specific request, or if a major risk materializes at another bank. These reviews and analyses are conducted by Management and by functional skills centers (e.g., the Compliance and Security departments) with support from the Operational Risk function within the Risk Management Department. The aim of the reviews is to reveal possible improvements to the Bank's risk-management system, and particularly to operational and managerial controls.

In addition to identifying risks, the Bank exhaustively and systematically gathers information on and analyzes the main operational events arising from the Bank's activities. These events are recorded in a dedicated operational-risk-management application and analyzed on a monthly basis. In order to monitor the Bank's operational-risk profile, tolerance limits are set for operational events in general and for each category of event.

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

5. Key compliance risks

The key risks managed by Compliance relate to the risks inherent in money laundering and the financing of terrorism, in market abuse, and in conducting a business relationship with – or receiving or transferring funds for – an individual or legal entity that is subject to economic sanctions, or that is tax non-compliant. It also covers the respective control-related risks, such as the possibility that there is a design flaw in the internal control system, that implementation of the internal control system is non-compliant, or that internal controls are not rigorously carried out. These control-related risks stem from the Bank's regulatory requirement to have due diligence systems in place in order to mitigate compliance risk.

The Bank's approach to these inherent risks is in line with its position as a full-service bank with solid local roots. BCV's client relationships are representative of its locally focused core businesses and the other business activities that BCV conducts as a full-service bank, either because these activities offer strong synergies with the Bank's core businesses or because they offer solid profitability (e.g., trade finance). In all its business activities, the Bank prioritizes high-quality client relationships and does not enter into client relationships if there is a higher inherent risk in terms of money laundering and the financing of terrorism, market abuse, economic sanctions, or tax compliance.

To manage control-related risks, the Bank makes sure that the internal control system it sets up and implements is in line with its risk profile and relevant reference standards. It also ensures that the system is properly applied throughout the Bank. The internal control system is periodically reviewed so that it remains adapted to the above inherent risks as they evolve.

The Compliance Department acts as the support and control function for these areas across the Bank. It has primary responsibility for conducting regulatory intelligence and monitoring and implementing changes to compliance-related rules, procedures, and processes. In addition, it provides employees with training and ongoing support on how to implement compliance-related rules and procedures. The Compliance Department also conducts level 2 oversight, which consists of controlling front-line businesses' implementation of the regulations within the Department's purview.

5.1 Risk of money laundering and the financing of terrorism

By accepting funds and executing payment and financing transactions, the Bank is exposed to the inherent risk that one or several of its clients may be directly or indirectly involved in money laundering or the financing of terrorism. Banking supervision rules require banks to play a key role in combating money laundering and the financing of terrorism. For this purpose, they must have systems in place to detect signs of these activities. Determining the economic background of client funds and the purpose of transactions is a central component of the due diligence process, which consists of monitoring client relationships and transactions made through the Bank.

The Bank's front-line businesses take initial responsibility for identifying money-laundering and terrorist-financing risks relating to both client relationships and transactions. The Compliance Department sets out the framework to be followed within the Bank, provides tools for implementing that framework, and supports and monitors the work of the front-line businesses.

Monitoring client relationships

For each client relationship, the Bank systematically identifies the contracting party, the beneficial owner, and/or the controlling owner. The entire client portfolio is constantly monitored in order to detect any individuals who have been convicted or are suspected of money laundering or terrorist financing, as well as politically exposed persons (PEPs) listed in public databases.

Each client relationship is categorized based on money-laundering and terrorist-financing risk factors, in alignment with the regulatory requirements set out in the Swiss Federal Anti-Money Laundering Act (AMLA), the FINMA Anti-Money Laundering Ordinance (FINMA-AMLO), and the risk profiles of the Bank's business activities. These categories are then used to determine the extent of monitoring and the decision-making authority applicable to each client relationship.

Client relationships showing signs of an increased risk of money laundering or terrorist financing must go through an approval process before they can be entered into and when periodically reviewed. This involves various levels of management, and approval by the Compliance

Department is required in each case. The approval process draws on information provided by the Bank's front-line businesses and meets the strict in-house requirements set for each business line, especially regarding supporting documentation that must be provided.

For Private Banking and Trade Finance, client relationships are approved by specific review committees when relationships are entered into and reviewed. The Compliance Department takes part in those committee meetings and has veto power on client relationships.

Monitoring transactions

The Bank categorizes client transactions based on their size and the criteria set out in the AMLA and FINMA-AMLO relative to the Bank's risk profile. Dedicated software, configured for each of the Bank's business lines, is used to detect transactions that are at a high risk of money laundering or terrorist financing. The software's detection algorithms are calibrated to identify indicators relating to transaction frequency, volume, and type, as well as any unusual client behavior. If customer advisors become aware of any indications of money laundering or terrorist financing, particularly during interactions with clients or based on information from third parties, the Compliance Department is informed directly.

Clarifications on potential increased-risk transactions are made in accordance with the strict in-house requirements set for each of the Bank's business lines, and transactions representing the highest level of risk are approved by the Compliance Department.

Reporting suspected cases of money laundering

The Compliance Department, on behalf of the Bank, systematically reports suspected cases of money laundering or terrorist financing involving a client relationship or a transaction to the Money Laundering Reporting Office (MROS).

5.2 Risk of non-compliance with economic sanctions

Ensuring compliance with economic sanctions is an important obligation for the Bank. To the best of its knowledge, the Bank complies with the various sanction regimes that it is required to follow as a result of its business activities, the most important of which are the Swiss sanctions imposed by the State Secretariat for Economic

Affairs (SECO), the US sanctions imposed by the Office of Foreign Assets Control (OFAC), and the European Union's sanctions. This mainly involves sanctions against countries or specific economic sectors, or sanctions intended to freeze individuals' or companies' assets.

The Compliance Department conducts due diligence at the start of each client relationship and continuously on its entire client portfolio, in order to detect individuals or companies that are subject to applicable economic sanctions. It also monitors incoming and outgoing transactions through its detection system and blocks suspicious transactions where necessary. It likewise monitors the securities of companies that are subject to sanctions and prohibits clients from trading in those securities.

5.3 Risk of market abuse

Monitoring market abuse involves identifying instances of insider trading and market manipulation, in keeping with FINMA Circular 2013/8 and the Financial Market Infrastructure Act (FinMIA).

Trades by clients and employees are monitored through a dedicated computer system that detects any atypical returns and possible access to insider information. Individuals who are categorized as insiders based on information gathered from external databases are recorded as such in the Bank's computer systems, and their transactions are closely monitored by the Compliance Department.

The Bank's computer system also monitors trades in order to detect behavior that could constitute market manipulation, including buy and sell trades conducted on the same day on the same security.

6. Key security risks

The key risks managed by Security cover risks to IT security and to physical security:

- IT security risks, particularly risks relating to cybercrime, arise from exposure to the IT systems, data, and operations needed for the Bank to run smoothly.
- Physical security risks relate to the safety of people – clients, employees, partners, and external service providers – and the security of infrastructure, i.e., buildings and other premises containing Bank property, and all of the equipment that the Bank needs to operate.

The Bank is constantly evolving its security system to keep pace with these threats.

The Security Department is responsible for setting up, implementing, monitoring, and adapting the Bank's security system. It also makes sure that the safeguards and measures put in place to manage crisis situations and ensure business continuity remain effective and adequate over time. Its main missions are to:

- protect the Bank's IT systems, data, and operations by setting up and implementing a security system based on an analysis of threats, particularly regarding cybercrime;
- keep people, infrastructure, and assets safe by setting up and implementing a range of related security measures, also based on an analysis of threats;
- manage crisis situations and ensure business continuity by setting up and implementing measures to make sure that crises are handled effectively and the Bank can keep running its mission-critical business functions.

6.1 IT security risk

Three of the units within the Bank's Security Department are involved in protecting the Bank's IT systems, data, and operations. One unit is responsible for safeguarding the Bank against cybercrime, for developing the Bank's security architecture, and for managing cybersecurity incidents. A second unit covers the operational aspects of security, which include managing access rights and user IDs, ensuring continuous service and surveillance, and carrying out controls. A third unit is responsible for the Bank's security management system and for crisis and business continuity management. It also supervises the management and financial oversight of security-related projects for the Bank. The Bank has a series of security measures in place to

protect its IT systems and data. The measures are based on an analysis of the Bank's inherent exposure to threats, or to potential risk events, and are adapted to the Bank's specific needs and areas of business. The main threats and mitigating measures are summarized below.

Risk of system hacking and unauthorized access to data.

Potential risk events include intrusions (e.g., as a result of malware or an insider's malicious intent) and attacks (e.g., denial of service) aimed at making certain IT channels unusable or causing a massive data breach. To limit this risk, the Bank has put in place a security system providing constant surveillance; it records and analyzes hacking attempts, conducts IT security intelligence, hires external providers to test the resilience of its IT systems, and works closely with the Swiss federal authorities in charge of combating cybercrime, such as the National Cyber Security Center (NCSC). In addition, it has a crisis management plan, which is regularly tested and updated.

Risk of data theft or the breach of client data privacy.

Potential risk events include a massive leak of confidential data by one or more employees of the Bank or by external individuals. Access to client data is centrally managed and access rights are granted strictly on a need-to-know basis to limit this risk. Confidentiality levels are set by type of client data, and access is restricted accordingly. The Bank also controls all outgoing data streams (e.g., internal emails, internet, USB flash drives, and CDs) using data loss prevention technology, and an alert is triggered if client-identifying data are detected.

Risk of client identity theft. Potential risk events include the theft of client usernames and passwords or the misuse of resources made available to clients (e.g., payment software) in order to conduct fraudulent transfers of client funds. To limit this risk, the Bank puts in place various procedures adapted to each channel and client segment; these include client-authentication procedures, aimed in particular at ensuring the non-repudiation of transactions, and transaction-confirmation procedures. For BCV-net and TradeDirect, strong authentication is applied, and the level of protection is routinely reassessed. At the same time, the Bank regularly seeks to raise clients' awareness of the risks of hacking through articles, recommendations, and other information published on its website, bcv.ch.

6.2 Physical security risk

The Security Department has a unit responsible for protecting people, physical assets, and infrastructure within the Bank.

The Bank has implemented a series of measures to keep its people, assets, and infrastructure safe and secure. The measures are based on an analysis of the Bank's inherent exposure to threats, or to potential risk events, and are adapted to the Bank's specific needs and areas of business. The main threats and mitigating measures are described below.

Risks to personal safety. Potential risk events include accidents and verbal and physical attacks. To limit these risks, the Bank applies the Swiss government's directives on workplace health and safety and on prevention. It takes steps to raise employees' awareness and trains first aiders at its main sites. The Bank also focuses its efforts on managers, raising their awareness by providing training and putting in place employee monitoring tools.

Risk of physical theft. Potential risk events include the theft of assets, goods, or documents by individuals from inside or outside the Bank. Access to certain areas of the Bank's premises is restricted and buildings are kept under constant surveillance to limit this risk. It is also insured against theft and raises branch employees' awareness of the issue through training.

Risk of damage to infrastructure. Potential risk events include a loss of operating resources as a result of events like a fire, power outage, pandemic, or natural disaster. To limit this risk, the Bank performs daily backups to its two data centers and has a data recovery plan that is tested regularly. In addition, the Bank has plans in place to ensure the continuity of critical business functions in the event of situations like a pandemic or a disaster. It also performs annual checks and updates on critical infrastructure.

7. Climate-related risk

7.1 Introduction

The socioeconomic impacts of the physical hazards caused by climate change and of the transition to a low-carbon economy are increasing and can affect all economic agents, including the financial sector and banks.

The Bank integrates climate-related risk into its risk-management framework, in order to protect its interests and those of its clients. In keeping with the recommendations of supervisory authorities (i.e., FINMA and the Basel Committee), the Bank considers the physical hazards caused by acute and chronic climate events and the transition to a low-carbon economy to be risk factors that could impact all categories of risk to which the Bank is exposed – strategic and business risk, credit risk, market risk, and operational risk.

The Bank's Risk Management Policy and Strategy, which is approved each year by the Board of Directors and the Executive Board, defines how these climate-related risk factors should be taken into consideration when assessing risks, and assigns related responsibilities. The regular risk reports submitted to the Board of Directors and Executive Board include information on monitoring the Bank's exposure to climate-related risk factors.

The key aspects of the Bank's approach to managing climate-related risks are described below; they are presented in accordance with the recommended structure and the fundamental principles for effective disclosure established by the Task Force on Climate-related Financial Disclosures (TCFD).

7.2 Governance

The Bank manages climate-related risks according to the same basic principles of governance and organization as all other risks (see section 1.4 above). Under these principles, risk-monitoring authority is assigned to the Board of Directors, while the Executive Board is given responsibility for managing and assessing risks, and the Risk Management Department for developing risk-assessment methods. This explicitly includes climate-related risk factors.

The Board of Directors establishes the Bank's policy for managing risk and determines the strategy the Bank will pursue in taking on risk. It is also responsible for high-level oversight of the Bank's risk profile. As part of this, the Board of Directors monitors the Bank's main risk factors and exposures, including those related to the climate. This monitoring is conducted each quarter as part of the quarterly risk reports and on an annual basis as part of the analysis of key risks.

The Executive Board is responsible for ensuring that the risk-management procedures are implemented and operational, and for monitoring the Bank's risk profile. It monitors and assesses the Bank's main risk factors and exposures, including those related to the climate. This monitoring is conducted each quarter as part of the quarterly risk reports and on an annual basis as part of the analysis of key risks.

The Risk Management Department is responsible for developing and improving the Bank's risk-control principles and methods, monitoring the Bank's risk profile, and executing risk reporting. The Department ensures that the Bank's main risk factors and exposures, including those related to the climate, are taken into consideration in these processes.

7.3 Risk management

The Bank's approach to managing climate-related risks is fully aligned with its overall risk-assessment principles. The physical impacts of climate change and the transition to a low-carbon economy are among the main risk factors capable of adversely affecting the Bank's exposure to risk. Climate-related risk can therefore be defined as the possibility that a risk event will occur as a result of changes in one or several climate-related risk factors that, in turn, will have a negative impact on the Bank. Climate-related risks may relate to strategic, credit, market, or operational risk.

Climate-related risk factors

- *Climate-related laws, regulations, and the range of societal norms* may evolve significantly in order to speed up the transition to a low-carbon economy. This could involve tighter restrictions on emissions from buildings, vehicles, and industry, stricter disclosure requirements, significant adverse effects on the public image of certain companies and business sectors, and even an increase in climate-related lawsuits.
- *Economic development* may be heavily affected by structural shifts in the economy that occur in response to changes in demand for goods and services and to technological progress. The transition to a low-carbon economy will alter the value of resources; sectors and industries (e.g., the automobile sector) will undergo transformations, and jobs will be relocated.
- *Climate-related physical hazards* are becoming increasingly frequent and more intense as a result of

global warming, particularly in certain regions of the world. There are two main types of climate-related physical hazards:

- extreme weather events, such as storms (causing flooding, landslides, and avalanches) heat waves, droughts, and forest fires (i.e., acute physical hazards)
- longer-term changes in the climate leading to desertification, coastal erosion, coastal flooding, and less snowfall and melting glaciers in mountain areas (i.e., chronic physical hazards).

As a full-service bank with solid local roots, BCV is exposed to climate-related risk factors in various ways: through its strategic positioning, daily business decisions, lending activities, trading and investment activities, and operational procedures. In all of the Bank's business activities, climate-related risk factors are an integral part of managing risks. Detected sources of exposure are analyzed and monitored by the Board of Directors and Executive Board, in particular via risk reporting.

7.4 Strategy

The Bank operates primarily in Vaud Canton, which has a diverse, strongly services-oriented economy; the transition to a low-carbon economy has less of an impact on services than on other sectors of the economy. The Bank makes sure its strategy and objectives are consistent with the commitments made by the Swiss government and Vaud Cantonal Government to combat global warming (i.e., both current commitments and the roadmap to 2030 and 2050 targets).

Below is an assessment of climate-related risk factors for the main sources of exposure: the Bank's lending activities, trading and investment activities, and operational procedures.

Lending activities

The Bank's lending activities mainly comprise mortgage financing, primarily in Vaud Canton, and corporate financing (primarily to companies located in Vaud, but also to select large corporates throughout Switzerland and, to a limited extent, through its international trade-finance activities).

As the Bank's core region has little exposure to climate-related physical hazards, it prioritizes analyzing transition-related risk factors. When assessing credit risk, the Bank

systematically examines and monitors the proportion of its exposure that could be put at an increased risk of default by transition-related risk factors. The main exposures are as follows:

- **Mortgage exposures:** The proportion of residential real-estate financing with a heightened exposure to transition-related risk factors is deemed to be very low (less than 5% of total exposures) and trending downward. Most of these exposures are loans granted to clients with a default rating below the portfolio average and are on residential properties (i.e., rental properties, single-family homes, and condominiums) that were built before the year 2000 and use fuel oil as the main energy source for heating. The impact of climate-transition risk factors on the Bank's risk of credit loss is considered marginal. In its mortgage lending, the Bank helps to fund the energy transition by offering clients preferential interest rates on environmentally friendly real-estate purchases and green renovations.
- **Corporate exposures (excluding trade finance):** The proportion of corporate loans granted to companies in sectors most affected by the energy transition is moderate (less than 20%); these loans are not concentrated in any one sector, and no loans are granted to companies involved in fossil-fuel production. Most of the companies concerned are Swiss companies active in air, sea, or road transportation, construction, manufacturing, and chemicals and pharmaceuticals. The impact of transition-related risk factors on their default risk is deemed to be low and is factored into each individual credit-risk analysis. BCV's corporate lending process now includes a specific analysis of environmental and social risks.
- **Trade-finance exposures:** Financing of fossil-fuel-derived commodities makes up around 25%–30% of the Bank's trade-finance business (in US dollar terms). A large proportion of this exposure is to liquid and gas petroleum products, while a smaller proportion relates to steam coal (concentrated on trade to developing countries that cannot yet undertake the energy transition). All of this financing is transaction-based and granted for terms of under a year; transition-related risk factors have no material impact on the Bank's risk of credit loss. In 2019, the Bank committed to reducing its transaction-based exposure to coal at a slightly faster pace than in the Paris Agreement-compatible scenario (i.e., the rate at which global coal use needs to be phased out of the energy mix in order to meet the emissions target set out in the Paris Agreement, as defined by the International Energy Agency).

Trading and investment activities

Climate-related risk factors have only a limited impact on market risks. The Bank does not have a proprietary trading business and does not invest in a portfolio of equity holdings. For the purposes of liquidity management, the Bank has a portfolio of investment-grade financial investments, which is not concentrated on any one sector and mainly comprises securities issued by the Mortgage-Bond Bank of the Swiss Mortgage Institutions and the Central Mortgage-Bond Institution and bonds issued by the Swiss federal government, Swiss cantons, and other, supranational state entities.

As part of its asset-management activities, BCV makes investments at the request of its private and institutional clients. The value of these client-driven investments may be affected by climate-related risk factors, such as stricter carbon emission laws, adverse public-image trends for certain business sectors and/or companies, changes in the value of resources, and extreme weather events like storms and heatwaves. In 2022, BCV once again took part in the PACTA climate compatibility test run by the Swiss Federal Office for the Environment, which analyzed the exposure of a representative set of the Bank's asset portfolios to carbon-intensive sectors, and therefore to transition-related risk factors. The test showed that BCV's portfolios are less exposed to these sectors than the market as a whole (i.e., in comparison to the MSCI World Index and the aggregate portfolios of all banks taking part in the test). In its asset management activities, the Bank has a policy of excluding from its direct investments companies that generate 25% or more of their revenues from thermal coal mining or power generation, or from unconventional fossil fuels.

Operational procedures

Changes to climate-related legislation, regulations, and the range of societal norms will have an impact on the regulatory requirements governing the Bank's operational procedures. If climate-related transparency requirements become stricter, this could have an impact on the adequacy of the Bank's organization, processes, institutional reporting, and the products and services it provides to clients, particularly in the area of sustainable finance. Each year, the Bank publishes a sustainability report, which is prepared in accordance with Global Reporting Initiative (GRI) Standards, the reference for reporting on sustainable development issues. The Bank is also involved in various external initiatives and partnerships: for instance, BCV is a signatory

of the United Nations Principles for Responsible Investment (UNPRI) and a member of Swiss Sustainable Finance; it takes part in the Carbon Disclosure Project (CDP) survey and has entered into a strategic partnership with Ethos. BCV is taking numerous measures to reduce its carbon footprint, especially when it comes to heating its buildings. It also encourages employees to walk or bike to and from work.

Although BCV is located in a region that has relatively little exposure to climate-related physical hazards, extreme weather events – such as storms, flooding, landslides, and heatwaves – may give rise to operational-risk events affecting individuals (e.g., accidents and illnesses) or operating resources (e.g., damage to buildings). The Bank keeps individuals and infrastructure safe by implementing a set of measures that are based primarily on the Swiss government directives on security planning and business-continuity planning.

7.5 Metrics and targets

BCV actively monitors climate-related risk metrics and uses standard methodologies as the basis for its approach, particularly in its lending and client-driven investment activities. For these activities, the Bank also examines other ways to add to its climate and environmental data in order to strengthen its measurement of climate-related risks.

As an example, monitoring the lending portfolio's exposure to transition-related risk factors entails:

- rating mortgage exposures based on the buildings' CO₂ emissions, calculated using a combination of variables (e.g., the Cantonal Building Energy Certificate, the "Minergie" label, the energy source used for heating, the year of construction, and any renovations);
- rating corporate exposures (excluding trade finance) based on whether they are linked to climate-policy-relevant sectors (based on Battiston, S. et al., "A climate stress-test of the financial system");
- rating trade-finance exposures using an in-house methodology based on carbon-footprinting the financed goods.

In the coming years, the Bank will continue to develop its methods for assessing climate-related risks by seeking to adopt best practices and improving the data needed for its assessments.

BCV is committed to cutting its direct CO₂ emissions by at least 35% from 2019 levels by 2030. The Bank's direct emissions are published annually in its sustainability report, prepared in accordance with GRI Standards.

Principles governing the Bank's internal control system

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 Circulars 2017/1 on corporate governance and 2008/21 on operational risk. 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 Bank has an overall ICS along with an operational ICS. The overall ICS is designed to ensure that the Bank's risk appetite is in keeping with its risk-taking capacity and that the overall risk-management framework appropriately addresses the risks identified. It comprises a set of measures and procedures that structure the Bank's operations and the orientation of its business. They include: robust governance mechanisms; a clearly defined organizational structure; coherent business goals that will ensure the Bank's longevity; established operating procedures for the Executive Board, the Board of Directors, and their committees; regular reviews of the Bank's overall and business-specific strategies, financial strategy, and risk policy (including key risk limits); and reports that are in line with the Bank's business activities and risk-management framework.

In terms of procedures, implementing an overall risk-management framework involves assigning tasks, responsibilities, and decision-making authority to employees and managers, and setting out the limits, deadlines, procedures, and rules to be followed and the forms and other documents to be used. The overall risk-management framework therefore touches upon all aspects of the Bank's operations.

The operational ICS ensures that managers and other employees comply with the operational procedures governing their work. Department heads are in charge of implementing and updating the procedures for their department and the related operational ICS, with the relevant division head having ultimate responsibility in this regard.

The operational ICS covers execution-related operational risks (EORs) and the controls put in place to mitigate them. An EOR arises from potential errors, failures, or non-compliance with rules, limits, or documentation requirements. EORs with Bank-wide relevance are referred to as key EORs. Controls are set up and documented at Bank level for each key EOR. These controls always include operational oversight by employees, conducted in the course of their work, and managerial oversight, conducted at each management level (up to the department head) to ensure that the previous level of oversight was properly carried out.

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

- level one: operational oversight (1a) and managerial oversight (1b) based on the chain of command
- level two: controlling the appropriateness and effectiveness of level-one oversight by entities independent of the chain of command (e.g., Risk Management and Compliance)
- level three: periodic reviews of levels one and two by the Internal Audit Department, which is responsible for determining the principles, content, and schedule for these reviews.

The Executive Board assigns extensive oversight responsibility to managers, with centralized functional units providing support. The Executive Board also ensures the requisite separation of tasks to prevent conflicts of interest between level-one and level-two oversight.

Executive Board members collectively and individually attach great importance to ensuring that the operational ICS is of a high quality, effective, and adapted to the Bank's needs, and they implement the operational ICS rigorously, thereby serving as an example for department heads and all other Bank employees.

The operational ICS is set up and implemented factoring in the Bank's organizational structure, the characteristics of its business lines and functions, its risk levels, and the need to make effective use of the know-how available within the Bank.





Entrepreneur breakfast meetings at the Aubonne Arboretum
We regularly hold breakfast events for entrepreneurs at which we address specific topics that are important to small businesses, like how to navigate the energy transition.

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.¹
- apply the principal standards of corporate governance. BCV follows the recommendations contained in the Swiss Code of Best Practice for Corporate Governance² 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, Basel III Pillar 3 report, and sustainability report.

This chapter explains how the Bank puts these principles into practice. Additional information can be found in the Articles of Incorporation⁽ⁱ⁾ and the Cantonal Act of 20 June 1995 Governing the Organization of Banque Cantonale Vaudoise (LBCV)⁽ⁱⁱ⁾, both of which are available on the BCV website.³

¹ See the English translation of this text on the SIX website: <https://www.ser-ag.com/en/resources/laws-regulations-determinations/regulations.html>.

² An English translation of this text, by Prof. Peter Böckli, may be found at www.economiesuisse.ch.

³ See page 112 for the links to these documents.

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⁽ⁱ⁾ insofar as they were compatible with BCV's specific status and without amending the LBCV.⁽ⁱⁱ⁾ 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,⁽ⁱ⁾ many others were adopted. These include the principles regarding the Independent Proxy (Article 18a of the Articles of Incorporation⁽ⁱ⁾); electronic voting (Article 18a, paragraph 5, of the Articles of Incorporation⁽ⁱ⁾); the maximum number of positions outside BCV that may be held by members of the Board of Directors (Article 23 of the Articles of Incorporation⁽ⁱ⁾) and the Executive Board (Article 29 of the Articles of Incorporation⁽ⁱ⁾); the duties of the Compensation, Promotions and Appointments Committee (Article 30a of the Articles of Incorporation⁽ⁱ⁾); the length of the employment contracts of the members of the Executive Board (Article 28, paragraph 2, of the Articles of Incorporation⁽ⁱ⁾); the compensation structure (Article 30b of the Articles of Incorporation⁽ⁱ⁾); the approval of compensation (Article 30c of the Articles of Incorporation⁽ⁱ⁾); and unauthorized compensation (Article 30d of the Articles of Incorporation⁽ⁱ⁾). 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⁽ⁱ⁾).

1. Group structure and shareholders

1.1 Group structure

1.1.1 Group operational structure (at 31 December 2022)

Details of all BCV Group companies are shown in note 10.7 (consolidated and non-consolidated holdings) to the consolidated financial statements, on page 141. BCV is the only listed company 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 ⁽ⁱⁱⁱ⁾ of 20 June 1995, as amended on 25 June 2002, 30 January 2007, 2 March 2010, and 8 December 2020
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 2022, the value of BCV's listed shares with a par value of CHF 1 was CHF 7.6bn
Security number	53.175.175
ISIN code	CH0531751755

1.1.3 Unlisted companies included in the scope of consolidation (at 31 December 2022)

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.

Upon the recommendation of the parent company's Executive Board, the parent company's Board of Directors submits proposals to the subsidiaries' boards of directors concerning the appointment of, as a general rule, the majority of the members of those boards (including the chair) and of their CEOs.

The share capital of BCV's subsidiaries and the holdings of the parent company are shown in note 10.7 on page 141 of the consolidated financial statements.

1.2 Major shareholders

At 31 December 2022, the Canton of Vaud held 66.95% of the Bank's share capital. No other shareholder is known to hold an interest of 3% 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 19.6% of the Group's capital at 31 December 2022.

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

Share 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 2020, 2021, and 2022 may be found in notes 3 and 5.12 to the parent company financial statements (pages 175 and 183). Additional information on the Group's capital is shown on page 123 of the consolidated financial statements.

At 31 December 2022, the Bank's share capital stood at CHF 86,061,900 and consisted of 86,061,900 registered shares with a par value of CHF 1.

2.2 Authorized and conditional capital

There was no authorized or conditional capital at 31 December 2022.

2.3 Capital structure at the end of the 2020, 2021, and 2022 financial years

At the Annual Shareholders' Meeting on 30 April 2020, shareholders approved a 10-for-1 stock split, where the share's par value was divided by ten and the total number of shares increased accordingly, as well as an amendment to Article 6 of the Articles of Incorporation,⁽ⁱ⁾ which now states:

The share capital of eighty-six million sixty-one thousand nine hundred Swiss francs (CHF 86,061,900) is divided into eighty-six million sixty-one thousand nine hundred (86,061,900) fully paid-up registered shares with a par value of one Swiss franc (CHF 1) per share.

The stock split was carried out on 28 May 2020. The BCV share's security number on the SIX Swiss Exchange changed on that date from 1.525.171 to 53.175.175.

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

Number of shares

Share capital	31/12/2020	31/12/2021	31/12/2022
Share capital (fully paid-in registered shares)	86,061,900	86,061,900	86,061,900

Equity – Group

CHF millions

Equity	31/12/2020	31/12/2021	31/12/2022
Share capital (fully paid-in)	86	86	86
Capital reserves and retained earnings	2,822	2,892	2,961
Reserves for general banking risks	666	666	666
Minority interests in shareholders' equity	0	0	0
Total	3,574	3,644	3,713

2.4 Shares and participation certificates

Registered shares at 31 December 2022

Number of shares	86,061,900
Proposed ordinary dividend	CHF 3.80
Par value	CHF 1
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 20 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 Financial Market Infrastructure Act (FinMIA). (...) 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 the acquirer expressly states, when requested to do so, that they have purchased the shares in their name and for their 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⁽ⁱⁱ⁾), in compliance with the rules applicable to any resolution of the Shareholders' Meeting.

2.7 Convertible bonds and options

At 31 December 2022, 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 2022, the Board of Directors comprised only non-executive members. The Chair and members of the Board perform no other functions within BCV Group, and have not done so during the past three years.

The members of the Board of Directors maintain normal business relations with BCV and Group companies.

In accordance with Article 12, paragraph 2bis, of the LBCV⁽ⁱⁱ⁾ and Article 21, paragraph 3, of the Bank's Articles of Incorporation,⁽ⁱ⁾ the Vaud Cantonal Government (VCG) gives an appointment letter to the members that it appoints to the Board of Directors. The VCG appoints four of the seven members of the Board; its appointees in 2022 were Eftychia Fischer, Fabienne Freymond Cantone, Peter Ochsner, and Jean-François Schwarz. The purpose of the appointment 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 to 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⁽ⁱ⁾). 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⁽ⁱⁱ⁾ and the Bank's Articles of Incorporation⁽ⁱ⁾ (see in particular Article 24, paragraph 2). In 2022, the Audit and Risk Committee included two Board member appointed by the VCG (Mr. Ochsner, Committee Chair, and Jean-François Schwarz) – who therefore holds such an appointment letter – and one elected by shareholders (Jack Clemons). 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. 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.

The seven members of the Board of Directors are independent members within the meaning of FINMA Circular 2017/1 "Corporate governance – banks." Three members are elected by shareholders and four are appointed by the VCG. Although the four members appointed by the VCG are given appointment letters, they are independent members in that they receive compensation for any BCV board-related activities from the Bank alone and do not receive any specific instructions from the VCG.

Name Year of birth Nationality	Education	Career experience
Eftychia Fischer 1963 Dual Swiss and Greek citizen	<p>Bachelor's degree in physics from Imperial College London</p> <p>Graduate of the Advanced Management Program (AMP) at the Wharton School at the University of Pennsylvania</p> <p>Certified Chartered Financial Analyst (CFA) and Financial Risk Manager (FRM)</p>	<p>Chair of the Board of Directors since 1 January 2022. After graduating with a Bachelor's degree in physics from Imperial College London, she began her career in 1986 as an interest-rate derivatives trader at Société Générale Strauss Turnbull in London. She then held managerial positions at firms in Paris and Zurich, including J.P. Morgan & Co., Julius Baer, and EFG International, and joined UBP in 2010 as the Head of the Treasury & Trading Division. She took on an additional role as the Head of Asset Management at UBP from 2012 to 2015. Since 2015, she has served on the Board of Vaudoise Assurances.</p>
Jean-François Schwarz 1955 Swiss citizen	<p>Master's degree in economics with a specialization in business administration from the University of Lausanne</p>	<p>Mr. Schwarz was appointed to the Board by the Vaud Cantonal Government, taking up his position on 1 January 2019. He was then appointed Vice Chair of the Board by the Vaud Cantonal Government on 1 January 2020. He has over 40 years of experience in the banking sector. He began his career at BCV in 1976 in corporate lending. From 1986 to 2003, he worked for Credit Suisse in Lausanne, New York, Zurich, and Geneva, where he took on important roles in the bank's lending and SME businesses. In 2003, he returned to BCV as a member of the Executive Board with responsibility for the Corporate Banking Division, which comprises the SME, Large Corporates, and Trade Finance departments. He retired from the Executive Board in June 2017.</p>
Jack G. N. Clemons 1966 Dual Swiss and British citizen	<p>Master's degree from Cambridge University and MBA from INSEAD, France</p> <p>Fellow of the Institute of Chartered Accountants in England & Wales</p>	<p>Mr. Clemons was elected by shareholders at the Annual Shareholders' Meeting held on 21 April 2016 and joined the Board of Directors on that date. He started his career in auditing and subsequently became a partner at Deloitte. He then served as Chief Operating and Financial Officer for a pan-European internet group. In 2006, Mr. Clemons joined Lausanne-based Bata, a leading global manufacturer and retailer of footwear, as Chief Financial Officer; he was later appointed CEO, a position he held until 2015. Since then, he has served on the boards of several companies and foundations.</p>
Ingrid Deltenre 1960 Dual Swiss and Dutch citizen	<p>Degree in humanities from the University of Zurich</p>	<p>Ingrid Deltenre was elected at the Annual Shareholders' Meeting on 1 May 2014 and joined the Board on that date. She has been Chair of the Compensation, Promotions and Appointments Committee since 1 May 2020. 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, the leading public TV broadcaster in German-speaking Switzerland, in 2004, and held this position for six years. From 2010 until 2017, Ms. Deltenre was Director General of the Geneva-based European Broadcasting Union, an organization with close to 400 employees. She has since joined the boards of several companies.</p>

<p>Fabienne Freymond Cantone 1963 Dual Swiss and Italian citizen</p>	<p>Master's degree in economics with a specialization in political economy from the University of Geneva</p>	<p>Fabienne Freymond Cantone was appointed to the Board by the Vaud Cantonal Government, taking up her position on 26 April 2018. Ms. Freymond Cantone began her professional career at Arthur Andersen and then worked at Banca della Svizzera Italiana. She served on and subsequently presided over the finance committee of the Nyon municipal legislature from 1998 to 2006. She then served in the Nyon municipal government until 30 June 2021, including as the head of finance from 2006 to 2011. Ms. Freymond Cantone was a member of the Vaud Cantonal Parliament from 2002 to 2018. She served on its finance committee until 2012 and became chair of the parliament's control committee in 2017. Since then, she has served on the boards of several companies and foundations.</p>
<p>Peter Ochsner 1956 Swiss citizen</p>	<p>Degree in business economics from ESCEA Management School, Zurich</p> <p>Swiss-certified accountant</p>	<p>Mr. Ochsner was appointed by the Vaud Cantonal Government and joined the Board on 1 July 2016. He also became Chair of the Audit and Risk Committee on that date. Mr. Ochsner joined PricewaterhouseCoopers SA (PwC) in 1982 after gaining experience in the Internal Audit & Organization Department of the Swiss National Bank. He served on PwC's management board and headed the firm's auditing practice in Switzerland from 2006 to 2014. Mr. Ochsner is a Swiss-certified accountant and, while at PwC, was a lead bank auditor. He has extensive experience with clients in the banking and insurance industries, both in Switzerland and internationally. Mr. Ochsner retired from PwC in 2014.</p>
<p>Pierre-Alain Urech 1955 Swiss citizen</p>	<p>Civil engineering degree from the Swiss Federal Institute of Technology Zurich (ETH Zurich)</p> <p>Postgraduate degree in railways business management from the Swiss Federal Institute of Technology Lausanne (EPFL)</p> <p>Courses in executive leadership, management, marketing, finance, and human resources in Switzerland and New York</p>	<p>Mr. Urech was elected at the Annual Shareholders' Meeting on 29 April 2021 and joined the Board on 1 January 2022. He served on the Executive Board of Swiss Federal Railways (SBB) from 1995 to 2003, and as CEO of Romande Energie from 2004 to 2019. He is currently Vice Chair of the SBB Board of Directors. Mr. Urech has extensive experience in business management and strategy, risk management, and serving on boards of directors, and has deep roots in Vaud Canton. He serves on the boards of several companies.</p>

3.2 Other activities and business relations (at 31 December 2022)

Eftychia Fischer	<ul style="list-style-type: none"> • Member of the Board of Directors of Vaudoise Assurances, Lausanne • Member of the Board of Directors of Alberca Foundation (single family office), Bahamas • Member of the Board of Directors of the Swiss School of Archaeology in Greece • Member of the Board of Trustees, the Management Committee, and the Nomination Committee of Avenir Suisse, Lausanne and Zurich
Jean-François Schwarz	<ul style="list-style-type: none"> • Member of the Board of the Fondation pour le Maintien du Patrimoine Aéronautique (FMFA), Lausanne
Jack G. N. Clemons	<ul style="list-style-type: none"> • Fellow of the Institute of Chartered Accountants in England and Wales • Member of the International Board and Chair of the Audit Committee of the World Wide Fund for Nature (WWF), Gland • Member of the Board of Directors of DKSH Holding AG, Zurich
Ingrid Deltenre	<ul style="list-style-type: none"> • Member of the Board of Directors of Givaudan SA, Vernier • Member of the University of Zurich's EMBA Executive Committee • Member of Aufsichtsrat Deutsche Post/DHL, Bonn • Member of the Foundation Board of Aide suisse à la montagne, Adliswil • Member of the Board of Directors of SPS Holding AG, Zurich
Fabienne Freymond Cantone	<ul style="list-style-type: none"> • Member of the regional committee of Radio Télévision Suisse Romande (RTSR), Lausanne, and Swiss Association of Broadcasting and Television (SRG-SSR), Bern • Committee Member of the Innovaud Association, Lausanne • Member of the Board of Directors of Transitec SA – optimized mobility, Lausanne • Committee member of EGW CCL – Central Financing Cooperative for Non-profit Housing Development, Olten • Committee member of the following associations: International Competition of the New Rose of Nyon, Association Les Amis de la Rose de Nyon (Chair), Nyon; LABOR association, Lausanne • Member of the following foundation boards: Fondation pour les Arts et la Culture, Fondation pour le Développement du Musée Romain, Fondation Abraham Hermanjat, Fondation Guido Comba, Nyon; Fondation Pro Vapore – Fondation pour la Sauvegarde des Huit Bateaux Belle Epoque du Lac Léman, Geneva • Director of Fondation Esp'Asse, Nyon
Peter Ochsner	<ul style="list-style-type: none"> • Member of the Board of Directors of Kieger SA, Zurich • Member of the Board of the Professor Dr. Max Cloëtta Foundation, Zurich
Pierre-Alain Urech	<ul style="list-style-type: none"> • Vice Chair of the Board of Directors (Chair of the Risk and Compliance Committee and member of the Personnel and Organization Committee, Ad Hoc Appointments Committee, and Political Dialogue Committee) of SBB, Bern • Chair of the Board of Directors of Télé-Villars-Gryon-Diablerets SA, Villars-sur-Ollon • Member of the Board of Directors of the Magic Mountains Cooperation cooperative, Sion • Member of the Board of Directors and the Ad Hoc Energy Committee of Compagnie du Chemin de Fer Lausanne-Echallens-Bercher SA (LEB), Lausanne • Chair of the Board of Directors of nco-ing SA, Monthey

Eftychia Fischer
Chair of the Board of Directors



Peter Ochsner
Member of the Board of Directors



Fabienne Freymond Cantone
Member of the Board of Directors



Pierre-Alain Urech
Member of the Board of Directors



Jean-François Schwarz

Vice Chair of the Board of Directors



Ingrid Deltenre

Member of the Board of Directors



Jack G. N. Clemons

Member of the Board of Directors

3.3 Limits on external mandates

Article 23 of the Articles of Incorporation⁽ⁱ⁾ sets out limits on the number of positions outside BCV that may be held by members of the Board of Directors. In short, the maximum number of positions in the management or on the boards of directors of legal entities other than the Bank that must be recorded in the Commercial Register or a similar register abroad is 15, five of which may be held in publicly traded companies. These limits do not apply to positions at companies within the Group, companies in which the Bank holds a material interest, real estate companies, pension funds, associations, foundations, and unpaid positions.

No member of the Board of Directors exceeded either of those limits in 2022.

3.4 Election and term of office

3.4.1 Principles

Pursuant to the Articles of Incorporation, the Board of Directors is composed of seven, nine, or eleven members. The Chair and half of the other members are appointed by the Vaud Cantonal Government (Article 12, paragraph 1, of the LBCV⁽ⁱⁱ⁾ 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⁽ⁱⁱⁱ⁾ and in derogation of the ORAb, the Chair and other members of the Board of Directors are appointed for a period of four years. Their terms of office may be renewed, but the total term of each member may not exceed 16 years. They are required to step down at the end of the calendar year in which they reach the age of 70.

3.4.2 First election and term of office

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

3.5 Internal organization

3.5.1 Allocation of tasks

Eftychia Fischer, who was appointed by the Vaud Cantonal

Government, chaired the Board of Directors in 2022. The current Vice Chair is Jean-François Schwarz. The other members are Jack Clemons, Ingrid Deltenre, Fabienne Freymond Cantone, Peter Ochsner, and Pierre-Alain Urech.

Pursuant to the Articles of Incorporation⁽ⁱ⁾ 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 submitted to the Board.

3.5.2 Committees: composition and terms of reference

Audit and Risk Committee

In 2022, the Audit and Risk Committee was made up of Peter Ochsner (Chair), Jack Clemons, and Jean-François Schwarz.

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 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 reports from the Chief Risk Officer, the head of Asset and Liability Management (ALM), and the Chief Compliance Officer every quarter and the reports from the head of Internal Audit 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 BCV's organization and risk-assessment policy and gives its opinion on the

Members of the Board of Directors	Year of birth	Date of first election	Latest possible expiration of term of office	Appointed by
Eftychia Fischer (Chair)	1963	30 April 2020	2033	Shareholders' Meeting
Jean-François Schwarz (Vice Chair)	1955	1 January 2019	2025	Vaud Government
Jack G. N. Clemons	1966	21 April 2016	2032	Shareholders' Meeting ¹
Ingrid Deltenre	1960	1 May 2014	2030	Shareholders' Meeting ²
Fabienne Freymond Cantone	1963	26 April 2018	2033	Vaud Government ³
Peter Ochsner	1956	1 July 2016	2026	Vaud Government ⁴
Pierre-Alain Urech	1955	1 January 2022	2025	Shareholders' Meeting

¹ Term of office renewed for four years at the 2020 Annual Shareholders' Meeting

² Term of office renewed for four years at the 2022 Annual Shareholders' Meeting

³ Term of office renewed for four years by the Vaud Cantonal Government in 2022

⁴ Term of office renewed for four years by the Vaud Cantonal Government in 2020

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 BCV'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 BCV.

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,⁽ⁱⁱⁱ⁾ 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 Risk Management Department, the Chief Compliance Officer, the head of ALM and Financial Management, 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 also 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 2022 that focused on a number of topics related to risks and the evolving regulatory landscape, particularly in the area of ESG and climate issues.

Once a year, the Audit and Risk Committee conducts a detailed evaluation of the internal (see section 3.7 below) and external auditors as well as a self-assessment.

Compensation, Promotions and Appointments Committee

In 2022, the Compensation, Promotions and Appointments Committee, which is expressly provided for in the Articles of Incorporation⁽ⁱ⁾ (Article 30a), consisted of Ingrid Deltenre (Chair), Fabienne Freymond Cantone, and Pierre-Alain Urech.

The Chair of the Board and the CEO take part in an advisory capacity.

A charter adopted by the Compensation, Promotions and Appointments Committee stipulates that the Committee is to aid the Board of Directors in fulfilling its oversight obligations under the LBCV,⁽ⁱⁱ⁾ Articles of Incorporation,⁽ⁱ⁾ and internal directives and regulations, especially in the areas of compensation, appointments, succession planning, corporate social responsibility (CSR), and governance. The Committee, which has no decision-making authority, thus defines the profile required for the Chair 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 compensation of the Chair 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 compensation of the head of Internal Audit, and on the Bank's overall compensation policy and level.

In addition, it is responsible for making recommendations on the Bank's CSR strategy for the Board of Directors and periodically reassessing the strategy's suitability. It also provides recommendations to the Board concerning CSR-related decisions and reviews and approves the annual sustainability report. The head of CSR regularly submits reports to the Committee on the different projects being carried out at the Bank as part of the CSR strategy.

The Committee has the additional tasks of preparing and making recommendations for the Board of Directors on decisions concerning rules of good governance, including with respect to external positions held by members of governing bodies and conflicts of interest. Lastly, it is responsible for assessing the independence of the members of the Board of Directors at least once a year.

3.5.3 Operational procedures of the Board of Directors and its committees

In 2022, the Board of Directors held 11 ordinary plenary meetings and one conference call. Each meeting generally lasted three-quarters of a day, with the exception of a few full-day meetings. The Board of Directors also went on two two-day retreats, in part with the Executive Board. 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 2022, the Audit and Risk Committee met seven times (four full-day meetings and three meetings that lasted a few hours) and took part in a full-day training seminar; the Compensation, Promotions and Appointments Committee met five times (for an average of three hours each time).

Members of the Board of Directors	2022 attendance rates
Efychia Fischer	100%
Jack G. N. Clemons	100%
Ingrid Deltenre	100%
Fabienne Freymond Cantone	100%
Peter Ochsner	100%
Jean-François Schwarz	100%
Pierre-Alain Urech	100%

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 3.5.2 above 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 for working with 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 responsibilities (see also section 3.7). Since 2009, the Board of Directors has delegated more matters to the committees. Decision-making authority nevertheless rests with the Board.

3.5.4 Performance appraisal of the Board of Directors

The Board of Directors sets itself annual objectives, taking into account the goals set forth in the Articles,⁽ⁱ⁾ as well as the Bank's strategy and risk policy. The Board carries out an analysis every six months to determine whether these objectives have been achieved and reviews and improves its procedures on a regular basis.

Furthermore, the Board meets once a year without the Chair to evaluate his or her performance.

3.6 Powers

The Board of Directors establishes the Bank's general policy. It directs the Bank's affairs at the highest level and issues the necessary instructions. It also supervises the 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.⁽ⁱⁱ⁾

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

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.⁽ⁱ⁾ 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 Chair and the Executive Board, to the Shareholders' Meeting (Article 30c of the Articles of Incorporation⁽ⁱ⁾). 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, i.e., 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 also decides on the granting of loans to members of the Board of Directors and Executive Board.

It reviews the external auditor's annual reports and 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. 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 3.5.3.

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,⁽ⁱ⁾ as defined in Article 4 of the LBCV.⁽ⁱⁱ⁾ 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 FINMA requirements 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 the FINMA directive.

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.

3.7 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 3.5.3, 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 once a year. In addition to approving the half-year and full-year 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, compliance, equity, human resources, and investment policy. It also provides half-yearly reports on ALM, legal matters, and investor relations. The Board of Directors also reviews the parent company and consolidated financial statements for the first and third quarters.

The Risk Management section (pages 60–75) provides a summary of BCV's risk management procedures and an overview of its risk profile. Note 7 of the financial statements (pages 131–135) explains the principles applied by the Bank in assessing and managing risk. The Bank publishes a Basel III Pillar 3 report, which is updated every six months and can be found in the Investor Relations section of the BCV website (www.bcv.ch/en/About-us/Investor-Relations).

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. At each Board of Directors meeting, the CEO provides updates on the budget and the operating environment based on the MIS reports. In addition, MIS summary reports are presented to the Board every quarter.

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 Swiss banking regulations.

Internal Audit Department

The Internal Audit Department is a constituent entity of BCV pursuant to Article 14 of the Articles of Incorporation.⁽¹⁾ 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.

Every year, the head of the Internal Audit Department coordinates with the external auditors to draw up a six-year plan. That annual, multi-year audit plan 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. It may be changed during the year by the head of the Internal Audit Department, subject to approval by the Audit and Risk Committee.

The Internal Audit Department has 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 Audit and Risk Committee also has an objective external audit carried out at least once every five years, in accordance with international standards. This audit looks at all of the Internal Audit Department's systems and activities; the most recent one was conducted in 2021 and found that the Bank is in compliance with the standards issued by the Institute of Internal Auditors (IIA) and with the requirements of FINMA Circular 2017/01. Lastly, the Internal Audit Department is required to regularly develop and present a five-year internal audit strategy to the Risk and Audit Committee for approval; the most recent one was approved in 2019. The strategy is discussed at the meetings of the Executive Board and the Board of Directors and is communicated to the boards of other BCV Group companies.

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

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

Information about members of the Executive Board at 31 December 2022 can be found on the following pages (NB: pursuant to Article 27 of the Articles of Incorporation⁽¹⁾ 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 Nationality	Position and start date	Education	Career experience
Pascal Kiener 1962 Swiss citizen	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.
Andreas Diemant 1968 Swiss citizen	Member of the Executive Board with responsibility for the Corporate Banking Division since 1 September 2017	BSc in business administration from the Bern University of Applied Sciences Executive MBA from the Universities of Bern and Rochester	Mr. Diemant began his career in insurance, working for Zürich Versicherungs-Gesellschaft and subsequently for La Suisse Assurances in Lausanne. He moved into banking in 1994 when he took a position at UBS in corporate banking for Switzerland's Mittelland region. Mr. Diemant then rose through the ranks across all corporate segments to reach the position of head of Institutional Clients, Switzerland & Global Asset Servicing. On 1 September 2017, he joined BCV's Executive Board as head of the Corporate Banking Division.
Gérard Haerberli 1961 Swiss citizen	Member of the Executive Board with responsibility for the Private Banking Division from 1 July 2009 until 30 November 2022	Degree in economics (with a specialization in business administration) from the Business and Economics Faculty of the University of Lausanne 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 BCV's Executive Board with responsibility for the Private Banking Division on 1 July 2009 and served in this role until 30 November 2022. He retired on 31 December 2022.
Christian Meixenberger 1960 Swiss citizen	Member of the Executive Board with responsibility for the Business Support Division since 1 January 2017	Degree in electronic engineering from the University of Neuchâtel in 1987 MBA from the University of Lausanne in 1993	From 1987 to 1993, Mr. Meixenberger worked as a software engineer at the Swiss Center for Electronics and Microtechnology (CSEM) in Neuchâtel before joining Credit Suisse in Geneva, where he was in charge of business processes and IT. In 1997, he became head of IT at Banque Cantonale de Fribourg. He was then appointed to that bank's Executive Board as head of the Services Division in 2000. He took up his position as head of BCV's Business Support Division on 1 January 2017.
Thomas W. Paulsen 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 the University of Lausanne in 1988 MSc in economics from the London School of Economics in 1989 PhD in economics from the University of Lausanne in 1992	Mr. Paulsen started his career in energy trading. 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.

Bertrand Sager 1966 Swiss citizen	CCO, member of the Executive Board with responsibility for the Credit Management Division since 15 February 2010	Master of Law from the University of Lausanne 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.
José François Sierdo 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 the University of Lausanne 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 Air Surveillance Wing. He joined BCV's Executive Board as head of the Retail Banking Division on 3 March 2014.
Christian Steinmann 1971 Swiss citizen	Member of the Executive Board with responsibility for the Private Banking Division since 1 December 2022	Swiss certified fiduciary advisor and Swiss certified tax expert in 2002 MBA from the New York University Stern School of Business, HEC Paris, and London School of Economics in 2012	Mr. Steinmann began his career at the Vaud Cantonal Tax Administration in 1987. He then moved to Credit Suisse in 1995, where he worked in wealth planning for private banking clients and SMEs. After holding various management positions in the private banking division, Mr. Steinmann became responsible for all private clients for the greater Lausanne area in 2013, then regional head of private banking for French-speaking Switzerland in 2017. In 2020, he was also named regional head of French-speaking Switzerland. He took up his position as head of the Private Banking Division on 1 December 2022, replacing Mr. Haerberli, who retired on 31 December 2022.
Fabrice Welsch 1966 Dual Swiss and French citizen	Member of the Executive Board with responsibility for the Asset Management & Trading Division since 1 January 2021	Graduate of the École Nationale de la Statistique et de l'Administration Économique (ENSAE) in Paris, 1989 Master of Advanced Studies in Finance, 1990 Certified actuary, 1996 Executive MBA from the Centre for Advanced Studies in Insurance (CHEA), 2002 Graduate of the Swiss Finance Institute (Senior Management Program in Banking), 2009	After working briefly for the International Trade Centre, Mr. Welsch joined BNP Paribas as a financial controller and actuary. In 1996, he became the chief actuary at Phenix Assurance (Allianz Group) before becoming the company's head of life insurance, IT, and external partnerships. Mr. Welsch joined BCV on 1 January 2004 as head of the Bank's occupational pension and financial planning department. Under his leadership, the department has gained recognition as a center of expertise in this area. He took up his position as head of the Asset Management & Trading Division on 1 January 2021.

Pascal Kiener
CEO



Christian Steinmann
Member of the Executive Board,
Head of Private Banking



Christian Meixenberger
Member of the Executive Board,
Head of Business Support

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



Thomas W. Paulsen

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



Fabrice Welsch

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



Andreas Diemant

Member of the Executive Board,
Head of Corporate Banking



Bertrand Sager

Member of the Executive Board,
Head of Credit Management

4.2 Other activities and business relations (at 31 December 2022)

Executive Board members also perform the following functions:

Pascal Kiener	<ul style="list-style-type: none"> • Member of the Board of Directors and the Board of Directors Committee of the Swiss Bankers Association • Member of the Board of Directors and the Board Committee of the Union of Swiss Cantonal Banks • Member of the Board of Directors and the Steering Committee of the Vaud Chamber of Commerce and Industry • Chair of the “Fonds de prévoyance en faveur du personnel de la BCV” • Member of the Board of the BCV Foundation • Member of the Board of the Geneva Financial Center Foundation • Member of the Foundation Board of the Swiss Finance Institute, Zurich • Member of the Strategic Advisory Board of the Swiss Federal Institute of Technology in Lausanne (EPFL) • Member of the Foundation Board of Foot Avenir, Paudex • Member of the CHUV (Lausanne University Hospital) Foundation Board, Lausanne • Member of the Enterprise for Society (E4S) Advisory Board, Lausanne
Andreas Diemant	<ul style="list-style-type: none"> • Committee member of the Chambre Vaudoise Immobilière
Gérard Haerberli	<ul style="list-style-type: none"> • Chair of the Board of Directors of Piguet Galland & Cie SA • Member of the Board of the Institute for Studies in Finance and Banking (ISFB) • Member of the Business Advisory Board of the University of Lausanne’s Faculty of Business and Economics
Christian Meixenberger	<ul style="list-style-type: none"> • Member of the Board of Directors and the Audit and Risk Committee of Viseca Holding SA • Member of the IT Infrastructure of the Canton of Fribourg
Thomas W. Paulsen	<ul style="list-style-type: none"> • Vice Chair of the Board of Directors and member of the Audit and Risk Committee of Piguet Galland & Cie SA • Chair of the Swiss Cantonal Bank Issuing Committee • Member of the Board of Directors of the Swiss Cantonal Banks’ Central Mortgage Bond Institution • Member of the Foundation Board of the “Caisse de pensions de la Banque Cantonale Vaudoise” • Member of the Board of the “Fonds de prévoyance en faveur du personnel de la BCV” • Member of the Foundation Board of ISREC
Bertrand Sager	<ul style="list-style-type: none"> • Member of the Board of Directors of GEP SA • Member of the Board of the “Caisse de pensions de la Banque Cantonale Vaudoise” • Chair of the Board of the “Fondation de prévoyance en faveur de l’encadrement supérieur de la BCV” • Member of the Board of the “Fonds de prévoyance en faveur du personnel de la BCV” • Member of the Board of Directors and Treasurer of the Vaud Banking Association • Member of the Board of Directors and Treasurer of the Vaud Foundation for Banking Education • Judge for property disputes at the Eastern Vaud District Court • Member of the Management Committee of the “Fonds cantonal de lutte contre la précarité”
José F. Sierdo	<ul style="list-style-type: none"> • Member of the Board of Directors of TWINT AG and TWINT Acquiring AG
Christian Steinmann	<ul style="list-style-type: none"> • None
Fabrice Welsch	<ul style="list-style-type: none"> • Member of the Board of Directors and the Audit and Risk Committee of Banque Cantonale du Jura, Porrentruy • Member of the Board of Directors of Gérifonds, Lausanne • Member of the Tax Committee of the Vaud Chamber of Commerce and Industry (CVCI) • Member of SIX Strategic Advisory Board, Zurich • Member of the Board of the “Caisse de pensions de la Banque Cantonale Vaudoise” • Chair of the Board of “BCV Fondation Epargne 3” • Chair of the Board of “BCV Fondation de Libre Passage”

Internal organization of the Executive Board

The Executive Board may delegate its powers and duties as provided for 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 chair 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 Chair of the Board of Directors.

Committee name, composition (at 31 December 2022)

Main roles

Risk Management Committee

Thomas W. Paulsen (Chair)
Pascal Kiener
Andreas Diemant
Bertrand Sager
Fabrice Welsch
Maxime Mermier

- Submits risk management policy and strategy proposals to the Executive Board for approval by the Board of Directors
- Ensures risk management and control processes are implemented and updated for the entire Bank and for all risk categories
- Monitors the Bank's overall risk profile
- Steers all the Bank's risk management projects

Asset and Liability Management Committee (ALCO)

Pascal Kiener (Chair)
Thomas W. Paulsen
Christian Steinmann
Andreas Diemant
José François Sierdo
Christopher Cherdel
Bruno Férolles
Fernando Martins da Silva

- 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
- Manages interest-rate-risk exposure on the balance sheet
- Manages the Bank's liquidity and funding

Credit Committee

Bertrand Sager (Chair)
Pascal Kiener
Andreas Diemant
José François Sierdo
Eric Longchamp

- 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
- Makes decisions on the granting of lending authority
- Makes decisions regarding the granting and renewing of major lending facilities, within the limits of its powers
- Monitors the Bank's loan portfolio, particularly the sector breakdown
- Oversees credit-limit and overdraft management

Information Technology Committee

Christian Meixenberger (Chair)
Pascal Kiener
Thomas W. Paulsen
José François Sierdo
Martin Dion
Serge Messin
Denys Papeil

- Submits IT strategy proposals and ensures that the strategy is aligned with BCV's overall business strategy
- Makes decisions concerning BCV's IT sourcing strategy and ensures that strategy is correctly implemented
- Establishes the budgetary framework and medium-term plan
- Manages all aspects of the IT budget
- Stays informed about major IT incidents and corrective measures that are planned or have been taken
- Monitors strategic projects carefully and the Bank's project portfolio and IT developments more broadly
- Oversees relations with suppliers, particularly for FINMA outsourcing contracts or major contracts

4.3 Limits on external mandates

Article 29 of the Articles of Incorporation⁽ⁱ⁾ sets out limits on the number of positions outside BCV that may be held by members of the Executive Board. In short, the maximum number of positions on the boards of directors of legal entities other than the Bank that must be recorded in the Commercial Register or a similar register abroad is five, two of which may be held in publicly traded companies. These limits do not apply to positions at companies within the Group, companies in which the Bank holds a material interest, real estate companies, pension funds, associations, foundations, and unpaid positions.

No member of the Executive Board exceeded either of those limits in 2022.

4.4 Management contracts

The Bank has not entered into any management contracts.

5. Compensation, shareholdings, and loans

5.1 Philosophy and principles underpinning BCV's compensation system

BCV is a universal bank with solid local roots that offers a large selection of products and services to both individuals and businesses. For this reason, it employs a wide range of profiles and skills in order to provide its customers with high-quality service. BCV offers attractive working conditions and a competitive compensation system designed to promote employee skills development and professionalism, and to attract and retain the talent that is integral to its long-term success and sustainable approach to doing business.

BCV's values

The Bank has defined four values that are central to its strategy and culture: responsibility, performance, professionalism, and close ties with customers and the broader community. The Bank's leadership believes that a key to long-term success is ensuring that all employees share a common culture built around core values. These values underpin all employees' actions, including their interactions with customers and colleagues. These values are also an integral part of employee performance reviews.

BCV's strategic plan: *vista*

BCV's current strategy – *vista* – was rolled out in 2019 and builds on those enacted in previous years. This strategy aims to maintain the positive trend that the Bank's business lines have been experiencing over the past few years. It is designed to position the Bank to respond to the main challenges it will face in the coming years. Its focus areas include:

- continuing to improve **service quality** along the entire value chain to create an even better customer experience;
- enhancing the Bank's **distribution channels** (branches, digital services, and call centers) to give customers an integrated omnichannel experience;
- capturing **more of the cross-selling potential** inherent in BCV's universal bank business model;
- implementing **operational improvements** through targeted measures;
- increasing **BCV's attractiveness as an employer** and fostering continuous skills development among its employees;
- sharpening the Bank's focus on **corporate social responsibility** (CSR) measures, including a wider range of sustainable banking products, socially responsible investment options, and mortgage solutions.

To ensure that the entire Bank – from the Executive Board on down – is working to execute this strategy, each employee is given individual performance objectives that stem directly from the focus areas set out in *vista*.

Performance reviews

BCV's performance review system is designed to help manage individual and team performance. This includes:

- encouraging employees to give their best in the workplace;
- promoting a performance-based corporate culture;
- recognizing employees for their performance;
- promoting skills development;
- fostering behavior that aligns with BCV's core values.

At an initial, mid-year review, line managers assess the progress made toward the main performance objectives set for each employee at the beginning of the year. The final performance review is carried out at the end of the year and covers four main points:

- the extent to which the performance objectives set at the beginning of the year were achieved
- the degree to which the position requirements, i.e., the responsibilities inherent in the post, were fulfilled
- whether the Bank's values were upheld and the appropriate behaviors demonstrated
- whether specific skills were acquired, if applicable.

Equal pay

BCV's compensation system guarantees equal pay regardless of origin or gender, in accordance with the principles set out in the Swiss Federal Act on Gender Equality (GEA).

Beyond meeting Swiss legal requirements, BCV was awarded the Fair-ON-Pay+ certification by Comp-On SA and SGS. This certification, which is valid for four years and includes a follow-up audit in the third year, recognizes the Bank's equal pay practices over the long term.

Say on pay

As stated above, although BCV is not subject to the Ordinance against Excessive Compensation in Publicly Listed Companies (ORAb), it has decided to apply the measures set out in the ORAb insofar as they are compatible with the Bank's specific status. Since 2014, shareholders have been able to vote on the compensation of the Board of Directors and the Executive Board at the Annual Shareholders' Meeting. Specifically, shareholders vote on the fixed compensation of these bodies for the period from one Meeting to the next. The annual performance-based compensation for the entire Executive Board for the previous year and the number of shares available as long-term performance-based compensation under the plan beginning in the current financial year are also subject to votes at the Meeting.

Unauthorized compensation

Payment of the following types of compensation to members of the Board of Directors or the Executive Board is not authorized:

- any and all types of severance pay, although compensation due until the end of the contractual relationship is authorized
- advance payments
- success fees on the transfer or takeover of all or part of a company by the Bank or by companies controlled directly or indirectly by the Bank.

Payment of any of the above types of compensation to members of the Board of Directors or the Executive Board of the Bank by other companies that are directly or indirectly controlled by the Bank is also not authorized.

Benchmarks and external consultants

In order to keep compensation in line with the market, every year the Bank participates in two salary surveys carried out by specialized firms HCM Hostettler & Company and Willis Towers Watson. Those two firms use the surveys to produce statistics on salary trends for virtually all banking positions, and they provide these numbers to BCV. In 2022, apart from these statistical sources, the Bank did not call on the services of any other external consultants in order to determine the amounts that would be paid at each level of responsibility within the Bank, or to modify its compensation system. The Bank did not carry out any comparative studies on the compensation of the Executive Board last year.

5.2 Components of the compensation system

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

	Base salary	Annual performance-based compensation	Long-term performance-based compensation	Share-ownership plan
Board of Directors	✓			
Executive Board	✓	✓	✓	✓
Department heads	✓	✓	✓	✓
All other employees	✓	✓		✓

	Cash	BCV shares
Board of Directors	-	-
Executive Board	70%	30% with at least a 5-yr lock-up period
Department heads	70%	30% with at least a 5-yr lock-up period
All other employees	> CHF 21,000: Choice of 100% or 70% < CHF 21,000: 100%	Choice of 0% or 30% with a 3-yr lock-up period 0%

Base salary

The base salary is the core component of compensation for all Bank employees. It is set individually, taking into account the person's job description, scope of responsibilities, and experience, as well as market values for equivalent positions obtained through salary surveys of a group of comparable companies.

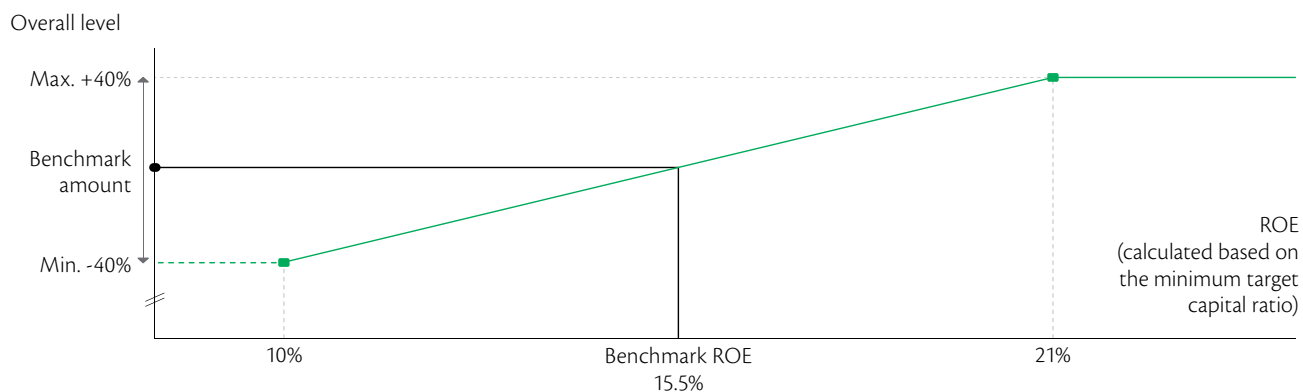
Annual performance-based compensation

Annual performance-based compensation is compensation that varies each year based on the Bank's financial performance, adjusted following a qualitative evaluation. It is allocated to each employee on the basis of their individual year-end evaluation and the overall level of annual performance-based compensation allotted to their division and department.

Financial performance is measured by the return on equity (ROE), calculated taking shareholders' equity at the minimum target capital ratio of 13%. The overall level of annual performance-based compensation is calibrated to a benchmark amount. It varies linearly within a range of +/-40% of the benchmark amount, based on the Bank's ROE.

The *qualitative evaluation* measures the achievement of objectives stemming directly from the strategic plan *vista* and the completion of key projects; it is used to adjust the overall level of annual performance-based compensation within a range of +/-20%.

Annual performance-based compensation - Financial performance



A portion of annual performance-based compensation is allocated in BCV shares with a lock-up period of between three and ten years, depending on the employee's level of responsibility. All BCV shares allocated for annual performance-based compensation are acquired by the Bank on the Swiss stock exchange in advance at market price, over several trading days. No new market shares are issued, so there is no shareholder dilution.

Long-term performance-based compensation

The purpose of long-term performance-based compensation is to further long-term strategic development by generating lasting shareholder value and achieving the Bank's strategic objectives. Only members of the Executive Board and department heads are eligible for long-term performance-based compensation, which is paid exclusively in BCV shares. Based on the overall share allocation, all eligible employees with the same level of responsibility receive the same number of shares; no distinctions are made between employees in the same category.

The share allocation for long-term performance-based compensation is determined based on the extent to which the financial objective and the strategic and qualitative objectives set at the start of each three-year plan have been achieved, with a new plan beginning each year.

The *financial objective* is measured in terms of economic profit, which is calculated on the basis of the profit generated after deducting the cost of equity using an approach that factors in the Bank's risk level. The Bank's three-year plan is considered fully executed if it generates the targeted level of economic profit, in which case 100% of the plan's share allocation can be distributed. However, if economic profit is below 60% of the target, the share allocation linked to financial performance is reduced to zero.

The share allocation is then adjusted to reflect the extent to which the *strategic and qualitative objectives* have been achieved. These objectives relate to implementing the Bank's strategy and driving change within its operations. An overall evaluation of the Bank's achievement of its strategic and qualitative objectives is used to adjust the share allocation linked to financial performance. However, the number of shares distributed can never exceed 100% of the share allocation set for each plan.

Overall evaluation of strategic and qualitative objectives	Adjustment factor
Objectives achieved greatly above expectations	+40%
Objectives achieved above expectations	+20%
Objectives achieved	0%
Objectives partially achieved	-20%
Objectives not achieved	-40%

All BCV shares allocated for long-term performance-based compensation are acquired by the Bank on the Swiss stock exchange in advance at market price, over several trading days. No new market shares are issued, so there is no shareholder dilution.

Employee share ownership

An in-house subscription program is offered to all BCV employees each year in order to promote employee share ownership, which is considered an essential element of staff loyalty and identification with the Bank. This program entitles employees to subscribe shares at a reduced price. The number of shares that may be purchased under this program is determined by the level of responsibility inherent in an employee's position and can range from 100 to 1,000 shares. The subscription price is set every year by the Board of Directors, typically by subtracting a fixed amount of around CHF 15 from the current share price.

With the aim of promoting a medium-term vision, the shares subscribed under this plan are subject to a three-year lock-up period.

All BCV shares allocated for employee share ownership are acquired by the Bank on the Swiss stock exchange in advance at market price, over several trading days. No new market shares are issued, so there is no shareholder dilution.

Members of the Board of Directors do not take part in the employee share-ownership plan.

Other compensation

BCV does not pay sign-on bonuses to compensate new hires for any loss of bonus due to changing jobs. This policy applies for hires at all levels of responsibility, including the Executive Board.

A seniority bonus equivalent to a month's salary is payable to all employees when they complete 10, 20, 30, or 40 years' service at BCV. Employees may opt to take extra vacation, i.e., up to 20 days for full-time staff, instead of the bonus, or they may opt to take half the bonus and half the extra vacation days. Members of the Executive Board must take their seniority bonus in the form of vacation days.

An amount for incidental expenses is paid to department heads and members of the Executive Board.

Occupational pension plans

Pursuant to the Federal Act on Occupational Retirement, Survivors' and Disability Pension Plans of 25 June 1982, the "Caisse de pensions de la Banque Cantonale Vaudoise" (the "Pension Fund") insures BCV's employees against the economic consequences of retirement, disability, and death.

The Pension Fund is an occupational pension institution independent from BCV. It is run by a pension board made up of at least six members, half of whom are appointed by the Bank and half of whom are elected by insured members. Its assets mainly comprise members' regulatory and voluntary contributions, the employer's regulatory and voluntary contributions, and the Pension Fund's investment income. The Pension Fund's assets are managed by the pension board in accordance with the commonly accepted principles of sound asset management, with the goal of obtaining the highest possible return while ensuring a careful distribution of risk.

Joining the Pension Fund is mandatory for all permanent and temporary employees and for all members of BCV's Board of Directors who have not yet reached retirement age or who are not receiving retirement benefits.

Senior executives (i.e., employees at management levels C, D, or E) and members of the Board of Directors insured with the Pension Fund are also members of the "Fondation de prévoyance complémentaire de la Banque Cantonale Vaudoise" (the "Supplementary Fund").

The Supplementary Fund is run by a pension board made up of at least four members, half of whom are appointed by the employer and half of whom are elected by insured members.

The Supplementary Fund also has a separate pool of assets mainly comprising members' regulatory and voluntary contributions, the employer's regulatory and voluntary contributions, and the Supplementary Fund's investment income. The Supplementary Fund's assets are managed in accordance with recognized principles and in compliance with the provisions of federal investment law.

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.

5.3 Compensation paid in 2022

Board of Directors

BCV's compensation system is designed in part to guarantee the independence of the Board of Directors in carrying out its various oversight and organizational functions. To this end, the members of the Board of Directors receive only fixed compensation composed of fees, compensation for sitting on the various committees, and expenses. Members of the Board do not receive separate annual variable performance-based compensation or long-term variable performance-based compensation.

The Bank does not make any occupational-pension contributions for the seven members of the Board of Directors. By law and in accordance with pension-fund regulations, members of the Board of Directors who are not receiving retirement benefits must join the "Caisse de pensions de la Banque Cantonale Vaudoise" and pay all of their occupational-pension contributions themselves.

Overall fixed compensation between one Shareholders' Meeting and the next is subject to approval at the Shareholders' Meeting. In 2022, 99.13% of voting shareholders approved a maximum of CHF 1.4m in fixed compensation for the members of the Board of Directors for the period ending at the next Shareholder's Meeting on 4 May 2023.

Details of the compensation paid to the members of the Board of Directors in 2022 can be found in the tables on page 188.

In order to strengthen the Board of Directors' commitment to the Bank's long-term development, each member is required to own a minimum of 1,000 BCV shares. These shares must be acquired before the end of the member's first term and held throughout any subsequent terms served. Each member must acquire the shares on the market using their own funds and is not offered a preferential price.

Serving members of the Board of Directors are not granted any preferential terms for banking services. The Bank may grant loans and credits to members of the Board of Directors on the same terms and conditions as those granted to customers.

Executive Board

Members of the Executive Board receive a base salary, annual performance-based compensation, long-term performance-based compensation, and incidental expenses. Members of the Executive Board may also take part in the annual employee share-ownership plan.

Details on the compensation paid to the members of the Executive Board in 2022 are given on page 189.

Base salary

The base salary of each member of the Executive Board is set individually, taking into account the person's experience, job description, and scope of responsibilities, as well as market values for equivalent positions.

The base salary is paid exclusively in cash, in 12 monthly installments.

Annual performance-based compensation

All members of the Executive Board are eligible for annual performance-based compensation.

Annual performance-based compensation paid to members of the Executive Board cannot exceed 100% of their base salary.

30% of the performance-based compensation for Executive Board members must be taken in BCV shares with a lock-up period of between five and ten years, according to each Executive Board member's choice.

For the 2022 financial year, these shares will be allocated at the closing price on 15 May 2023, subject to shareholder approval of Executive Board compensation at the Annual Shareholders' Meeting. Based on the amount submitted to shareholders at the Annual Shareholders' Meeting, the ratio of the annual performance-based compensation to the base salary will be 82.5% for the 2022 financial year.

Long-term performance-based compensation

All members of the Executive Board are eligible for long-term performance-based compensation. At the start of each plan, the maximum number of BCV shares that can be allocated to the Executive Board cannot exceed a total value of CHF 1.2m (rounded), or CHF 150,000 for each Executive Board member.

The 2020–2022 plan, which ended on 31 December 2022, was based on the Bank's cumulative economic profit and the following strategic and qualitative objectives:

- growing the Bank's customer base in line with population growth in Vaud
- evolving the Bank's digital banking/multichannel services in line with its position as a "smart follower"
- improving service quality indicators under the Bank's "Smile" system
- strengthening the Bank's CSR strategy
- achieving greater gender equality in management positions
- transitioning from LIBOR to SARON on time, within budget, and without disrupting operations or affecting our customers.

Economic profit reached 135% of the objective. In addition, the Board of Directors determined that the strategic and qualitative objectives were achieved.

For the plan ending on 31 December 2022, 1,480 shares (pre-stock-split) were set aside for the members of the Executive Board, corresponding to a value of CHF 1,198,800 on the date on which the Board of Directors made its decision. After assessing the degree to which the objectives were achieved and taking into account the departure of two Executive Board members, 11,960 (post-stock-split) shares were distributed, equal to 80.8% of the total number approved at the 2020 Annual Shareholders' Meeting.

A new three-year plan, for which 16,216 shares have been set aside as approved by 95.81% of voting shareholders at the 2022 Annual Shareholder's Meeting, began in 2022.

Employee share ownership

Executive Board members have the right to subscribe at most 1,000 shares at a subscription price set every year by the Board of Directors. With the aim of promoting a medium-term vision, the shares are subject to a three-year lock-up period.

Other employees

Compensation for non-executive employees includes the following components:

- base salary
- annual performance-based compensation
- long-term performance-based compensation (only for department heads)
- employee share-ownership plan.

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.

The base salary is paid out in cash, in 13 monthly installments.

Annual performance-based compensation

All employees are eligible for annual performance-based compensation, provided their contracts have not been terminated. The overall level of annual performance-based compensation is broken down by division and then by department. Each employee then receives annual performance-based compensation based on their annual performance review. The annual performance review results in an overall evaluation on a scale from one to five, where one corresponds to "does not meet expectations" and five to "greatly exceeds expectations." Each score and level of employee responsibility corresponds to an authorized range of annual performance-based compensation.

Overview of long-term performance-based compensation plans for the Executive Board

Starting year	Performance period	Year distributed	Number of shares set aside	Average cost per share	Initial cost of the plan for the Bank	Number of shares distributed	Market value (per share)	Market value of distributed shares
2016	2016 to 2018	2019	1,832	654.00	1,198,128	1,374	797.00	1,095,078
2017	2017 to 2019	2020	1,738	690.50	1,200,089	1,519	810.00	1,230,390
2018	2018 to 2020	2021	1,504	796.00	1,197,184	15,040 ¹	95.00 ¹	1,428,800
2019	2019 to 2021	2022	1,504	797.00	1,198,688	14,030 ¹	74.00 ¹	1,038,220
2020	2020 to 2022	2023	1,480	810.00	1,198,800	11,960 ¹	83.90 ¹	1,003,444

¹ Number of shares and market value adjusted for the 10-for-1 stock split on 28 May 2020

All employees are given the opportunity to express their level of satisfaction with their work situation over the past year. This information is made available to their line manager and discussed during their review.

For department heads, 30% of annual performance-based compensation must be taken in BCV shares with a lock-up period of five to ten years. Other employees receiving annual performance-based compensation of CHF 21,000 or more may opt for full payment in cash, or 70% in cash and 30% in BCV shares with a lock-up period of three years. In the latter case, BCV increases the amount paid in shares by 30%. For the 2022 financial year, these shares will be allocated at the closing price on 16 March 2023. All other employees receive full payment of their annual performance-based compensation in cash.

Long-term performance-based compensation

Department heads receive long-term performance-based compensation on the same terms as Executive Board members.

Employee share ownership

All BCV employees may subscribe BCV shares at a reduced price. The number of shares that may be purchased is determined by the level of responsibility inherent in an employee's position and can range from 100 to 1,000 shares. The subscription price is set every year by the Board of Directors. With the aim of promoting a medium-term vision, the shares are subject to a three-year lock-up period.

5.4 Governance

Compliance with regulations

All Bank employees work in Switzerland and sign an employment contract governed by the Swiss Code of Obligations and federal legislation on employment and social insurance, including the related implementing ordinances.

In complying with Swiss federal law, the Bank undertakes to fulfill the commitments made by Switzerland with regard to the international conventions and standards issued by the International Labour Organization, particularly in the areas of forced labor and child labor.

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⁽ⁱ⁾ insofar as they were compatible with BCV's specific status and without amending the LBCV⁽ⁱⁱ⁾ (see Articles 30a et seq. of the BCV Articles of Incorporation⁽ⁱ⁾ on compensation).

Entities responsible for compensation

Shareholders' Meeting

Each year at the Shareholders' Meeting, shareholders approve the total maximum amount of fixed compensation for the Board of Directors and the Executive Board up to the following Meeting. They also approve the total amount of annual performance-based compensation for the Executive Board for the past financial year, and the maximum total number of BCV shares available for long-term performance-based compensation under the plan beginning in the current year.

Board of Directors

The Board of Directors determines the Bank's compensation policies and corresponding payroll budget. It determines how the compensation system is implemented, in particular by making adjustments to base salaries, the overall levels of annual performance-based compensation, the number of shares that can be individually subscribed through the employee share-ownership plan, and the objectives to be met in connection with long-term performance-based compensation.

The Board of Directors sets the compensation of its members and the CEO. On the recommendation of the Compensation, Promotions and Appointments Committee, it also sets the compensation of the other members of the Executive Board.

Compensation, Promotions and Appointments Committee

In accordance with its committee regulations, the Compensation, Promotions and Appointments Committee analyzes all matters and proposals relating to compensation policies put forward by the Executive Board and makes recommendations to the Board of Directors for decision.

The Committee assesses the performance of the CEO in the CEO's absence, reviews the CEO's assessment report on members of the Executive Board, and makes recommendations to the Board of Directors on the compensation of Board members, the CEO, and the other members of the Executive Board.

Executive Board

The Executive Board examines and makes recommendations on all matters of compensation policy to the Compensation, Promotions and Appointments Committee, taking into account the Bank's business strategy and objectives.

CEO

The CEO sets annual objectives for each member of the Executive Board and assesses the extent to which they have been achieved at the end of the financial year. The CEO also determines the individual compensation of the other members of the Executive Board and recommends that compensation to the Compensation, Promotions and Appointments Committee for approval by the Board of Directors.

Human Resources

The Human Resources Department works with the CEO to put forward proposals to the Executive Board on all aspects of compensation policy. The Department is responsible for implementing the decisions taken by the Board of Directors and the Executive Board and for ensuring that compensation is accurately booked. These bookings are also reviewed each year by an external auditor.

5.5 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 20th 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 20 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 Financial Market Infrastructure Act (FinMIA). (...) 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⁽ⁱ⁾ (convening a Shareholders' Meeting – see section 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 30,000 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 Chair of the Board of Directors in writing at least 45 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⁽ⁱⁱ⁾), in compliance with the rules applicable to any resolution of the Shareholders' Meeting.

6.1.2 Exemptions granted during the financial year

During the 2022 financial year, no exemptions from the above restrictions were granted.

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

6.2 Quorum provisions

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

Article 19 – Quorum provisions; resolutions

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

Resolutions put to the vote shall be decided by an absolute majority of votes attached to the shares represented, and in the event of a tie, the Chair 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 30,000 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 Chair of the Board of Directors in writing at least 45 days prior to the Meeting.

6.5 Shareholder registration

Article 18, paragraph 2, of the Articles of Incorporation⁽ⁱ⁾ stipulates that shareholder status and the right to appoint

a proxy shall be determined on the basis of the shareholder register on the 20th 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 5 May 2022, Christophe Wilhelm, a Lausanne-based attorney, was elected to be the Independent Proxy until the end of the next Meeting, scheduled for 4 May 2023. Pursuant to Article 18a, paragraph 5, of the Articles of Incorporation,⁽ⁱ⁾ 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⁽ⁱ⁾ do not contain an opting-out or opting-up clause based on the Financial Market Infrastructure Act (FinMIA).

7.2 Takeover clauses

There are no agreements or programs that would benefit members of the Board of Directors 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

The Board of Directors chose KPMG SA in Geneva as its external auditor, within the meaning of the FINMA law and the Swiss Banking Act, for the 2022 financial year. At the Annual Shareholders' Meeting on 5 May 2022, BCV shareholders approved the Board's recommendation to appoint KPMG SA as the Bank's external auditor for 2022. KPMG SA has served as the external auditor within the meaning of the FINMA law and the Swiss Banking Act, as well as the external auditor for the Bank, since 2016. The lead auditor since 2016 has been Olivier Gauderon, an audit expert licensed by the Federal Audit Oversight Authority and by FINMA.

Under Article 20 of the LBCV,⁽ⁱⁱ⁾ the Bank is required to regularly rotate the individuals and firms serving as the

auditor in charge and external auditor. A regular rotation is considered to be every seven years, according to the interpretation of the Article by both the Canton of Vaud's Legal and Legislative Service and the Bank.

8.2 Audit fees

Fees invoiced by KPMG SA for its audits of the parent company and consolidated financial statements, its statutory audit pursuant to 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), certificates required under local law, and its audit of BCV as a custodian bank for investment funds amounted to CHF 1,729,016 for the 2022 financial year.

Fees invoiced by KPMG SA in Switzerland and abroad for financial and statutory audits of other BCV Group companies were CHF 464,548 for the 2022 financial year.

Total fees invoiced by KPMG SA for audit services supplied to all the companies which make up BCV Group therefore amounted to CHF 2,193,564 in the reporting year.

8.3 Additional fees

Fees invoiced by companies within the KPMG SA group for other auditing and assurance services totaled CHF 142,164 for the parent company.

BCV subsidiaries paid no additional fees to companies within the KPMG SA group.

Total additional fees for the 2022 reporting period invoiced by KPMG SA in Switzerland and abroad for all BCV Group companies therefore amounted to CHF 142,164.

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 Chair of the Board of Directors and the Chair 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 2022, 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 Chair 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 Chair of the Audit and Risk Committee attends once a year. The Chair 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,⁽ⁱ⁾ 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, which was followed by a second agreement on 7 October 2009. In 2015, the two parties negotiated a new information-exchange agreement, which was signed on 16 December 2015 and took effect on 1 January 2016.

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 that 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 late March/early April) and the interim report at 30 June (published in August). 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. In 2015, the Bank began publishing its financial statements in accordance with the new Swiss accounting standards for banks. As a result of these new accounting rules, the Bank reports its financial results on a half-yearly rather than a quarterly basis, which means that only results at 30 June and 31 December are released.

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

The annual report, interim report, and press releases are all posted on the BCV website (www.bcv.ch). The annual report and interim report 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).

BCV publishes notice of its Annual Shareholders' Meeting approximately 60 days in advance in the FO SC (Feuille officielle suisse du commerce). The invitation and the agenda of the Meeting are also published in the FO SC and several local daily newspapers. In addition, shareholders listed on the shareholder register at least 20 days before the Annual Shareholders' Meeting receive a personal letter of invitation.

9.4 Links to main documents referenced

Document	Link
(i) Articles of Incorporation	https://www.bcv.ch/content/dam/bcv/fichiers/publications/publications-institutionnelles/rapports/ra-et-rse/la-bcv/Art_Association.pdf
(ii) Cantonal Act Governing the Organization of Banque Cantonale Vaudoise (LBCV) of 20 June 1995	https://www.bcv.ch/content/dam/bcv/fichiers/publications/publications-institutionnelles/rapports/ra-et-rse/la-bcv/11-129-loi-du-20-juin-10-2017 (in French only)
(iii) Audit and Risk Committee Charter	https://www.bcv.ch/content/dam/bcv/fichiers/la-bcv/relations-investisseurs/charte-du-comite-audit-et-risque-11-2021-fr.pdf (in French only)

10. Restriction periods

The Bank's internal directives prohibit specific groups of employees and third parties from trading BCV shares during scheduled restriction periods related to BCV's financial results and during ad hoc restriction periods related to having access to privileged information.

10.1 Scheduled restrictions related to BCV's financial results

The following employees and members of governing bodies are subject to scheduled restrictions related to BCV's financial results:

- the Chair and other members of the Board of Directors;
- the CEO and other members of the Executive Board, as well as their chiefs of staff and assistants;
- the secretary of the Board of Directors and the corporate secretaries of the Executive Board;
- department heads and regional managers;
- all employees in the following departments: Controlling, Financial Accounting, ALM & Financial Management, Risk Management, Compliance, and Corporate Communications;
- employees in other departments involved in processing financial results before they are announced to the press

and who may be aware of these figures. The heads of these departments inform the employees concerned and draw up and send a list of their names to the Compliance Department;

- the Investor Relations Officer;
- employees in the Internal Audit Department.

The representatives of Vaud Canton designated in the information-exchange agreement between BCV and the Canton of Vaud (see section 9.2 on p. 111) are also subject to these restriction periods. This concerns the members of the Vaud Cantonal Government, as well as certain related parties.

The restriction periods are determined based on the financial results release dates. They begin ten business days before the close of the half-year and full-year accounts and end the day after the results are released. The Compliance Department informs employees of the start and end date of each restriction period and checks that no transactions have been conducted by the people concerned during that period. Limit orders (both buy and sell, including stop-profit and stop-loss orders) placed by employees subject to scheduled restrictions are canceled at the start of a restriction period.

10.2 Ad hoc prohibitions on trading BCV shares

Employees and third parties who hold privileged information about the BCV share are subject to an ad hoc trading prohibition. If an event occurs that could significantly affect the BCV share, an ad hoc restriction period may be ordered by the Chair of the Board of Directors or by the CEO, who informs the Compliance Department of the decision.

On the basis of a list of employees and third parties who have access to the privileged information, the Compliance Department will:

- identify the individuals subject to confidentiality;
- draw up a watchlist that includes the confidential information held, the people with access to that information, and the periods of confidentiality;
- inform the individuals concerned of the ad hoc prohibition on distributing the privileged information and trading the share for their own account;
- verify that the individuals concerned confirm by email that they are aware of the ad hoc restriction period;
- check that no transactions are conducted on the BCV share by the individuals concerned during the restriction period;

- notify those involved of the end of the prohibition when the privileged information is publicly distributed.

The procedure for putting in place an ad hoc prohibition is set out in the related internal directive.

10.3 Permanent prohibition on trading derivatives of the BCV share

All Bank employees are permanently prohibited from trading derivatives on the BCV share. This includes, for example, warrants, futures, and structured products for which over one-third of the return depends on the performance of the BCV share.

11. Contacts

Investor Relations

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2023 corporate calendar

4 May	Annual Shareholders' Meeting
8 May	Ex-dividend date ¹
9 May	Dividend record date ¹
10 May	Dividend payment ¹
17 August	2023 half-year results

¹ Ordinary dividend of CHF 3.80 per share, subject to approval at the Annual Shareholders' Meeting





We've switched to recycled paper

In July 2022 we began using Blue Angel certified recycled paper for all our printers and copy machines. This move, coupled with our Bank-wide effort to print less, will help us further reduce our carbon emissions.

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Financial Statements

Consolidated Financial Statements

1. Balance sheet (in CHF millions)

	Notes	31 / 12 / 22	31 / 12 / 21	Change absolute	Change as %
Cash and cash equivalents		12 916	12 600	316	3
Due from banks		1 187	952	234	25
Reverse repurchase agreements	10.1	79	158	-79	-50
Loans and advances to customers	10.2	6 201	6 209	-9	-0
Mortgage loans	10.2	30 425	29 373	1 052	4
Trading portfolio assets	10.3	206	200	5	3
Positive mark-to-market values of derivative financial instruments	10.4	1 160	368	792	215
Other financial assets at fair value	10.3	897	1 212	-315	-26
Financial investments	10.5/10.7	5 757	4 287	1 470	34
Accrued income and prepaid expenses		70	67	3	5
Non-consolidated holdings	10.6/10.7	87	86	0	0
Tangible fixed assets	10.8	376	393	-17	-4
Intangible assets	10.9	0	0	0	n/a
Other assets	10.10	37	46	-9	-20
Assets	10.20/10.21/10.22/10.24	59 397	55 952	3 445	6
Total subordinated assets		0	0	0	0
<i>of which subject to mandatory conversion and/or conditional write-off</i>		0	0	0	0
Due to banks		5 975	3 378	2 597	77
Repurchase agreements	10.1	1 008	1 458	-450	-31
Customer deposits		38 395	38 195	199	1
Trading portfolio liabilities	10.3	3	2	1	81
Negative mark-to-market values of derivative financial instruments	10.4	450	273	177	65
Other financial liabilities at fair value	10.3/10.14	1 006	1 340	-335	-25
Medium-term notes		0	2	-2	-100
Bonds and mortgage-backed bonds	10.14/10.15	7 942	7 313	629	9
Accrued expenses and deferred income		154	139	14	10
Other liabilities	10.10	725	183	542	296
Provisions	10.16	27	24	3	11
Liabilities	10.20	55 683	52 308	3 376	6
Reserves for general banking risks	10.16	666	666	0	0
Share capital		86	86	0	0
Capital reserve		35	36	-1	-4
Retained earnings		2 554	2 493	60	2
Currency translation reserve		-2	-2	-0	-5
Own shares		-14	-15	1	6
Minority interests in equity		0	0	0	7
Net profit		388	379	10	3
<i>of which minority interests</i>		0	0	-0	-4
Shareholders' equity		3 713	3 644	69	2
Total liabilities and shareholders' equity	10.21/10.24	59 397	55 952	3 445	6
Total subordinated liabilities		0	0	0	0
<i>of which subject to mandatory conversion and/or conditional write-off</i>		0	0	0	0

Consolidated off-balance-sheet transactions (in CHF millions)	Notes	31 / 12 / 22	31 / 12 / 21	Change absolute	Change as %
Contingent liabilities	10.2/11.1	1 116	1 588	- 472	- 30
Irrevocable commitments	10.2	1 494	1 478	16	1
Commitments relating to calls on shares and other equity securities	10.2	243	243	0	0
Confirmed credits	10.2/11.2	37	39	- 2	- 5

2. Income statement (in CHF millions)

	Notes	2022	2021	Change absolute	Change as %
Interest and discount income		524.5	480.5	44.0	9
Interest and dividend income from financial investments		21.4	18.0	3.4	19
Interest expense		-84.2	-26.0	58.3	224
Net interest income before loan impairment charges/reversals	12.1	461.7	472.6	-10.9	-2
Loan impairment charges/reversals		2.8	-8.2	-10.9	-134
Net interest income after loan impairment charges/reversals (NII)		464.5	464.4	0.1	0
Fees and commissions on securities and investment transactions	12.2	291.6	312.1	-20.5	-7
Fees and commissions on lending operations		39.1	42.1	-3.0	-7
Fees and commissions on other services	12.3	73.1	67.8	5.3	8
Fee and commission expense		-60.4	-64.7	-4.2	-7
Net fee and commission income		343.4	357.3	-13.9	-4
Trading income on fixed-income instruments and equity securities		27.5	38.2	-10.7	-28
Trading income on foreign currencies, banknotes, and preci- ous metals		168.7	117.5	51.3	44
Trading fee and commission expense		-7.5	-12.5	-5.0	-40
Net trading income and fair-value adjustments	12.4	188.7	143.2	45.5	32
Gains/losses on disposals of financial investments		10.1	4.3	5.7	132
Income from equity investments		5.5	5.5	0.1	1
<i>of which other non-consolidated holdings</i>		5.5	5.5	0.1	1
Real-estate income		6.6	7.0	-0.4	-5
Miscellaneous ordinary income		22.9	24.3	-1.4	-6
Miscellaneous ordinary expenses		-2.3	-0.6	1.6	266
Other ordinary income		42.8	40.5	2.3	6
Total income from ordinary banking operations		1 039.4	1 005.4	34.1	3
Personnel costs	12.5	-352.9	-349.3	3.6	1
Other operating expenses	12.6	-163.7	-155.8	7.9	5
Operating expenses		-516.7	-505.2	11.5	2
Depreciation and amortization of fixed assets and impairment on equity investments	12.7	-69.6	-72.0	-2.4	-3
Other provisions and losses	12.8	-5.4	0.6	6.0	963
Operating profit	12.12	447.7	428.8	18.9	4
Extraordinary income	12.9	1.2	12.6	-11.4	-90
Extraordinary expenses	12.10	-0.0	-0.2	-0.2	-94
Taxes	12.11	-60.6	-62.5	-1.9	-3
Net profit		388.3	378.7	9.6	3
Minority interests		-0.0	-0.0	-0.0	-4
Net profit attributable to BCV shareholders		388.3	378.7	9.6	3

3. Cash flow statement (in CHF millions)

		2022			2021		
	Notes	Source of funds	Use of funds	Net cash inflow / outflow	Source of funds	Use of funds	Net cash inflow / outflow
Net profit for the year		388			379		
Change in reserves for general banking risks							
Depreciation and amortization of fixed assets and impairment on equity investments	12.7	70			72		
Provisions and other impairment charges/reversals	10.16	11	8		9	11	
Loan impairment charges/reversals	10.16	18	21		30	22	
Accrued income and prepaid expenses			3		20		
Accrued expenses and deferred income		14				5	
Extraordinary income: disposals of tangible fixed assets and equity holdings			1			12	
Dividend for the previous year			318			310	
Cash flow from operations		501	351	150	511	360	150
Distribution drawn from paid-in reserves			1		0		
Own shares		25	24		24	23	
Change in scope of consolidation, minority interests, and currency translation differences							
Cash flow from equity transactions		25	25	-0	24	23	1
Non-consolidated holdings	10.6		0		0	18	
Real estate	10.8	2	3		15	3	
Computer programs	10.8	0	45			44	
Other tangible fixed assets	10.8	0	6		0	7	
Intangible assets	10.9						
Cash flow from investments		2	54	-52	15	71	-56
Cash flow from banking operations							
Due to banks							
Customer deposits		24				25	
Medium-term notes			2			0	
Long-term borrowings	10.15	1394	766		1853	1451	
Other liabilities		541			77		
Due from banks							
Loans and advances to customers			153		128		
Mortgage loans			1050			1336	
Financial investments			1479			300	
Other receivables		9				15	
Medium- and long-term operations (over 1 year)		1969	3449	-1481	2058	3128	-1070
Due to banks		2597			430		
Repurchase agreements			450			1322	
Customer deposits		175			2796		
Trading portfolio liabilities		1			0		
Negative mark-to-market values of derivative financial instruments		177				55	
Other financial liabilities at fair value			335		371		
Due from banks			233		396		
Reverse repurchase agreements		79			78		
Loans and advances to customers		162				506	
Trading portfolio assets			5		112		
Positive mark-to-market values of derivative financial instruments			792			47	
Other financial assets at fair value		315				327	
Financial investments		9			97		
Short-term operations		3515	1816	1699	4281	2257	2024
Cash and cash equivalents			316	-316		1050	-1050
Total		6012	6012	0	6889	6889	0

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

4. Statement of changes in equity (in CHF millions)

	Share capital	Capital reserve	Retained earnings	Reserves for general banking risks	Currency translation reserve	Own shares	Equity - minority interests	Net profit for the year	Total equity
Status at 1 January 2020	86	35	2 419	701	- 2	- 18	0	363	3 586
2019 dividend								- 310	- 310
Retained earnings			53					- 53	0
Purchases of own shares (at cost)						- 18			- 18
Disposals of own shares (at cost)						20			20
Gain on disposals of own shares and dividends		0							0
Effect of exchange-rate differences					- 0				- 0
Provisions for inherent credit risk				- 35					- 35
Changes in scope and/or minority interests			- 0						- 0
Net profit for the year							0	331	331
Status at 31 December 2020	86	36	2 472	666	- 2	- 15	0	331	3 574
2020 dividend								- 310	- 310
Retained earnings			21					- 21	0
Purchases of own shares (at cost)						- 23			- 23
Disposals of own shares (at cost)						24			24
Gain on disposals of own shares and dividends		0							0
Effect of exchange-rate differences					- 0				- 0
Changes in scope and/or minority interests			- 0						- 0
Net profit for the year							0	379	379
Status at 31 December 2021	86	36	2 493	666	- 2	- 15	0	379	3 644
2021 dividend								- 318	- 318
Retained earnings			60					- 60	0
Purchases of own shares (at cost)						- 24			- 24
Disposals of own shares (at cost)						25			25
Gain on disposals of own shares and dividends		- 1							- 1
Effect of exchange-rate differences					- 0				- 0
Changes in scope and/or minority interests			- 0						- 0
Net profit for the year							0	388	388
Status at 31 December 2022	86	35	2 554	666	- 2	- 14	0	388	3 713

5. Company name, operations, and headcount

5.1 Company name, legal status, and head office

Banque Cantonale Vaudoise (BCV) was founded on 19 December 1845 by the Vaud Cantonal Parliament as a *société anonyme de droit public* (i.e., a corporation organized under public law). Its legal status is defined in the Cantonal Act Governing the Organization of Banque Cantonale Vaudoise (LBCV) of 20 June 1995, and its head office is in Lausanne.

5.2 Overview of operations

BCV operates as a full-service bank with a community focus. Its corporate mandate is to contribute to the economic development of its home region, the Canton of Vaud.

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 (primarily softs and metals). It offers a broad portfolio of financial-market services, including equity and derivatives trading and fixed-income instruments. The Bank 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 three fund management companies. The Bank also has a branch in Guernsey (Banque Cantonale Vaudoise Guernsey Branch), which is active in structured products.

5.3 Headcount

Full-time equivalents	31 / 12 / 22	31 / 12 / 21
Group	1 957	1 932
of which parent company	1 757	1 738

6. Accounting principles for the consolidated financial statements

6.1 Basis of preparation of consolidated financial statements

The consolidated financial statements of BCV Group have been prepared in accordance with the Swiss Federal Act of 8 November 1934 on Banks and Savings Institutions, the corresponding Ordinance of 30 April 2014, the FINMA Accounting Ordinance (FINMA-AO) of 31 October 2019, and the Swiss accounting rules for banks, securities firms, financial groups, and financial conglomerates of 31 October 2019 (FINMA Circular 2020/1). 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 Group companies' full-year accounts, which are prepared in accordance with generally accepted accounting principles. The accounts are closed at 31 December of every year.

6.2 Scope of consolidation

Companies over which BCV has control and companies in which it has significant influence over their operations are fully consolidated. Significant influence is generally recognized by BCV when it makes a profit on and bears the risks of a company's operations.

Companies over which BCV has significant influence but no outright control (holdings of 20%–50%) are accounted for using the equity method.

The following companies are not included in the scope of consolidation:

- holdings of no material significance in terms of financial reporting and risk
- significant holdings not acquired for strategic purposes and intended to be sold or liquidated within 12 months.

6.3 Basis of consolidation

Equity is consolidated using the acquisition 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 under “Intangible assets.”

6.4 Accounting and valuation principles

6.4.1 Cash and cash equivalents

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

6.4.2 Due from banks

Amounts due from banks are carried at nominal value less any impairment, as set out in note 7.2 under “Risk-assessment and risk-management principles.”

6.4.3 Reverse repurchase agreements

Receivables from cash collateral related to reverse repurchase agreements are carried at nominal value.

Reverse repurchase agreements are not recognized on the balance sheet unless the ownership rights pass to the Group.

6.4.4 Loans and advances to customers and Mortgage loans

Loans and advances to customers and Mortgage loans are carried at nominal value less any impairment, as set out in note 7.2 under “Risk-assessment and risk-management principles.”

6.4.5 Trading portfolio assets

Trading portfolio assets include positions in equity securities, debt securities, and precious metals and are held in order to take advantage of market-price fluctuations.

These positions are carried at fair value with reference to the prices quoted on the most representative market.

6.4.6 Positive mark-to-market values of derivative financial instruments

Derivative financial instruments recorded at the balance-sheet date are carried at fair value with reference to the prices quoted on the most representative market. For positions that are not traded on sufficiently liquid markets, fair value is determined using a valuation model. Any resulting positive mark-to-market values are recognized under this item.

Mark-to-market values relating to transactions with the same counterparty and hedged by a netting agreement are carried on the balance sheet at net value.

6.4.7 Other financial assets at fair value

Securities needed to hedge structured products issued by BCV and recorded as a liability are carried under this line item. These positions are carried at fair value with reference to the prices quoted on the most representative market. For positions that are not traded on sufficiently liquid markets, fair value is determined using a valuation model.

6.4.8 Financial investments

Financial investments include 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 lending operations is also carried under this item.

Held-to-maturity interest-bearing securities are carried at cost, with premiums or discounts amortized over the remaining 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. Any related loan impairment charges or reversals are recorded on the income statement under the corresponding line item.

Interest-bearing securities not intended to be held until maturity, as well as equity securities and available-for-sale real estate, are carried at the lower of cost or market value. As a general rule, impairment charges and reversals on these assets are recorded under “Miscellaneous ordinary expenses” or “Miscellaneous ordinary income.” Where impairment can be broken down into loan impairment and market-related impairment, loan impairment charges and reversals are recorded on the income statement under the corresponding line item.

6.4.9 Accrued income and prepaid expenses

This item mainly consists of accrued interest and other transitory assets.

6.4.10 Non-consolidated holdings

Non-consolidated holdings comprise equity securities that are held as a long-term investment, irrespective of voting rights. They also include the Group’s infrastructure-related holdings, particularly joint ventures. They are carried at cost less any impairment.

These holdings are reviewed for impairment at each balance-sheet date, based on whether there is an indication of a loss in value. If there is such an indication, the Group determines the realizable value of each asset.

The realizable value is the higher of the net fair value and the value in use. The asset is written down if its carrying value exceeds its realizable value. In this case, the carrying value is reduced to the realizable value and the difference is charged to the income statement under “Depreciation and amortization of fixed assets and impairment on equity investments.”

6.4.11 Tangible fixed assets

Tangible fixed assets are carried at cost. Software developed by the Bank for in-house use is carried at direct production cost, and the corresponding income is recorded under “Miscellaneous ordinary income.”

Tangible fixed assets 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 an asset’s remaining estimated useful life or additional write-downs made subsequent to impairment reviews are charged to the income statement for the period, under “Depreciation and amortization of fixed assets and impairment on equity investments.”

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

6.4.12 Intangible assets

Goodwill is carried on the balance sheet and amortized on a straight-line basis over its estimated useful life, up to a maximum of ten years.

Goodwill is reviewed for impairment at each balance-sheet date, based on whether there is an indication of a loss in value. In this case, the carrying value is reduced to the realizable value and the difference is charged to the income statement under “Depreciation and amortization of fixed assets and impairment on equity investments.”

6.4.13 Other assets

This item mainly comprises coupons, indirect taxes to be recovered, and any positive offset account balances.

6.4.14 Due to banks

Amounts due to banks are carried at nominal value.

6.4.15 Repurchase agreements

Commitments from cash collateral related to repurchase agreements are carried at nominal value.

Repurchase agreements are carried on the balance sheet and valued in the same way as financial investments, provided that the Group continues to be the beneficial owner.

6.4.16 Customer deposits

This item comprises all amounts due to non-bank customers, carried at nominal value.

6.4.17 Trading portfolio liabilities

Trading portfolio liabilities result from short positions in debt and equity securities that are established in order to take advantage of market price fluctuations. They are carried at fair value with reference to the prices quoted on the most representative market.

Securities borrowed to establish short positions are not recorded on the balance sheet insofar as BCV Group does not take ownership of the attached rights.

6.4.18 Negative mark-to-market values of derivative financial instruments

Derivative financial instruments recorded at the balance-sheet date are carried at fair value with reference to the prices quoted on the most representative market. For positions that are not traded on sufficiently liquid markets, fair value is determined using a valuation model. Any resulting negative mark-to-market values are recognized under this line item.

Mark-to-market values relating to transactions with the same counterparty and hedged by a netting agreement are carried on the balance sheet at net value.

6.4.19 Other financial liabilities at fair value

This item includes structured products that are issued by the Bank and carried at fair value with reference to a quoted market price or a valuation model. Subsequent revaluations are carried under “Net trading income and fair value adjustments.”

6.4.20 Medium-term notes

Medium-term notes issued by the Bank for a term of between two and eight years are carried at nominal value.

6.4.21 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 carried at nominal value; any discount or premium is recorded under accrued or deferred items and amortized over the term of the instrument under “Interest expense.”

This line item also includes structured products that are issued by the Bank and whose host instrument and embedded derivatives are treated separately. In this case, the host instrument is recorded under this line item at nominal value as a debt issued by the Bank, while the embedded derivatives are carried as either positive or negative mark-to-market values. Any subsequent changes in fair value are recognized under “Net trading income and fair-value adjustments.” Interest accrued in the interest-rate component is recorded under “Interest expense” using the accrual method.

Positions in bonds and structured products issued by BCV are deducted from this item.

6.4.22 Accrued expenses and deferred income

This item mainly consists of accrued interest, taxes due on Group companies' earnings and capital, and other transitory liabilities.

Direct tax is calculated in accordance with the matching principle and is recognized in the income statement under "Taxes."

6.4.23 Other liabilities

This item mainly comprises coupons, indirect taxes to be paid, and any negative offset account balances.

6.4.24 Provisions

This line item includes provisions necessary for business operations, provisions for hedging recognized and inherent risks of loss, credit-risk provisions for off-balance-sheet transactions, and provisions for deferred taxes.

Deferred taxes are calculated based on differences between tax values and book values. They are recognized in the income statement under "Taxes."

6.4.25 Reserves for general banking risks

To cover risks inherent in the banking business that are not already covered by specific provisions, the Group sets aside "Reserves for general banking risks." These reserves are part of shareholders' equity and are taxed or subject to a deferred tax (see note 10.16 below).

6.4.26 Share capital

This line item consists of the Bank's share capital.

6.4.27 Capital reserve

The capital reserve comprises additional paid-in capital obtained through the issue of equity securities and the exercise of conversion rights and options, along with gains and losses realized and dividends received on own shares.

6.4.28 Retained earnings

This line item represents capital accrued by the Group; it consists primarily of appropriated retained earnings and the effect of changes in the scope of consolidation.

6.4.29 Currency translation reserve

Exchange-rate differences resulting from the translation of Group company accounts denominated in foreign currencies are recorded under this line item and not through profit or loss.

6.4.30 Own shares

Own shares (i.e., registered shares of Banque Cantonale Vaudoise) are deducted from shareholders' equity at cost. Dividend payments and gains and losses on disposals are allocated directly to the capital reserve.

6.4.31 Contingent liabilities

Contingent liabilities mainly comprise commitments to secure credits, issued in the form of bills of exchange, surety bonds, and guarantees, including irrevocable letters of credit, endorsements of re-discounted bills, advance payment guarantees, and similar facilities, such as pledges in favor of third parties.

This type of liability is contingent if, when the transaction is entered into, the main debtor has no debt towards a third party but may incur such debt at a later date.

6.4.32 Irrevocable commitments

This line item includes commitments to grant loans and other services that are unused but firm and irrevocable at the balance-sheet date, together with payment commitments relative to depositor-protection schemes.

6.4.33 Commitments relating to calls on shares and other equity securities

This line item includes commitments relating to calls on shares and other equity securities.

6.4.34 Confirmed credits

Commitments arising from deferred payments, as well as from acceptances and other confirmed credits, are included under this line item.

6.4.35 Pension-fund liabilities

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

When preparing its 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 as shown in their interim accounts at 30 September.

Any liabilities are carried on the balance sheet under "Provisions," while any economic benefit is carried under "Other assets." Any changes from the corresponding value in the previous financial year are recognized for each pension fund under "Personnel costs."

Adjusted contributions for the period are also carried under "Personnel costs."

An economic liability arises if the Group decides or is obliged to participate in the financing of an underfunded pension fund, while an economic benefit arises if there is a potential positive effect on future cash flows as a result of pension-fund overfunding. Moreover, in the case of overfunding, an economic benefit exists if there is a lawful intention to use the overfunding 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.

6.5 Changes to accounting principles

No changes were made to the accounting principles in 2022.

6.6 Registration of business transactions

All transactions concluded up until the balance-sheet date are recorded on the date they are concluded and are valued according to the above accounting principles.

6.7 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 rates.

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 transactions of foreign holdings are translated at year-end exchange rates set 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 set 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	2022		2021	
	Close	Average	Close	Average
Euro	0.9874	1.0046	1.0362	1.0795
US dollar	0.9252		0.9112	

6.8 Refinancing of trading positions

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 and fair-value adjustments.”

6.9 Rounding

The figures contained in the tables have each been properly rounded depending on the number of significant digits used for the table; this may result in discrepancies between listed column and row totals and the sum of individual column or row items.

7. Risk-assessment and risk-management principles

7.1 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 Bank's existing control system for managing and mitigating risks.

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

7.2 Credit risk

7.2.1 Exposure to credit risk

Credit risk arises from the possibility that a counterparty might default on its financial obligations to the Bank. It corresponds to the default risk set out in FINMA-AO and 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 derivatives contracts with positive mark-to-market 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 funds or securities 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.

7.2.2 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 note 7.2.5). 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 16 sub-ratings are used to classify counterparties according to their risk of default.

7.2.3 Loss given default and expected loss

Loss given default is the amount that the Bank stands to lose on a credit-risk exposure at the time that the counterparty defaults. Loss given default is determined for each credit-risk exposure 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 note 7.2.4).

For non-impaired credit-risk exposure (see note 7.2.5), the Bank estimates the amount that it expects to lose in a "normal" year (i.e., in the middle of the economic cycle). This amount is called the 12-month expected loss.

For credit-risk exposures not relating to trade finance and real-estate development, the expected loss is determined based on the probability of default (PD), reflected in the counterparty default rating, loss given default (LGD), and exposure at default (EAD). These three risk variables are

calculated using internal models, many of which have received FINMA approval to be used as Internal Ratings-Based (IRB) approaches for determining regulatory capital requirements (see note 7.2.8). LGD and EAD models are structurally identical to the internal models used to determine regulatory capital requirements but are calibrated through the cycle to produce a conservative estimate of the expected loss over the entire cycle.

For trade-finance and real-estate-development exposures, the expected loss is estimated for each transaction, using an approach based on Basel III slotting criteria.

7.2.4 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.

Provided their value is below a set amount, single-family homes, condominium apartments, and income-generating real estate are valued using hedonic pricing models or capitalization pricing models in collaboration with experts. Other types of real estate and real estate with values above the set amount are valued by experts.

7.2.5 Impaired loans and off-balance-sheet exposures

A loan or off-balance-sheet exposure is impaired when the counterparty is unlikely to be able to meet its future credit obligations. The counterparty is then "in default" and all its debts to the Bank are considered "non-performing."

A counterparty is "in default" when it 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.

7.2.6 Overdue-interest loans

A loan is 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 past due.
- 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.

"Overdue-interest" loans are in principle impaired.

7.2.7 Provisions for credit risk

The purpose of credit-risk provisions is to recognize, at the balance-sheet date, the expected loss on impaired and non-impaired credit-risk exposures.

Provisions for non-impaired credit-risk exposures are determined individually by counterparty and meet the requirement to set aside provisions for inherent credit risks (Articles 25 and 28 FINMA-AO). The aim is to ensure that the Bank's provisions for non-impaired loans cover the expected loss. For provisioning purposes, the expected loss is calculated differently depending on the level of credit risk.

Provisions for non-impaired credit-risk exposures that have not been identified as high-risk are determined based on the 12-month expected loss, as described in note 7.2.3. These provisions are set aside for all bank and client loans, with the exception of derivatives contracts and securities lending and borrowing transactions, which have a low expected loss. The base assumption is that the Bank's expected-loss models provide reliable estimates of future annual losses. This assumption is tested each year by the units responsible for developing models and checked by an independent validation unit. The internal models have been approved for use under the IRB approach to determine the regulatory capital requirements for a large part of the Bank's credit-risk exposure (see the Bank's Basel III Pillar 3 report). They are calibrated using over ten years of past data (which includes periods of stress for the Bank).

Provisions for non-impaired credit-risk exposures that have been identified as high-risk are determined based on the expected loss at maturity. The probability of default for these exposures corresponds to the probability of default

at maturity. Heightened credit risks are identified for counterparties that are “reputed to be in financial difficulty” (RD). A counterparty is classified as RD 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 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 permanent exemption being granted.

Provisions for impaired credit-risk exposures, as defined in note 7.2.5, are determined individually by counterparty, pursuant to Article 24 FINMA-AO. The provision calculation 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.

The 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).

As an exception, in the event of a major crisis, provisions for inherent credit risks can be used to cover impaired loans. A major crisis occurs when the new provisions for impaired exposures over a 12-month period are significantly higher (by a factor of two) than the expected loss on non-impaired exposures. However, once the crisis has ended, those provisions must be steadily built up again over a five-year period.

7.2.8 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 Standardized Approach (SA-BIS) is used for the remaining credit-risk exposure.

7.3 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 calculated using a valuation model that incorporates observable market parameters.

The Bank manages 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 revaluations 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 analyses are used 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 determined 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. Six-month scenarios are used for the nostro portfolio managed by the Asset Management Department, analyzing cumulative results over that period.

Sensitivity measures 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 Standardized Approach (SA-BIS).

7.4 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.

7.4.1 Interest-rate risk on the banking book

Interest-rate risk on the banking book arises from mismatches between the size and terms (dates on which interest rates are fixed) of asset and liability positions. It 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 share capital.

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
- loss of economic value of share 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 share capital:

- Static indicators: to monitor the economic value of share capital, the Bank calculates the duration of share capital and the sensitivity of share capital to an interest-rate shock. 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 customer 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 share capital are calculated for several future dates to measure the future exposure of share capital to interest-rate risk. These dynamic simulations are carried out for a three-year horizon.

In calculating all indicators, models are used to replicate variable-rate positions (adjustable-rate mortgages, traditional savings deposits with no fixed term, and sight deposits) in order to simulate as faithfully as possible the pace and magnitude of changes in customer interest rates as the market rate changes.

7.4.2 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 in its assets. 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 its balance sheet using dynamic simulations. When conducting these simulations, the Bank also calculates regulatory ratios – i.e., 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 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.

7.5 Operational risk

Operational risk is inherent in the Bank's activities and arises from possible inadequacies or failures relating to processes, people, and information systems within or external to the Bank. Operational risk factors arise from:

- changes in legislation, regulations, and values – particularly in Swiss and other legal and regulatory frameworks that are applicable to BCV – and in the expectations of customers and other stakeholders, and public opinion of the Bank;
- erroneous or malicious behavior of employees, suppliers, bank counterparties, customers, or other parties external to the Bank;
- inadequacies of information systems, infrastructure, or the Bank's organization;

- natural hazards, including climate-related physical hazards, pandemics, and other natural phenomena (e.g., seismic, hydrological, and geological hazards).

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

- non-compliance
- 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 recognized for the additional costs expected but not yet incurred. The Bank determines its regulatory capital requirements for operational risk according to the Standardized Approach (SA-BIS).

8. Use of hedge accounting

The Group uses derivatives as part of its asset- and liability-management strategy, primarily to hedge interest-rate risk. These transactions are recognized as macro and micro hedges, and net gains or losses after interest are recorded under “Interest and discount income” or “Interest expense.” Changes in the fair value of hedging instruments are recognized in the offset accounts under “Other assets” or “Other liabilities.”

Whenever derivatives are used for hedging purposes, records are kept of the transactions, the objectives and strategies of the Bank’s unit in charge of managing market risk on the balance sheet, and the system used to monitor the effectiveness of the hedge.

The hedging instruments used are almost exclusively interest-rate swaps (IRSs), in which the Bank may be either the payer or the receiver; the large majority of these IRSs is denominated in Swiss francs. Micro hedges are used mainly to hedge the Bank’s long-term borrowings (i.e., its own bond issues or issues made through the Central Mortgage-Bond Institution) and financial investments. Macro hedges are used mainly to hedge fixed-term mortgages.

Micro hedges are used to reduce the risk on a clearly defined underlying position. The hedges have the same nominal value and the same maturity as the hedged position, although a large underlying position may require several hedges.

Most macro hedges are used to hedge mortgage loans. The hedging instruments mature during the same month that the terms of the underlying mortgage loans end.

In order to prevent any over-hedged positions, the nominal value of the underlying positions must be 10% higher than that of the hedging instrument in order to take account of any depreciation, impairment, early redemption, or repayment. When entering into a hedging relationship, the Bank draws up documents stipulating the designation of the hedging instrument and the underlying transaction or group of transactions, together with their main features. The type of risk hedged and the system for assessing the effectiveness of the hedge are also provided.

As the Bank uses linear hedging, there is a very close economic relationship between the underlying positions and the hedging instruments. For mortgage loans, the main difference between the hedging instrument and the underlying position is the interest rate, as the rate on the mortgage loans includes the Bank's margin.

Hedges are tested for their effectiveness every quarter. The main aim of the test is to ensure that the nominal value of the underlying positions is still at or above the nominal value of the hedging instrument. A forward-looking assessment of the hedging relationship is also conducted by measuring how the economic value of the hedging instrument and the hedged positions would be affected by a 100bp rise or fall in interest rates. To qualify as a hedge, the change in the value of the hedging instrument must offset the change in value of the underlying positions by between 80% and 125%.

Given that linear hedging is used, the hedges are unlikely to be ineffective. In the event of an over-hedged position, the excess portion of the derivative financial instrument is treated as a trading portfolio asset and recorded under "Net trading income and fair-value adjustments."

9. Significant events and events taking place after the closing date

9.1 Significant events

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 Sentry 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 previous annual reports, no provision has been set aside except to cover BCV's defense costs.

9.2 Events taking place after the closing date

No event liable to have a material influence on the Group's financial statements took place after the closing date.

10. Notes to the consolidated balance sheet

10.1 Repurchase and reverse repurchase agreements (in CHF millions)

	31 / 12 / 22	31 / 12 / 21
Book value of claims arising from cash collateral pledged in connection with securities borrowing or reverse repurchase agreements ¹	79	158
Book value of liabilities arising from cash collateral received in connection with securities lending or repurchase agreements ¹	1 008	1 458
Book value of securities held for own account, lent or transferred as collateral in connection with securities borrowing or repurchase agreements	1 038	1 442
<i>of which those that can be sold or repledged without restriction</i>	1 038	1 442
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	85	171
<i>of which securities repledged as collateral</i>	0	0
<i>of which sold securities</i>	0	0

¹ Before netting agreements

10.2 Risk mitigants for loans and off-balance-sheet transactions

Impaired loans (in CHF millions)

		Type of risk mitigant			Total
		Mortgage	Other	Unsecured	
Loans and advances to customers		593	2 543	3 146	6 282
Mortgages		30 436			30 436
<i>Residential real estate</i>		24 363			24 363
<i>Office and business premises</i>		1 277			1 277
<i>Commercial and industrial property</i>		862			862
<i>Other</i>		3 934			3 934
Loans (before impairment charges/reversals)	31 / 12 / 22	31 029	2 543	3 146	36 718
	31 / 12 / 21	29 979	2 555	3 143	35 677
Loans (after impairment charges/reversals)	31 / 12 / 22	31 019	2 543	3 064	36 626
	31 / 12 / 21	29 966	2 555	3 061	35 582
Contingent liabilities		2	311	803	1 116
Irrevocable commitments		336	16	1 141	1 494
Commitments relating to calls on shares and other equity securities				243	243
Confirmed credits				37	37
Off-balance-sheet transactions	31 / 12 / 22	338	327	2 223	2 889
	31 / 12 / 21	458	394	2 496	3 347

		Gross receivables	Realization value of risk mitigants	Net receivables	Individual impairment charge/reversal
Impaired loans and off-balance-sheet commitments	31 / 12 / 22	151	-65	86	81
	31 / 12 / 21	151	-67	84	78
Change (absolute)		-1	-2	2	3
Change (as %)		-0	-3	2	4

10.3 Trading portfolio assets and liabilities

Other financial assets and liabilities at fair value (in CHF millions)

Assets	31 / 12 / 22	31 / 12 / 21
Debt securities	0	0
<i>of which listed</i>	0	0
Equity securities	7	4
Commodities and precious metals	198	196
Trading portfolio assets	206	200
Debt securities	4	48
Structured products	0	0
Other	893	1164
Other financial assets at fair value	897	1212
Total	1103	1412
<i>of which determined using a valuation model</i>	0	0
<i>of which securities eligible for repurchase agreements in accordance with liquidity regulations</i>	0	0

Liabilities	31 / 12 / 22	31 / 12 / 21
Debt securities	0	0
<i>of which listed</i>	0	0
Equity securities	3	2
Other trading portfolio liabilities	0	0
Trading portfolio liabilities	3	2
Debt securities	0	0
Structured products	1006	1340
Other financial liabilities at fair value	1006	1340
Total	1008	1342
<i>of which determined using a valuation model</i>	22	55

10.4 Derivative financial instruments (in CHF millions)

	Trading instruments			Hedging instruments			
	Positive mark-to-market value	Negative mark-to-market value	Value of underlying asset	Positive mark-to-market value	Negative mark-to-market value	Value of underlying asset	
Swaps	3	3	144	740	39	8 866	
Futures			14				
Options (OTC)	1	1	58				
Interest-rate instruments	3	3	216	740	39	8 866	
Forward contracts and swaps	1 169	1 167	65 759				
Options (OTC)	35	33	2 434				
Foreign currencies and precious metals	1 204	1 200	68 193	0	0	0	
Futures			3				
Options (OTC)	74	68	405				
Options (exchange-traded)							
Equity securities and indices	74	68	409	0	0	0	
Total	31 / 12 / 22	1 281	1 272	68 818	740	39	8 866
<i>of which determined using a valuation model</i>		110	102	–	–	–	–
	31 / 12 / 21	510	567	49 475	215	64	16 782
<i>of which determined using a valuation model</i>		64	61	–	–	–	–

	Positive mark-to-market value	Negative mark-to-market value	Value of underlying asset
Breakdown			
Trading instruments	1 281	1 272	68 818
Hedging instruments	740	39	8 866
Total before netting agreements	31 / 12 / 22	2 021	77 684
	31 / 12 / 21	726	66 257
Total after netting agreements	31 / 12 / 22	1 160	77 684
	31 / 12 / 21	368	66 257
Change	absolute	792	11 427
	as %	215	17

Breakdown by counterparty

	Central clearing houses	Banks and securities dealers	Other clients
Positive mark-to-market value (after netting agreements)	726	329	105

10.5 Financial investments (in CHF millions)

	31 / 12 / 22		31 / 12 / 21	
	Book value	Fair value	Book value	Fair value
Debt securities	5 695	5 315	4 189	4 223
<i>of which securities intended to be held until maturity</i>	5 694	5 314	4 186	4 220
<i>of which securities available for sale</i>	0	0	3	3
Equity securities	27	73	28	84
<i>of which significant holdings (minimum of 10% of capital or voting rights)</i>	4	4	4	4
Available-for-sale real estate and goods acquired in connection with lending operations	35	37	69	72
Financial investments	5 757	5 425	4 287	4 379
<i>of which securities eligible for repurchase agreements in accordance with liquidity regulations</i>	5 674	–	4 170	–

Counterparty breakdown by rating

	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Below B-	Not rated	Total
Book value of debt securities	4 821	7	9			858	5 695

The rating categories are based on Standard & Poor's ratings; they are used for the specific instruments to which the Bank has subscribed. If an instrument is not rated by Standard & Poor's, then a rating from another agency is used. Where there is no specific rating for a given instrument, the issuer's long-term rating is used, with the same order of rating agencies.

The Bank's unrated positions consist primarily of short-term debt issued by the Swiss National Bank and, to a lesser extent, high-quality debt securities issued by unrated Swiss counterparties.

10.6 Non-consolidated holdings (in CHF millions)

	Cost	Accumulated impairment charges/reversals	Book value at year-end	Changes in allocation or scope	Additions	Disposals	Impairment charges/reversals	Book value at year-end	Market value
			2021					2022	2022
Holdings accounted for using the equity method	–		–					–	–
Other equity holdings	92	–6	86		0			87	1
<i>listed</i>	0	0	0					0	1
<i>unlisted</i>	92	–6	86		0			86	
Non-consolidated holdings	92	–6	86	0	0	0	0	87	1

10.7 Companies in which the Group has a significant long-term direct or indirect holding

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

Fully consolidated Group companies

Company name and headquarters	Main business	Capital in millions	31 / 12 / 22			
			% of share capital held as %	% of voting rights held as %	% of stake held directly /indirectly as %	
Piguet Galland & Cie SA, Yverdon-les-Bains (Switzerland)	Private bank	CHF 24.4	99.7	99.7	99.7 / 0	
Gérifonds SA, Lausanne	Fund management	CHF 2.9	100	100	100 / 0	
Gérifonds (Luxembourg) SA, Luxembourg	Fund management	EUR 0.1	100	100	0 / 100	
Société pour la gestion de placements collectifs GEP SA, Lausanne	Fund management	CHF 1.5	100	100	100 / 0	

The scope of consolidation did not change relative to end-2021.

No companies are accounted for using the equity method.

Main non-consolidated holdings

Company name and headquarters	Main business	Capital in millions	31 / 12 / 22			
			% of share capital held as %	% of voting rights held as %	% of stake held directly /indirectly as %	
Central Mortgage-Bond Institution of Swiss Cantonal Banks Ltd, Zurich <i>of which CHF 1.8 billion unpaid</i>	Central mortgage-bond institution	CHF 2 225.0	13.6	13.6	13.6 / 0	
SIX Group Ltd, Zurich	Swiss stock exchange operator and provider of payment and other services	CHF 19.5	2.5	2.5	2.4 / 0.1	
Société vaudoise pour le logement (SVL) SA, Crissier (Switzerland)	Property developer for low-income housing	CHF 2.0	45.0	45.0	45 / 0	
Swiss Bankers Prepaid Services Ltd, Grosshöchstetten (Switzerland)	Development and sale of prepaid cards	CHF 10.0	3.2	3.2	3.2 / 0	
TWINT Ltd., Zurich	Swiss mobile payment system	CHF 12.8	3.2	3.2	3.2 / 0	
Viseca Payment Services Ltd., Zurich	Cashless payment services	CHF 25.0	4.8	4.8	4.8 / 0	

As the Bank's holding in SVL is not material in terms of the consolidated financial statements, it is not included in the scope of consolidation. At end-2021, SVL had total assets of CHF 11m and equity of CHF 1m.

Main equity security positions held under “Financial investments”

Company name and headquarters	Main business	Capital in millions	31 / 12 / 22		
			% of share capital held as %	% of voting rights held as %	% of stake held directly /indirectly as %
Banque Cantonale du Jura SA, Porrentruy (Switzerland)	Bank	CHF 42.0	4.8	4.8	4.8 / 0
Romande Energie Holding SA, Morges (Switzerland)	Purchase, sale, and management of equity holdings in the energy sector	CHF 28.5	3.0	3.0	3.0 / 0

10.8 Tangible 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
	2021							2022
Group premises	441	- 214	227	- 1	3		- 10	219
Other real estate	128	- 66	62	1	0	- 1	- 3	59
Furniture and fixtures	34	- 18	16		3	- 0	- 4	15
Computer programs	154	- 74	80		45	- 0	- 49	76
Other tangible fixed assets	198	- 190	8		2		- 3	7
Tangible fixed assets	954	- 561	393	0	54	- 1	- 70	376

10.9 Intangible assets (in CHF millions)

	Cost	Accumulated amortization and impairment	Book value at year-end	Changes in allocation or scope	Additions	Disposals	Amortization and impairment	Book value at year-end
	2021							2022
Goodwill	47	- 47	0					0

10.10 Other assets and liabilities (in CHF millions)

	31 / 12 / 22		31 / 12 / 21	
	Other assets	Other liabilities	Other assets	Other liabilities
Offset accounts	0	690	0	148
Indirect taxes	16	11	33	6
Coupons/coupons and securities due	0	0	0	0
Settlement accounts	11	6	2	18
Miscellaneous assets and liabilities	10	18	12	9
Other assets and liabilities	37	725	46	183

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

	31 / 12 / 22		31 / 12 / 21	
	Amount or book value of pledge	Real liability	Amount or book value of pledge	Real liability
Assets pledged or assigned to the Swiss National Bank	184		164	
Mortgages pledged or assigned to Central Mortgage-Bond Institution of Swiss Cantonal Banks	7 883	6 106	8 079	5 445
Other	1 202	1 194	441	433
Total assets pledged or assigned	9 269	7 300	8 684	5 878
Assets with reservation of title	0	0	0	0

10.12 Commitments relating to own occupational pension funds

BCV shares held by own occupational pension funds (in CHF millions)

	31 / 12 / 22	31 / 12 / 21
Customer deposits	212	241
Other liabilities	0	0
Total	212	241

BCV's own occupational pension funds held no BCV shares at 31 December 2022.

10.13 Economic situation of own occupational pension funds (in CHF millions)

There were no employer contribution reserves at end-2022 or end-2021.

Economic benefit/liability and pension expenses	Surplus / deficit	Economic benefit/liability			Contributions adjusted for the period 2022	Pension expenses included in "Personnel costs"	
		31 / 12 / 22	31 / 12 / 21	Change		2022	2021
Employer-financed pension funds: "Fonds de prévoyance en faveur du personnel de la BCV"	50.9	0	0	0	0.0	0.0	0.0
Pension funds with no surplus or deficit: "Caisse de pensions de la BCV"		0	0	0	37.3	37.3	37.0
Pension funds with surpluses: "Fondation de prévoyance complémentaire en faveur de l'encadrement supérieur de la BCV"	0.4	0	0	0	1.7	1.7	1.6
Total¹	51.3	0	0	0	39.0	39.0	38.7

¹ 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 2022.

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.

10.14 Issued structured products (in CHF millions)

Underlying risk of embedded derivative	Carrying value				Total	
	Single treatment		Separate treatment			
	Recognized in trading portfolio liabilities	Recognized in other financial liabilities at fair value	Value of the host instrument	Value of the derivative		
Interest-rate instruments	–	0			0	
Equity securities	–	983	731	– 68	1 647	
Foreign currencies	–	17			17	
Commodities and precious metals	–	5			5	
Total	31 / 12 / 22	–	1 006	731	– 68	1 669
	31 / 12 / 21	–	1 340	764	– 25	2 079

All structured products issued by BCV comprise own debt securities.

Single accounting treatment

Structured products issued by the Bank and carried at fair value are booked under “Other financial liabilities at fair value,” with reference to a quoted market price or a valuation model. Subsequent revaluations are recognized under “Net trading income and fair-value adjustments.”

Separate accounting treatment

Structured products whose host instrument and embedded derivatives are treated separately are recognized as follows: the host instrument is recorded under “Bonds” at nominal value as a debt issued by the Bank, and the embedded derivatives are carried as either positive or negative mark-to-market values. Any subsequent changes in fair value are recognized under “Net trading income and fair-value adjustments.”

Interest accrued in the interest-rate component is recorded under “Interest expense” using the accrual method.

10.15 Bonds and mortgage-backed bonds (in CHF millions)

Rate	Year of issue	Nominal value	Maturity	Group-held	31 / 12 / 22 Amount outstanding	31 / 12 / 21
1.625%	2011	125	30/11/2026	30	95	
1.500%	2014	135	28/03/2024		135	
0.500%	2016	150	13/12/2028		150	
0.400%	2016	150	07/04/2031		150	
0.500%	2017	150	12/07/2029		150	
0.250%	2017	150	28/11/2025		150	
0.400%	2021	150	05/05/2036		150	
0.200%	2021	125	22/12/2033		125	
Bond issues by BCV Lausanne¹		1 135		30	1 105	1 105
<i>of which subordinated bonds</i>		0		0	0	0
Structured products issued by BCV Lausanne or the Guernsey branch (value of the host instrument)					731	764
Central Mortgage-Bond Institution of Swiss Cantonal Banks					6 106	5 445
Bonds and mortgage-backed bonds					7 942	7 313

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

Long-term borrowings by maturity								31 / 12 / 22	
	2023	2024	2025	2026	2027	2028-2042	Total	Average	
Bond issues		135	150	95		725	1 105	0.6%	
Structured products	503	161	53	5	10		731	-0.0%	
Central Mortgage-Bond Institution of Swiss Cantonal Banks	425	434	338	515	499	3 895	6 106	0.8%	
Total	928	730	541	614	509	4 620	7 942		

	Status at year-end 2021	New issues	Redemptions	Net change in own securities	Status at year-end 2022
Bond issues	1 105				1 105
Structured products	764	531	- 577	14	731
Central Mortgage-Bond Institution of Swiss Cantonal Banks	5 445	850	- 189		6 106
Total	7 313	1 381	- 766	14	7 942

10.16 Provisions

Reserves for general banking risks (in CHF millions)

	Status at year-end	Used as allocated	Changes in scope of consolidation	Currency translation differences	Recoveries, overdue interest	New provisions charged to income statement	Releases credited to income statement	Status at year-end
	2021							2022
Provisions for deferred taxes	1						-0	1
Provisions for credit risk	19				0	5	-6	18
<i>of which provisions under Art. 28.1 FINMA-AO</i>	9				0	1	-1	9
<i>of which provisions for inherent credit risk</i>	11				0	4	-5	9
<i>of which provisions for latent credit risk</i>	0							0
Other provisions	3	-1		-0	0	6	-1	7
Total provisions	24	-1	0	-0	1	11	-8	27
Reserves for general banking risks¹	666							666
Provisions for credit risk and country risk	97	-8			7	18	-21	94
<i>of which provisions for impaired loans</i>	69	-5			7	9	-8	71
<i>of which provisions for inherent credit risk</i>	29	-3			0	9	-12	22
<i>of which provisions for latent risks</i>	0							0

¹ Reserves for general banking risks are taxable.

10.17 Stock options and shares granted to members of the Board of Directors, Executive Board members and other employees
Employee share-ownership plans

	2022		2021	
	Shares (in units)	Value (in CHF)	Shares (in units)	Value (in CHF)
Members of the Board of Directors	0	0	0	0
Executive Board members	31 289	2 188 511	32 985	2 120 233
Other employees	265 501	10 752 804	253 084	10 476 018
Total	296 790	12 941 315	286 069	12 596 251

No stock options have been granted to members of the Board of Directors, Executive Board members, or other employees.

Employee share ownership

Annual performance-based compensation

For Executive Board members and department heads, 30% of their annual performance-based compensation must be taken in BCV shares with a lock-up period of five to ten years.

Other employees receiving annual performance-based compensation of CHF 21,000 or more may opt for full payment in cash, or 70% in cash and 30% in BCV shares with a lock-up period of three years. In the latter case, BCV increases the portion of shares by 30%.

Executive Board members are allocated their shares subject to approval at the Shareholders' Meeting. The number of shares allocated will be calculated based on the closing market price on 15 May 2023, rounded up to the nearest whole number.

Other employees will receive their shares at the end of April 2023. The number of shares allocated will be calculated based on the closing market price on 16 March 2023, rounded up to the nearest whole number. These employees have until 29 March 2023 to decide on the proportion they wish to receive in the form of shares. As their decision was not known at the time this report was published, the number of shares taken into account in the above table corresponds to the maximum possible number of shares.

The market prices used to calculate the number of shares will be those on 16 March 2023 and 15 May 2023, so they were not known at the time of writing. As a result, the maximum possible number of shares was calculated based on the closing market price on 9 March 2023, the date of the Board of Directors' final decision on this compensation.

Share-ownership plan

The Executive Board and other Group employees, with the exception of employees of Piguët Galland & Cie SA, were given the opportunity to subscribe to the share-ownership plan in April 2022 on the following terms:

- The number of shares that may be purchased is determined by the level of responsibility inherent in the employee's position.
- The subscription period ran from 16–29 March 2022.
- The subscription price was set at CHF 58 per share, and the market price used was CHF 73.40 (closing price on 15 March, the day before the subscription period started).

The amounts (number of shares and value) shown in the table above correspond to the number of shares subscribed multiplied by CHF 15.40, which is the difference between the market price of CHF 73.40 and the subscription price of CHF 58.

Long-term performance-based compensation

At the beginning of each three-year share-ownership plan, participants are informed of the number of shares that will be allocated if all objectives are met in full. At the end of each plan, the Bank informs participants of the extent to which objectives have been met based on the Bank's financial results and strategic and qualitative performance. The number of shares initially allocated is multiplied by the level of attainment of the objectives in order to determine the number of shares allocated to each participant.

The amounts taken into account in the table on the previous page correspond to the expense recorded in 2022 for the various plans in progress.

Free shares

The Bank awards 20 BCV shares to apprentices, high school graduate trainees, and university interns who join the Bank after their training.

The number allocated and their value, based on the market price on the last business day of the month before the shares are awarded, are also shown in the table.

10.18 Receivables and commitments with respect to related parties (in CHF millions)

	31 / 12 / 22		31 / 12 / 21	
	Receivable	Commitment	Receivable	Commitment
Significant shareholder	0	3 868	6	3 971
Affiliated companies	215	376	204	294
Governing bodies	37	18	35	14

Corporations organized under public law in Vaud Canton and public-private entities in which Vaud Canton has a qualified holding are considered affiliated companies. Transactions with members of the Board of Directors were

conducted on market terms. Receivables and commitments with respect to Executive Board members were granted on the standard terms for BCV employees. Transactions with related parties were conducted on market terms.

10.19 Own shares

Number of shares (in units)	Average transaction price	Total	Own shares
Status at 1 January 2022		86 061 900	192 362
<i>of which shares reserved for long-term performance-based compensation</i>			105 850
Purchases	80		299 213
Sales	79		- 312 349
Status at 31 December 2022		86 061 900	179 226
<i>of which shares reserved for long-term performance-based compensation</i>			108 219

Own shares were traded at market prices. The proceeds of the sale of own shares were allocated directly to the capital reserve.

10.20 Maturity structure of financial instruments (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	12 916							12 916	
Due from banks	953		146	87				1 187	
Reverse repurchase agreements		79						79	
Loans and advances to customers	135	1 351	1 812	366	783	1 753		6 201	
Mortgage loans	813	338	3 174	2 633	11 632	11 836		30 425	
Trading portfolio assets	206							206	
Positive mark-to-market values of derivative financial instruments	1 160							1 160	
Other financial assets at fair value	897							897	
Financial investments	27		800	532	1 896	2 467	35	5 757	
Current assets	31 / 12 / 22	17 107	1 768	5 933	3 618	14 310	16 056	35	58 827
	31 / 12 / 21	16 643	2 021	5 144	3 890	14 215	13 377	69	55 359
Due to banks	1 906	335	3 675	58				5 975	
Repurchase agreements			1 008					1 008	
Customer deposits	17 583	14 087	5 530	1 130	44	20		38 395	
Trading portfolio liabilities	3							3	
Negative mark-to-market values of derivative financial instruments	450							450	
Other financial liabilities at fair value	1 006							1 006	
Medium-term notes								0	
Bonds and mortgage-backed bonds			195	733	2 394	4 620		7 942	
Borrowed funds	31 / 12 / 22	20 948	14 422	10 408	1 921	2 439	4 640		54 778
	31 / 12 / 21	22 709	15 815	5 076	1 582	2 488	4 291		51 961

10.21 Breakdown of assets and liabilities by Swiss and foreign domicile (in CHF millions)

	31 / 12 / 22		31 / 12 / 21	
	Swiss	Foreign	Swiss	Foreign
Cash and cash equivalents	12 916		12 600	
Due from banks	444	743	318	634
Reverse repurchase agreements		79		158
Loans and advances to customers	5 759	442	5 659	550
Mortgage loans	30 425		29 373	
Trading portfolio assets	206		200	
Positive mark-to-market values of derivative financial instruments	191	970	130	238
Other financial assets at fair value	300	597	323	889
Financial investments	4 443	1 313	3 096	1 190
Accrued income and prepaid expenses	70	0	66	0
Non-consolidated holdings	86	1	86	1
Tangible fixed assets	376	0	393	0
Intangible assets				
Other assets	35	2	44	3
Assets	55 250	4 147	52 288	3 664
Total as %	93	7	93	7
Due to banks	1 728	4 247	1 608	1 770
Repurchase agreements	1 008		1 458	
Customer deposits	35 615	2 780	35 335	2 860
Trading portfolio liabilities	3		2	
Negative mark-to-market values of derivative financial instruments	212	238	146	127
Other financial liabilities at fair value	1 006		1 242	98
Medium-term notes			2	
Bonds and mortgage-backed bonds	7 896	46	7 218	95
Accrued expenses and deferred income	153	1	139	1
Other liabilities	722	3	181	2
Provisions	27		24	
Reserves for general banking risks	666		666	
Share capital	86		86	
Capital reserve	35		36	
Retained earnings	2 554		2 493	
Currency translation reserve	-2		-2	
Own shares	-14		-15	
Minority interests in equity	0		0	
Net profit	388		379	
Total liabilities and shareholders' equity	52 082	7 314	50 998	4 954
Total as %	88	12	91	9

10.22 Breakdown of assets by country/country group based on domicile (in CHF millions)

	31 / 12 / 22		31 / 12 / 21	
	Absolute value	as % of total	Absolute value	as % of total
Europe	3 383	6	2 687	5
Germany	1 369	2	603	1
France	614	1	688	1
United Kingdom	462	1	375	1
Luxembourg	336	1	361	1
Netherlands	128	0	137	0
Sweden	87	0	69	0
Ireland	69	0	85	0
Other	316	1	369	1
Asia	336	1	388	1
Latin America, the Caribbean	98	0	96	0
United States, Canada	206	0	303	1
Other	125	0	189	0
Foreign assets	4 147	7	3 664	7
Switzerland	55 250	93	52 288	93
Assets	59 397	100	55 952	100

10.23 Breakdown of assets by solvency of the country group in which the risk is domiciled (in CHF millions)

Internal country rating	Standard & Poor's rating	31 / 12 / 22		31 / 12 / 21	
		Absolute value	as % of total	Absolute value	as % of total
1&2	AAA to AA-	3 825	91	3 181	86
3	A+ to A-	101	2	168	5
4	BBB+ to BBB-	50	1	66	2
5	BB+ to BB-	56	1	30	1
6	B+ to B-	120	3	206	6
7	CCC+ to C	17	0	10	0
Not rated	Not rated	29	1	39	1
Foreign exposure		4 199	100	3 701	100

10.24 Breakdown of assets and liabilities by currency (in CHF millions)

	CHF	EUR	USD	Other	Total
Cash and cash equivalents	12 886	26	2	1	12 916
Due from banks	50	507	400	229	1 187
Reverse repurchase agreements		79			79
Loans and advances to customers	4 853	484	836	28	6 201
Mortgage loans	30 405	3	17		30 425
Trading portfolio assets	7			198	206
Positive mark-to-market values of derivative financial instruments	1 090	60	10	1	1 160
Other financial assets at fair value	301	164	322	111	897
Financial investments	4 901	856	0	0	5 757
Accrued income and prepaid expenses	63	6	1	0	70
Non-consolidated holdings	86		1		87
Tangible fixed assets	376	0			376
Intangible assets					0
Other assets	33	2	1	1	37
Positions carried as assets	55 050	2 187	1 590	569	59 397
Delivery claims arising from spot and forward transactions and options	20 351	18 262	26 584	4 427	69 623
Assets	31 / 12 / 22	75 401	20 449	4 996	129 020
	31 / 12 / 21	65 517	15 921	3 844	106 241
Due to banks	3 473	1 174	1 117	211	5 975
Repurchase agreements	400	109	65	435	1 008
Customer deposits	33 364	2 516	2 090	424	38 395
Trading portfolio liabilities	3				3
Negative mark-to-market values of derivative financial instruments	442	- 1	9	0	450
Other financial liabilities at fair value	585	173	242	6	1 006
Medium-term notes					0
Bonds and mortgage-backed bonds	7 897	30	14	1	7 942
Accrued expenses and deferred income	145	2	5	1	154
Other liabilities	654	19	48	4	725
Provisions	14	1	12	0	27
Reserves for general banking risks	666				666
Share capital	86				86
Capital reserve	35				35
Retained earnings	2 554				2 554
Currency translation reserve	- 2				- 2
Own shares	- 14				- 14
Minority interests in equity	0				0
Net profit	388				388
Positions carried as liabilities	50 692	4 022	3 601	1 082	59 397
Delivery commitments arising from spot and forward transactions and options	24 774	16 350	24 687	3 804	69 615
Total liabilities and shareholders' equity	31 / 12 / 22	75 466	20 372	4 886	129 011
	31 / 12 / 21	65 619	16 052	3 719	106 300
Net position by currency	31 / 12 / 22	- 65	77	- 114	111
	31 / 12 / 21	- 102	- 131	49	- 59

11. Notes to off-balance-sheet transactions

11.1 Contingent liabilities

Contingent receivables (in CHF millions)

	31 / 12 / 22	31 / 12 / 21	Change absolute	Change as %
Irrevocable and similar guarantees	673	1 025	- 352	- 34
Other guarantees	443	563	- 120	- 21
Contingent liabilities	1 116	1 588	- 472	- 30
Contingent receivables	0	0	0	0

11.2 Confirmed credits (in CHF millions)

	31 / 12 / 22	31 / 12 / 21	Change absolute	Change as %
Commitments arising from deferred payments	37	39	- 2	- 5

11.3 Fiduciary transactions (in CHF millions)

	31 / 12 / 22	31 / 12 / 21	Change absolute	Change as %
Fiduciary investments with third parties	651	300	351	117
Fiduciary loans	0	0	0	n/a
Fiduciary transactions	651	300	351	117

11.4 Assets under management (in CHF millions)

Breakdown	31 / 12 / 22	31 / 12 / 21	Change absolute	Change as %
Assets held by collective investment vehicles under own management	31 334	32 257	- 923	- 3
Assets under discretionary management agreements	18 007	20 193	- 2 186	- 11
Other assets under management	59 537	60 437	- 900	- 1
Total assets under management (incl. double-counted)	108 879	112 887	- 4 009	- 4
<i>of which double-counted</i>	<i>11 058</i>	<i>12 353</i>	<i>- 1 295</i>	<i>- 10</i>

Change	31 / 12 / 22	31 / 12 / 21	Change absolute	Change as %
Initial total assets under management (incl. double-counted)	112 887	103 159	9 728	9
Net fund inflows/outflows	2 995	5 733	- 2 737	- 48
Changes in prices, interest, dividends, and exchange rates	- 7 004	3 995	- 10 999	- 275
Final total assets under management (incl. double-counted)	108 879	112 887	- 4 009	- 4

Assets under management

All customer assets held or managed for investment purposes are included under "Assets under management." As defined in the new Swiss accounting rules for banks, assets under management mainly comprise customer deposits in the form of savings and investments and term accounts, together with fiduciary investments and all duly valued assets in custody accounts. Assets held for investment purposes by institutional investors, companies, and individual customers, 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, interest and dividend payments, and commissions and fees 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.

12. Notes to the consolidated income statement

12.1 Net interest income before loan impairment charges/reversals

Refinancing of trading positions and negative interest (in CHF millions)

	2022	2021	Change absolute	Change as %
Banks and reverse repurchase agreements	20.9	-6.5	27.4	421
Customers	493.1	482.8	10.3	2
Interest and dividends on financial investments	21.4	18.0	3.4	19
Other interest income	10.5	4.3	6.2	147
Total interest income	546.0	498.5	47.4	10
Banks and repurchase agreements	33.7	-4.2	37.9	898
Customers	-5.7	-41.1	35.4	86
Medium-term notes and bonds	55.9	54.7	1.2	2
Other interest expense	0.4	16.5	-16.2	-98
Total interest expense	84.2	26.0	58.3	224
Net interest income before loan impairment charges/reversals	461.7	472.6	-10.9	-2

Interest income totaled CHF 546.0m and included the deduction of CHF 2.5m in negative interest paid by the Bank in 2022, compared with CHF 7.8m in 2021. Negative interest was paid primarily on transactions with banks and reverse repurchase agreements.

Interest expense totaled CHF 84.2m and included the deduction of CHF 45.8m in negative interest earned by the Bank in 2022, compared with CHF 63.7m in 2021. Negative interest was earned on transactions with banks and repurchase agreements, customer deposits, and transactions related to debt issuance (i.e., structured product issuance).

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

	2022	2021	Change absolute	Change as %
Securities administration	47.0	48.0	-1.0	-2
Brokerage	31.5	40.6	-9.1	-22
Income from new issues	8.2	13.3	-5.0	-38
Management fees	72.1	73.3	-1.3	-2
Investment-fund operations	129.3	133.1	-3.8	-3
Other	3.5	3.7	-0.3	-7
Total	291.6	312.1	-20.5	-7

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

	2022	2021	Change absolute	Change as %
Payment cards, ATMs, transfers, and checks	23.5	19.1	4.4	23
Administrative services for institutional clients, and statements	17.8	18.7	-0.9	-5
Account management fees	21.1	19.4	1.7	9
Document collection fees and bancassurance	5.3	5.0	0.3	7
Safe rentals, numbered accounts, and mail holding services	5.4	5.6	-0.2	-4
Total	73.1	67.8	5.3	8

12.4 Net trading income and fair-value adjustments (in CHF millions)

	2022	2021	Change absolute	Change as %
Breakdown by business sector				
Retail Banking	19.2	17.1	2.1	12
Corporate Banking	10.9	9.9	1.0	10
Wealth Management	21.4	19.2	2.2	11
Trading	58.5	55.5	3.0	5
Corporate Center	78.7	41.5	37.3	90
Total	188.7	143.2	45.5	32

Trading income and fair-value adjustments

Trading income on fixed-income instruments and equity securities	27.5	38.2	- 10.7	- 28
Trading income on foreign currencies, banknotes, and precious metals	168.7	117.5	51.3	44
Total trading income and fair-value adjustments	196.2	155.7	40.5	26
<i>of which fair-value adjustments</i>	26.0	35.7	- 9.7	- 27
<i>of which fair-value adjustments on assets</i>	- 410.6	189.5	- 600.1	- 317
<i>of which fair-value adjustments on liabilities</i>	436.7	- 153.8	590.4	384
Trading fee and commission expense	- 7.5	- 12.5	- 5.0	- 40
Net trading income and fair-value adjustments	188.7	143.2	45.5	32

12.5 Personnel costs (in CHF millions)

	2022	2021	Change absolute	Change as %
Fixed and variable compensation	268.7	265.2	3.6	1
<i>of which charges related to share-based compensation and other variable compensation (including the portion paid in cash)</i>	41.6	39.5	2.1	5
Employee benefits	28.7	30.4	- 1.7	- 5
Contributions to staff pension funds	39.0	38.7	0.3	1
Other personnel expenses	16.5	15.1	1.4	9
Total	352.9	349.3	3.6	1

12.6 Other operating expenses (in CHF millions)

	2022	2021	Change absolute	Change as %
Premises	21.3	22.2	- 1.0	- 4
IT	72.2	69.7	2.5	4
Machinery, furniture, vehicles, etc.	2.6	2.5	0.1	3
Office supplies	1.1	1.0	0.0	3
Telecommunications and shipping	6.4	6.5	- 0.1	- 2
Marketing and communications, gifts, and subscriptions	17.5	13.7	3.8	28
Financial information	15.1	14.3	0.8	6
Auditor fees	2.3	2.3	0.0	1
<i>of which for financial and prudential audits</i>	2.2	2.1	0.1	5
<i>of which for other services</i>	0.1	0.2	- 0.1	- 39
Other professional fees	4.6	5.1	- 0.5	- 11
Payment transactions	11.4	10.7	0.7	7
Issuing fees	1.5	1.4	0.1	9
Miscellaneous operating expenses	7.8	6.4	1.5	23
<i>of which charges for the guarantee by the Canton of Vaud¹</i>		0.3	- 0.3	- 100
Total	163.7	155.8	7.9	5

¹ Limited guarantee by the Canton of Vaud for deposits with the Caisse d'Epargne Cantonale Vaudoise, managed by BCV until end-2021

12.7 Depreciation and amortization of fixed assets and impairment on equity investments (in CHF millions)

	2022	2021	Change absolute	Change as %
Real estate	17.4	18.3	-0.9	-5
Computer programs	49.0	47.7	1.3	3
Other investments	3.3	3.7	-0.4	-12
Holdings		0.3	-0.3	-100
Goodwill		2.0	-2.0	-100
Total	69.6	72.0	-2.4	-3

12.8 Other provisions and losses (in CHF millions)

	2022	2021	Change absolute	Change as %
Provisions for credit risk	-1.3	-0.3	-1.0	-323
Miscellaneous provisions	4.9	-1.4	6.3	436
Miscellaneous losses	1.9	1.1	0.7	66
Total	5.4	-0.6	6.0	963

12.9 Extraordinary income (in CHF millions)

	2022	2021	Change absolute	Change as %
Disposals of tangible fixed assets	0.8	12.2	-11.4	-93
Other extraordinary income	0.4	0.4	-0.0	-5
Total	1.2	12.6	-11.4	-90

12.10 Extraordinary expenses (in CHF millions)

	2022	2021	Change absolute	Change as %
Miscellaneous extraordinary expenses	0.0	0.2	-0.2	-94
Total	0.0	0.2	-0.2	-94

12.11 Taxes (in CHF millions)

	2022	2021	Change absolute	Change as %
Direct federal tax	31.7	31.6	0.0	0
Cantonal and municipal taxes	28.7	30.6	-1.9	-6
Foreign taxes	0.3	0.3	-0.0	-15
Deferred taxes	-0.0	-0.0	0.0	142
Total	60.6	62.5	-1.9	-3
Weighted average tax rate, based on operating profit	14%	15%		

Tax breakdown by country	2022		2021	
	Absolute value	As % of total	Absolute value	As % of total
Switzerland	60.3	99.6	62.2	99.5
Luxembourg	0.3	0.4	0.3	0.5
Total	60.6	100.0	62.5	100.0

12.12 Breakdown of operating profit by Swiss and foreign origin (in CHF millions)

	2022		2021	
	Swiss	Foreign	Swiss	Foreign
Net interest income	464.1	0.4	464.4	-0.0
Net fee and commission income	328.6	14.8	341.5	15.8
Net trading income	188.4	0.3	141.9	1.3
Other ordinary income	42.8	-0.0	40.5	
Total income from ordinary banking operations	1024.0	15.4	988.3	17.0
Personnel costs	352.1	0.9	348.4	0.9
Other operating expenses	162.4	1.3	154.6	1.2
Operating expenses	514.5	2.2	503.0	2.1
Depreciation and amortization of fixed assets and impairment on equity investments	69.6	0.0	72.0	0.0
Other provisions and losses	5.4		-0.6	
Operating profit	434.4	13.3	413.9	14.9

12.13 Earnings per share

	2022	2021
Net profit attributable to BCV Group shareholders (CHF millions)	388.3	378.7
Average number of shares in issue during the period (in units)	86 061 900	86 061 900
Average number of own shares held during the period (in units)	- 197 572	- 206 915
Average number of outstanding shares during the period (in units)	85 864 328	85 854 985
Basic earnings per share (CHF)	4.52	4.41

There are no ongoing financial transactions that would dilute earnings per share.

13. Other information

13.1 Regulatory capital requirements (in CHF millions)

	31 / 12 / 22	31 / 12 / 21
Common Equity Tier 1 (CET1) capital	3 369	3 308
Instruments and reserves	3 400	3 340
Regulatory adjustments	- 31	- 32
Additional Tier 1 (AT1) capital	0	0
Instruments	0	0
Regulatory adjustments	0	0
Tier 2 (T2) capital	22	26
Compulsory reserves in equities and general provisions	21	25
Regulatory adjustments	1	1
Total eligible capital	3 391	3 334
Risk-weighted assets		
Credit risk	16 749	16 811
Non-counterparty-related assets	474	537
Market risk	119	158
Operational risk	1 789	1 758
BIS required capital	19 132	19 265
BIS ratios		
CET1 ratio	17.6%	17.2%
T1 ratio	17.6%	17.2%
Total capital ratio	17.7%	17.3%
Leverage Ratio	5.5%	5.6%
Liquidity ratios		
Liquidity Coverage Ratio (LCR)	129%	157%
Net Stable Funding Ratio (NSFR) ¹	124%	125%

¹ Ratio provided on a voluntary basis and calculated according to FINMA's most recent directive

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.

In accordance with Basel III Pillar 3 disclosure requirements, the Bank publishes a report containing information on its capital adequacy, risk-assessment methods, and the level of risk taken. The report also gives information on the Group and parent-company leverage and liquidity ratios.

The report is available in the Investor Relations section of the BCV website.

13.2 Business sector information

13.2.1 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 500,000 in assets and no wealth-management services, or a mortgage loan worth up to CHF 1.2m. It also includes the Digital and Multichannel Banking Department, which works to expand the Bank's digital offering.

Corporate Banking handles SMEs (including micro-businesses), real-estate professionals, large corporations, public-sector enterprises, and trade finance.

Wealth Management addresses the needs of private and institutional clients. This sector also includes custody activities, occupational pensions, 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 on behalf of customers and for its own account, as well as custody activities.

The Corporate Center comprises the Board of Directors, executive management, the Human Resources Department, the Strategy & Organization Department, the Corporate Communications Department, the Service Quality Unit, 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 Solutions, IT Infrastructure, Facility Management & General Services, Back Office, and Security).

As a general rule, revenue is allocated to the sector to which the client or his/her advisor is attached.

For sectors dealing with clients, "Net interest income before loan impairment charges/reversals" 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).

Given the negative-interest-rate environment in 2021 and part of 2022, commercial margins on accounts are calculated with a minimum of zero for our retail, private banking, and corporate clients (except Large Corporates and Trade Finance).

For the Corporate Center, net interest income before loan impairment charges/reversals comprises the net gain/loss on asset and liability management, on interbank activities, and on fixed assets as well as gross interest on impaired loans handled by the Credit Recovery Management Department.

Loan losses correspond to expected losses for sectors dealing with clients. The difference between new provisioning needs and expected loan losses, together with loan impairment charges/reversals, changes in existing provisions, recoveries on repaid loans, and changes in provisions for non-impaired loans, are booked to the Corporate Center.

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 based on the nature of the item.

Operating expenses and depreciation and amortization 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.

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.

Customer business volumes and revenues in foreign currencies are booked to the relevant client-facing business

sector using exchange rates set at the start of the year; any subsequent foreign-currency translation differences (see note 6.7) are booked to the Corporate Center.

The definition of assets under management can be found in note 11.4 to the consolidated financial statements.

Shareholders' equity is allocated to the various types of business within each sector at 13.0%. Surplus equity is booked to the Corporate Center.

	Retail Banking		Corporate Banking	
	2022	2021	2022	2021
13.2.2 Customer business volumes by sector				
(in CHF millions)				
Loans and advances to customers ¹	162	139	5 006	5 018
Mortgage loans	9 613	9 260	11 526	11 068
Total customer loans	9 775	9 399	16 532	16 086
Customer deposits ¹	11 722	11 139	12 455	12 591
Off-balance-sheet commitments	100	126	2 036	2 485
Assets under management (including double-counted)	13 997	13 545	15 661	14 969

13.2.3 Results by business sector (in CHF millions)

Net interest income before loan impairment charges/reversals	121.9	122.8	227.9	233.2
Loan impairment charges/reversals ²	- 3.0	- 3.2	- 23.8	- 28.2
Net interest income after loan impairment charges/reversals	118.9	119.6	204.1	205.0
Net fee and commission income	53.6	48.4	45.2	47.9
Net trading income	19.2	17.1	10.9	9.9
Other income	1.1	1.1	3.1	3.7
Revenues	192.8	186.2	263.4	266.5
Personnel costs	- 44.3	- 44.2	- 32.8	- 32.4
Operating expenses	- 36.1	- 36.3	- 10.8	- 10.5
Depreciation, amortization, and write-offs	- 14.1	- 13.2	- 1.8	- 1.6
Interdivisional billing	- 46.2	- 43.5	- 59.8	- 57.6
Other provisions and losses	- 1.1	- 1.3	- 4.2	- 5.0
Operating profit	51.0	47.7	154.0	159.4
Extraordinary income and expenses	0.0	0.0	0.0	0.0
Taxes ³ and minority interests	- 7.0	- 6.6	- 21.3	- 22.0
Net profit	44.0	41.1	132.8	137.4

13.2.4 Indicators

Average shareholders' equity (in CHF millions) ⁴	275	275	1 360	1 334
ROE (%)	16.0	14.9	9.8	10.3
Cost/income ratio (%) ⁵	71.9	72.5	36.6	34.7
Average headcount	355	354	189	192

2021 figures were adjusted to facilitate like-for-like comparison.

¹ Customer business volumes and revenues in foreign currencies are booked to the relevant client-facing business sector using exchange rates set at the start of the year; any subsequent foreign-currency translation differences (see section 6.7) are booked to the Corporate Center.

² Expected loan losses are allocated to the business sectors. The difference between new provisioning needs and expected loan losses is booked to the Corporate Center.

³ Taxes are calculated per business sector according to the tax rates in effect.

⁴ Equity is allocated to the business sectors at 13.0%; surplus equity is booked to the Corporate Center.

⁵ Costs used for calculating the cost/income ratio per sector comprise: personnel costs; operating expenses; depreciation, amortization, and write-offs; and interdivisional billing. Income comprises income before loan impairment charges.

Wealth Management		Trading		Corporate Center		BCV Group	
2022	2021	2022	2021	2022	2021	2022	2021
887	877		0	146	175	6 201	6 209
8 570	8 323		0	716	721	30 425	29 373
9 457	9 200	0	0	862	896	36 626	35 582
12 608	13 149	23	25	1 587	1 291	38 395	38 195
82	101	9	9	663	626	2 889	3 347
77 575	83 169	0	0	1 645	1 204	108 879	112 887
128.0	124.1	2.1	2.7	- 18.2	- 10.2	461.7	472.6
- 3.0	- 3.0	- 0.0	0.0	32.5	26.2	2.8	- 8.2
125.0	121.1	2.1	2.7	14.4	16.0	464.5	464.4
244.6	260.2	- 2.8	- 2.3	2.8	3.1	343.4	357.3
21.4	19.2	58.5	55.5	78.7	41.5	188.7	143.2
0.8	1.3	0.0	0.0	37.8	34.3	42.8	40.5
391.7	401.9	57.8	55.9	133.7	94.9	1 039.4	1 005.4
- 115.8	- 112.9	- 12.9	- 12.7	- 147.3	- 147.1	- 352.9	- 349.3
- 40.9	- 38.9	- 8.2	- 7.1	- 67.6	- 63.0	- 163.7	- 155.8
- 9.9	- 13.4	- 2.8	- 2.5	- 41.0	- 41.3	- 69.6	- 72.0
- 56.6	- 55.9	- 3.3	- 3.8	165.9	160.8	0	0.0
- 0.7	- 0.2	- 0.5	- 0.5	1.1	7.6	- 5.4	0.6
167.8	180.5	30.1	29.3	44.7	11.9	447.7	428.8
0.0	0.4	0.0	0.0	1.2	12.0	1.2	12.4
- 23.3	- 25.9	- 4.1	- 4.0	- 4.9	- 4.0	- 60.6	- 62.5
144.5	155.0	26.0	25.2	41.0	20.0	388.3	378.7
370	357	95	69	1 536	1 518	3 635	3 553
39.1	43.4	27.4	36.4	0	0	10.7	10.7
56.6	54.1	47.0	46.7	0	0	56.6	56.7
549	545	49	50	800	792	1 943	1 933

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

	2018	2019	2020	2021	2022
Interest and discount income	573.1	570.3	511.2	480.5	524.5
Interest and dividend income from financial investments	31.0	27.9	22.6	18.0	21.4
Interest expense	-108.0	-101.4	-59.4	-26.0	-84.2
Net interest income before loan impairment charges/reversals	496.1	496.9	474.4	472.6	461.7
Loan impairment charges/reversals	-5.9	9.8	-15.1	-8.2	2.8
Net interest income after loan impairment charges/reversals (NII)	490.1	506.7	459.4	464.4	464.5
Fees and commissions on securities and investment transactions	250.2	259.4	266.6	312.1	291.6
Fees and commissions on lending operations	46.1	44.5	36.2	42.1	39.1
Fees and commissions on other services	72.6	73.6	63.0	67.8	73.1
Fee and commission expense	-51.7	-54.6	-55.5	-64.7	-60.4
Net fee and commission income	317.2	322.9	310.2	357.3	343.4
Trading income on fixed-income instruments and equity securities	18.1	22.8	21.6	38.2	27.5
Trading income on foreign currencies, banknotes, and precious metals	116.0	111.6	124.9	117.5	168.7
Trading fee and commission expense	-6.0	-6.3	-7.4	-12.5	-7.5
Net trading income and fair-value adjustments	128.1	128.1	139.2	143.2	188.7
Gains/losses on disposals of financial investments	2.1	0.5	2.0	4.3	10.1
Income from equity investments	11.9	13.7	6.5	5.5	5.5
<i>of which other non-consolidated holdings</i>	11.9	13.7	6.5	5.5	5.5
Real-estate income	7.5	7.5	7.1	7.0	6.6
Miscellaneous ordinary income	20.0	22.9	21.2	24.3	22.9
Miscellaneous ordinary expenses	-0.3	-0.3	-0.4	-0.6	-2.3
Other ordinary income	41.1	44.3	36.4	40.5	42.8
Total income from ordinary banking operations	976.5	1 002.0	945.2	1 005.4	1 039.4
Personnel costs	-332.7	-339.3	-339.2	-349.3	-352.9
Other operating expenses	-167.5	-165.2	-156.2	-155.8	-163.7
Operating expenses	-500.2	-504.5	-495.4	-505.2	-516.7
Depreciation and amortization of fixed assets and impairment on equity investments	-68.8	-71.3	-72.1	-72.0	-69.6
Other provisions and losses	-4.7	-7.2	-5.0	0.6	-5.4
Operating profit	402.9	418.9	372.7	428.8	447.7
Extraordinary income	34.9	0.7	4.8	12.6	1.2
Extraordinary expenses	-0.0	-0.2	-0.1	-0.2	-0.0
Change in reserves for general banking risks	0.0	0.0	0.0	0.0	0.0
Taxes	-88.1	-56.6	-46.7	-62.5	-60.6
Net profit	349.7	362.9	330.8	378.7	388.3
Minority interests	-0.0	-0.0	-0.0	-0.0	-0.0
Net profit attributable to BCV Group shareholders	349.7	362.9	330.8	378.7	388.3

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

	31 / 12 / 18	31 / 12 / 19	31 / 12 / 20	31 / 12 / 21	31 / 12 / 22
Cash and cash equivalents	8 235	8 384	11 550	12 600	12 916
Due from banks	1 921	1 186	1 347	952	1 187
Reverse repurchase agreements	314	239	236	158	79
Loans and advances to customers	5 677	5 752	5 812	6 209	6 201
Mortgage loans	26 079	27 016	28 037	29 373	30 425
Trading portfolio assets	334	277	312	200	206
Positive mark-to-market values of derivative financial instruments	268	273	321	368	1 160
Other financial assets at fair value	621	784	886	1 212	897
Financial investments	3 767	3 811	4 084	4 287	5 757
Accrued income and prepaid expenses	80	85	87	67	70
Non-consolidated holdings	70	69	69	86	87
Tangible fixed assets	445	433	412	393	376
Intangible assets	9	5	2	0	0
Other assets	42	36	31	46	37
Assets	47 863	48 352	53 186	55 952	59 397
Due to banks	2 655	1 703	2 948	3 378	5 975
Repurchase agreements	1 809	1 502	2 781	1 458	1 008
Customer deposits	31 375	33 048	35 424	38 195	38 395
Trading portfolio liabilities	0	2	1	2	3
Negative mark-to-market values of derivative financial instruments	236	213	329	273	450
Other financial liabilities at fair value	766	918	969	1 340	1 006
Medium-term notes	7	3	2	2	0
Bonds and mortgage-backed bonds	7 244	7 094	6 911	7 313	7 942
Accrued expenses and deferred income	156	154	145	139	154
Other liabilities	77	114	75	183	725
Provisions	15	16	27	24	27
Liabilities	44 341	44 766	49 612	52 308	55 683
Reserves for general banking risks	701	701	666	666	666
Share capital	86	86	86	86	86
Capital reserve	35	35	36	36	35
Retained earnings	2 371	2 419	2 472	2 493	2 554
Currency translation reserve	- 1	- 2	- 2	- 2	- 2
Own shares	- 20	- 18	- 15	- 15	- 14
Minority interests in equity	0	0	0	0	0
Net profit	350	363	331	379	388
Shareholders' equity	3 522	3 586	3 574	3 644	3 713
Total liabilities and shareholders' equity	47 863	48 352	53 186	55 952	59 397



Statutory Auditor's Report

To the General Meeting of Banque Cantonale Vaudoise, Lausanne

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Banque Cantonale Vaudoise and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2022, and the consolidated statement of income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 119 to 160) give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with the accounting rules for banks, securities firms, financial groups and conglomerates and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the provisions of Swiss law, together with the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters



Methods regarding identification and valuation of the value adjustments related to amounts due from customers and mortgage loans which are impaired or presenting increased risks

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Methods regarding identification and valuation of the value adjustments related to amounts due from customers and mortgage loans which are impaired or presenting increased risks

Key Audit Matter

Mortgages and loans are one of the Group's main activities and represent approximately two thirds of its consolidated balance sheet as at 31 December 2022. The valuation of a counterparty's default risk relies largely on the use of rating methods developed by the bank. The valuation of the loans which are impaired or presenting increased risks relies on an analysis method that takes into account various elements such as market factors, the client's estimated willingness to repay and financial capacity or the estimation of the collateral's value.

The identification of risks and the valuation of the related loan impairment charges thus rely on models and analyses that imply an element of judgement by the Board of Directors and Management. Exposures that create greater uncertainty are typically those that result from unsecured loans or those that are subject to a collateral's loss of value.

Our response

Our procedures consisted in particular in assessing and testing the key controls related to the granting, recording and monitoring of mortgages and loans as well as the methodology used for the identification of default risk and the valuation of the loan impairment charges.

For a sample of non-impaired exposures which do not present increased risks, we assessed the debtors' capacity to fulfil their obligations. We compared our findings with the assessment of the default risk performed by the bank using its counterparty rating process.

Regarding receivables that are considered as impaired or as presenting increased risks, our procedures consisted, among others, of assessing the evolution of the relation between the loan impairment and the concerned receivables as a whole. For a sample of individual receivables that are considered impaired or presenting increased risks, we assessed the debtors' financial standing as well as the valuation of collaterals and we compared our findings with the assumptions and factors taken into account by the bank when calculating the required loan impairment charges.

For further information on methods regarding identification and valuation of the value adjustments related to amounts due from customers and mortgage loans which are impaired or presenting increased risks, refer to the following notes to the consolidated financial statements of Banque Cantonale Vaudoise as at 31 December 2022:

- Note 7.2 "Credit risk" (p. 131 to 133 of the Annual Report)
- Note 10.2 "Risk mitigants for loans and off-balance-sheet transactions, impaired loans" (p. 137 of the Annual Report)



Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the company and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' Responsibilities for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with the accounting rules for banks, securities firms, financial groups and conglomerates and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions



are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and PS-CH 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.

KPMG SA

Olivier Gauderon

Licensed Audit Expert
Auditor in Charge

Philippe Ruedin

Licensed Audit Expert

Geneva, 28 March 2023

KPMG SA, Esplanade de Pont-Rouge 6, CH-1211 Geneva 26

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Financial Statements

Parent Company Financial Statements

1. Balance sheet (in CHF millions)

	Notes	31 / 12 / 22	31 / 12 / 21	Change absolute	Change as %
Cash and cash equivalents		12 631	12 229	401	3
Due from banks		1 329	944	385	41
Reverse repurchase agreements	5.1	79	158	- 79	- 50
Loans and advances to customers	5.2	5 932	5 977	- 45	- 1
Mortgage loans	5.2	29 773	28 769	1 005	3
Trading portfolio assets	5.3	206	200	5	3
Positive mark-to-market values of derivative financial instruments	5.4	1 158	368	789	214
Other financial assets at fair value	5.3	897	1 212	- 315	- 26
Financial investments	5.5	5 732	4 263	1 469	34
Accrued income and prepaid expenses		69	67	2	3
Holdings		194	194	0	0
Tangible fixed assets		353	370	- 17	- 4
Other assets	5.6	29	38	- 8	- 23
Assets	5.18	58 383	54 789	3 593	7
Total subordinated assets		0	0	0	0
<i>off which subject to mandatory conversion and/or conditional write-off</i>		0	0	0	0
Due to banks		5 984	3 449	2 534	73
Repurchase agreements	5.1	1 008	1 458	- 450	- 31
Customer deposits		37 412	37 001	410	1
Trading portfolio liabilities	5.3	3	2	1	81
Negative mark-to-market values of derivative financial instruments	5.4	458	268	190	71
Other financial liabilities at fair value	5.3/5.10	1 006	1 340	- 335	- 25
Medium-term notes		0	2	- 2	- 100
Bonds and mortgage-backed bonds		7 942	7 313	629	9
Accrued expenses and deferred income		139	125	14	11
Other liabilities	5.6	710	179	531	297
Provisions	5.11	24	21	3	13
Liabilities		54 684	51 159	3 526	7
Reserves for general banking risks	5.11	666	666	0	0
Share capital	5.12/5.15/5.16	86	86	0	0
Regulatory capital reserve		7	7	0	0
<i>of which tax-exempt paid-in capital</i>		7	7	0	0
Regulatory retained earnings		86	87	- 1	- 1
Optional retained earnings		2 481	2 425	56	2
Own shares		- 14	- 15	1	- 6
Profit for the year		386	375	11	3
Shareholders' equity		3 698	3 631	67	2
Total liabilities and shareholders' equity		58 383	54 789	3 593	7
Total subordinated liabilities		0	0	0	0
<i>of which subject to mandatory conversion and/or conditional write-off</i>		0	0	0	0

Off-balance-sheet transactions (in CHF millions)	Notes	31 / 12 / 22	31 / 12 / 21	Change absolute	Change as %
Contingent liabilities	5.2	1 120	1 592	- 472	- 30
Irrevocable commitments	5.2	1 491	1 466	25	2
Commitments relating to calls on shares and other equity securities	5.2	243	243	0	0
Confirmed credits	5.2	37	39	- 2	- 5

2. Income statement (in CHF millions)

	Notes	2022	2021	Change absolute	Change as %
Interest and discount income		514.2	471.2	43.0	9
Interest and dividend income from financial investments		21.2	17.9	3.4	19
Interest expense		-83.1	-24.1	59.0	244
Net interest income before loan impairment charges/reversals		452.3	464.9	-12.6	-3
Loan impairment charges/reversals	7.1	2.8	-8.2	-11.0	-135
Net interest income after loan impairment charges/reversal (NII)		455.1	456.7	-1.6	-0
Fees and commissions on securities and investment transactions		192.2	209.1	-16.8	-8
Fees and commissions on lending operations		39.1	42.1	-3.0	-7
Fees and commissions on other services		69.6	64.4	5.2	8
Fee and commission expense		-20.9	-24.0	-3.1	-13
Net fee and commission income		280.1	291.5	-11.4	-4
Trading income on fixed-income instruments and equity securities		27.5	38.2	-10.7	-28
Trading income on foreign currencies, banknotes, and precious metals		157.2	108.1	49.1	45
Trading fee and commission expense		-8.4	-13.8	-5.4	-39
Net trading income and fair-value adjustments	7.2	176.3	132.5	43.8	33
Gains/losses on disposals of financial investments		9.9	4.2	5.7	137
Income from equity investments		20.3	19.2	1.1	6
Real-estate income		6.4	6.7	-0.3	-4
Miscellaneous ordinary income		23.4	24.8	-1.4	-6
Miscellaneous ordinary expenses		-2.0	-0.6	1.4	227
Other ordinary income		58.0	54.3	3.8	7
Total income from ordinary banking operations		969.6	935.1	34.5	4
Personnel costs	7.3	-308.4	-307.9	0.5	0
Other operating expenses	7.4	-147.0	-140.0	7.0	5
Operating expenses		-455.4	-447.8	7.5	2
Depreciation and amortization of fixed assets and impairment on equity investments		-66.4	-66.4	0.0	0
Other provisions and losses	7.5	-5.0	0.6	5.6	973
Operating profit		442.8	421.4	21.4	5
Extraordinary income	7.6	1.1	12.0	-10.9	-91
Extraordinary expenses	7.7	0	-0.0	-0.0	-100
Taxes	7.8	-57.7	-58.5	-0.8	-1
Profit for the year		386.2	374.9	11.3	3
Appropriations	8				
Profit for the year		386.2	374.9		
Profit shown on the balance sheet		386.2	374.9		
Appropriation of profit					
- Allocation to optional retained earnings		59.2	56.5		
- Allocation to regulatory retained earnings		0.0	0.0		
- Distribution from distributable profit		327.0	318.4		

3. Statement of changes in equity (in CHF millions)

	Share capital	Capital reserve	Regulatory retained earnings	Reserves for general banking risks	Optional retained earnings	Own shares	Profit/loss for the year	Total equity
Status at 1 January 2020	86	7	87	701	2 337	- 18	372	3 572
Allocation to other reserves					62		- 62	0
2019 dividend							- 310	- 310
Purchases of own shares						- 18		- 18
Disposals of own shares						20		20
Gain on disposals of own shares and dividends			0					0
Provisions for inherent credit risk				- 35				- 35
Profit/loss for the year							335	335
Status at 31 December 2020	86	7	87	666	2 399	- 15	335	3 565
Allocation to other reserves					25		- 25	0
2020 dividend							- 310	- 310
Purchases of own shares						- 23		- 23
Disposals of own shares						23		23
Gain on disposals of own shares and dividends			0					0
Profit/loss for the year							375	375
Status at 31 December 2021	86	7	87	666	2 425	- 15	375	3 631
Allocation to other reserves					56		- 56	0
2021 dividend							- 318	- 318
Purchases of own shares						- 23		- 23
Disposals of own shares						24		24
Gain on disposals of own shares and dividends			- 1					- 1
Profit/loss for the year							386	386
Status at 31 December 2022	86	7	86	666	2 481	- 14	386	3 698

4. Parent company name and accounting principles

4.1 Company name, legal status, and head office

Banque Cantonale Vaudoise (BCV) was founded on 19 December 1845 by the Vaud Cantonal Parliament as a *société anonyme de droit public* (i.e., a corporation organized under public law). Its legal status is defined in the Cantonal Act Governing the Organization of Banque Cantonale Vaudoise (LBCV) of 20 June 1995, and its head office is in Lausanne.

4.2 Accounting principles for the parent company financial statements

BCV's financial statements have been prepared in accordance with the Swiss Federal Act of 8 November 1934 on Banks and Savings Institutions, the corresponding Ordinance of 30 April 2014, the FINMA Accounting Ordinance (FINMA-AO) of 31 October 2019, and the Swiss accounting rules for banks, securities firms, financial groups, and financial conglomerates of 31 October 2019 (FINMA Circular 2020/1). The financial statements give a true and fair view of the Bank's financial position that would enable a third party to form an accurate opinion of the Bank's financial situation.

4.3 Accounting and valuation principles

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

4.3.1 Holdings

This line item comprises shares and other equity securities held as long-term investments. They are carried at cost less any impairment.

4.3.2 Own shares

Dividend payments on own shares and gains and losses on own-share disposals are allocated directly to regulatory retained earnings, while for the consolidated financial statements they are allocated to the capital reserve.

4.4 Changes to accounting principles

No changes were made to the accounting principles in 2022.

4.5 Risk-assessment and risk-management principles

Risk-assessment and risk-management principles for the parent company are the same as those for the Group; they are detailed in note 7 to the consolidated financial statements.

4.6 Use of hedge accounting

Information on the use of hedge accounting by the parent company is the same as for the Group; it is provided in note 8 to the consolidated financial statements.

4.7 Events taking place after the closing date

No event liable to have a material influence on the parent company's financial statements took place after the closing date.

5. Notes to the balance sheet

5.1 Repurchase and reverse repurchase agreements (in CHF millions)

	31 / 12 / 22	31 / 12 / 21
Book value of claims arising from cash collateral pledged in connection with securities borrowing or reverse repurchase agreements ¹	79	158
Book value of liabilities arising from cash collateral received in connection with securities lending or repurchase agreements ¹	1 008	1 458
Book value of securities held for own account, lent or transferred as collateral in connection with securities borrowing or repurchase agreements	1 038	1 442
<i>of which those that can be sold or repledged without restriction</i>	1 038	1 442
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	85	171
<i>of which securities repledged as collateral</i>	0	0
<i>of which sold securities</i>	0	0

¹ Before netting agreements

5.2 Risk mitigants for loans and off-balance-sheet transactions

Impaired loans (in CHF millions)

		Type of risk mitigant			Total
		Mortgage	Other	Unsecured	
Loans and advances to customers		586	2 289	3 132	6 007
Mortgages		29 784			29 784
<i>Residential real estate</i>		23 721			23 721
<i>Office and business premises</i>		1 268			1 268
<i>Commercial and industrial property</i>		861			861
<i>Other</i>		3 934			3 934
Loans (before impairment charges/reversals)	31 / 12 / 22	30 370	2 289	3 132	35 791
	31 / 12 / 21	29 368	2 337	3 129	34 834
Loans (after impairment charges/reversals)	31 / 12 / 22	30 359	2 289	3 057	35 705
	31 / 12 / 21	29 355	2 337	3 053	34 745
Contingent liabilities		9	307	803	1 120
Irrevocable commitments		336	16	1 139	1 491
Commitments relating to calls on shares and other equity securities				243	243
Confirmed credits				37	37
Off-balance-sheet transactions	31 / 12 / 22	345	324	2 221	2 890
	31 / 12 / 21	456	390	2 493	3 339

		Gross receivables	Realization value of risk mitigants	Net receivables	Individual impairment charge/reversal
Impaired loans and off-balance-sheet commitments	31 / 12 / 22	124	- 45	79	74
	31 / 12 / 21	126	- 48	78	72
Change (absolute)		- 3	- 4	1	2
Change (as %)		- 2	- 7	1	3

5.3 Trading portfolio assets and liabilities

Other financial assets and liabilities at fair value (in CHF millions)

Assets	31 / 12 / 22	31 / 12 / 21
Debt securities	0	0
<i>of which listed on a recognized stock exchange</i>	0	0
Equity securities	7	4
Commodities and precious metals	198	196
Trading portfolio assets	206	200
Debt securities	4	48
Structured products	0	0
Other	893	1164
Other financial assets at fair value	897	1212
Total	1 103	1 412
<i>of which determined using a valuation model</i>	0	0
<i>of which securities eligible for repurchase agreements in accordance with liquidity regulations</i>	0	0

Liabilities	31 / 12 / 22	31 / 12 / 21
Debt securities	0	0
<i>of which listed on a recognized stock exchange</i>	0	0
Equity securities	3	2
Other trading portfolio liabilities	0	0
Trading portfolio liabilities	3	2
Debt securities	0	0
Structured products	1006	1340
Other financial liabilities at fair value	1006	1340
Total	1008	1342
<i>of which determined using a valuation model</i>	22	55

5.4 Derivative financial instruments (in CHF millions)

	Trading instruments			Hedging instruments			
	Positive mark-to-market value	Negative mark-to-market value	Value of underlying asset	Positive mark-to-market value	Negative mark-to-market value	Value of underlying asset	
Swaps	3	3	185	740	51	8975	
Futures			14				
Options (OTC)	1	1	58				
Interest-rate instruments	4	3	256	740	51	8975	
Forward contracts and swaps	1 170	1 167	66 009				
Options (OTC)	35	33	2 434				
Foreign currencies and precious metals	1 205	1 200	68 443	0	0	0	
Futures			3				
Options (OTC)	74	68	405				
Options (exchange traded)							
Equity securities / indices	74	68	409	0	0	0	
Total	31 / 12 / 22	1 283	1 272	69 108	740	51	8 975
<i>of which determined using a valuation model</i>		110	102	–	–	–	–
	31 / 12 / 21	519	567	50 047	215	66	16 878
<i>of which determined using a valuation model</i>		64	61	–	–	–	–

		Positive mark-to-market value	Negative mark-to-market value	Value of underlying asset
Breakdown				
Trading instruments		1 283	1 272	69 108
Hedging instruments		740	51	8 975
Total before netting agreements	31 / 12 / 22	2 023	1 323	78 083
	31 / 12 / 21	734	633	66 925
Total after netting agreements	31 / 12 / 22	1 158	458	78 083
	31 / 12 / 21	368	268	66 925
Change	absolute	789	190	11 158
	as %	214	71	17

Breakdown by counterparty

	Central clearing houses	Banks and securities dealers	Other clients
Positive mark-to-market value (after netting agreements)	726	329	103

5.5 Financial investments (in CHF millions)

	31 / 12 / 22		31 / 12 / 21	
	Book value	Fair value	Book value	Fair value
Debt securities	5 674	5 296	4 170	4 203
of which securities intended to be held until maturity	5 674	5 296	4 170	4 203
of which securities available for sale	0	0	0	0
Equity securities	23	69	25	79
of which significant holdings (minimum of 10% of capital or voting rights)	4	4	4	4
Available-for-sale real estate and goods acquired in connection with lending operations	35	37	69	72
Financial investments	5 732	5 402	4 263	4 354
including securities eligible for repurchase agreements in accordance with liquidity regulations	5 674	–	4 170	–

Counterparty breakdown by rating

	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Below B-	Not rated	Total
Book value of debt securities	4 817					857	5 674

The rating categories are based on Standard & Poor's ratings; they are used for the specific instruments to which the Bank has subscribed. If an instrument is not rated by Standard & Poor's, then a rating from another agency is used. Where there is no specific rating for a given instrument, the issuer's long-term rating is used, with the same order of rating agencies.

The Bank's unrated positions consist primarily of short-term debt issued by the Swiss National Bank and, to a lesser extent, high-quality debt securities issued by unrated Swiss counterparties.

5.6 Other assets and liabilities (in CHF millions)

	31 / 12 / 22		31 / 12 / 21	
	Other assets	Other liabilities	Other assets	Other liabilities
Offset accounts	0	678	0	148
Indirect taxes	16	11	33	6
Coupons/coupons and securities due	0	0	0	0
Settlement accounts	11	6	2	18
Miscellaneous assets and liabilities	3	15	3	6
Other assets and liabilities	29	710	38	179

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

	31 / 12 / 22		31 / 12 / 21	
	Amount or book value of pledge	Real liability	Amount or book value of pledge	Real liability
Assets pledged or assigned to Swiss National Bank	184		164	
Mortgages pledged or assigned to Central mortgage-bond Institution of Swiss Cantonal Banks	7 883	6 106	8 079	5 445
Other	1 194	1 194	433	433
Total assets pledged or assigned	9 261	7 300	8 676	5 878
Assets with reservation of title	0	0	0	0

5.8 Commitments relating to own occupational pension funds

BCV shares held by own occupational pension funds (in CHF millions)

	31 / 12 / 22	31 / 12 / 21
Customer deposits	212	241

BCV's own occupational pension funds held no BCV shares at 31 December 2022.

5.9 Economic situation of own occupational pension funds (in CHF millions)

There were no employer contribution reserves at end-2022 or end-2021.

Economic benefit/liability and pension expenses	Surplus / deficit	Economic benefit/liability			Contributions adjusted for the period	Pension expenses included in "Personnel costs"	
		31 / 12 / 22	31 / 12 / 21	Change		2022	2021
Employer-financed pension funds:							
"Fonds de prévoyance en faveur du personnel de la BCV"	50.9	0	0	0	0.0	0.0	0.0
Pension funds with no surplus or deficit: "Caisse de pensions de la BCV"		0	0	0	32.7	32.7	32.7
Pension funds with surpluses:							
"Fondation de prévoyance complémentaire en faveur de l'encadrement supérieur de la BCV"	0.4	0	0	0	1.3	1.3	1.2
Total¹	51.3	0	0	0	34.0	34.0	34.0

¹ 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 2022.

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.

5.10 Issued structured products (in CHF millions)

Underlying risk of embedded derivative	Carrying value				Total	
	Single treatment		Separate treatment			
	Recognized in trading portfolio liabilities	Recognized in other financial liabilities at fair value	Value of the host instrument	Value of the derivative		
Interest-rate instruments	–	0			0	
Equity securities	–	983	731	– 68	1647	
Foreign currencies	–	17			17	
Commodities and precious metals	–	5			5	
Total	31 / 12 / 22	–	1006	731	– 68	1669
	31 / 12 / 21	–	1340	764	– 25	2079

All structured products issued by the Bank have a debenture component.

Single accounting treatment

Structured products issued by the Bank and carried at fair value are booked under “Other financial liabilities at fair value,” with reference to a quoted market price or a valuation model. Subsequent revaluations are recognized under “Net trading income and fair-value adjustments.”

Separate accounting treatment

Structured products whose host instrument and embedded derivatives are treated separately are recognized as follows: the host instrument is recorded under “Bonds” at nominal value as a debt issued by the Bank, and the embedded derivatives are carried as either positive or negative mark-to-market values. Any subsequent changes in fair value are recognized under “Net trading income and fair-value adjustments.”

Interest accrued in the interest-rate component is recorded under “Interest expense” using the accrual method.

5.11 Provisions

Reserves for general banking risks (in CHF millions)

	Status at year-end	Used as allocated	Changes in scope of con- solidation	Currency translation differences	Recoveries, overdue interest	New provisions charged to income statement	Releases credited to income statement	Status at year-end
	2021							2022
Provisions for credit risk	19				0	5	-6	18
<i>of which provisions under Art. 28.1 FINMA-AO</i>	9				0	1	-1	9
<i>of which provisions for inherent credit risk</i>	11				0	4	-5	9
<i>of which provisions for latent credit risk</i>	0							0
Other provisions	2	-1			0	6	-1	6
Total provisions	21	-1	0	0	0	11	-8	24
Reserves for general banking risks¹	666							666
Provisions for credit risk and country risk	91	-8			6	18	-21	87
<i>of which provisions for impaired loans</i>	63	-5			6	9	-8	65
<i>of which provisions for inherent credit risk</i>	29	-3			0	9	-12	22
<i>of which provisions for latent risks</i>	0							0

¹ Reserves for general banking risks are taxable.

5.12 Share capital (in CHF millions)

		2022		2021	
	Par value	Number of shares (in units)	Total par value	Number of shares (in units)	Total par value
Share capital					
Registered share, fully paid-in	CHF 1.00			CHF 1.00	
Status at 1 January		86 061 900	86	86 061 900	86
No movement		0	0	0	0
Status at 31 December		86 061 900	86	86 061 900	86
<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.

5.13 Stock options and shares granted to members of the Board of Directors, Executive Board members, and other employees Employee share-ownership plans

	2022		2021	
	Shares (in units)	Value (in CHF)	Shares (in units)	Value (in CHF)
Members of the Board of Directors	0	0	0	0
Executive Board members	31 289	2 188 511	32 985	2 120 233
Other employees	258 931	10 623 443	247 284	10 378 133
Total	290 220	12 811 954	280 269	12 498 366

No stock options have been granted to members of the Board of Directors, Executive Board members, or other employees.

Employee share ownership

Annual performance-based compensation

For Executive Board members and department heads, 30% of their annual performance-based compensation must be taken in BCV shares with a lock-up period of five to ten years.

Other employees receiving annual performance-based compensation of CHF 21,000 or more may opt for full payment in cash, or 70% in cash and 30% in BCV shares with a lock-up period of three years. In the latter case, BCV increases the portion of shares by 30%.

Executive Board members are allocated shares subject to approval at the Shareholders' Meeting. The number of shares allocated will be calculated based on the closing market price on 15 May 2023, rounded up to the nearest whole number.

Other employees will receive their shares at the end of April 2023. The number of shares allocated will be calculated based on the closing market price on 16 March 2023, rounded up to the nearest whole number. These employees have until 29 March 2023 to decide on the proportion they wish to receive in the form of shares. As their decision was not known at the time this report was published, the number of shares taken into account in the above table corresponds to the maximum possible number of shares.

The market prices used to calculate the number of shares will be those on 16 March 2023 and 15 May 2023, so they were not known at the time of writing. As a result, the maximum possible number of shares was calculated based on the closing market price on 9 March 2023, the date of the Board of Directors' final decision on this compensation.

Share-ownership plan

The Executive Board and other BCV employees were given the opportunity to subscribe to the share-ownership plan in April 2022 on the following terms:

- The number of shares that may be purchased is determined by the level of responsibility inherent in the employee's position.
- The subscription period ran from 16–29 March 2022.
- The subscription price was set at CHF 58 per share, and the market price used was CHF 73.40 (closing price on 15 March, the day before the subscription period started).

The amounts (number of shares and value) shown in the table above correspond to the number of shares subscribed multiplied by CHF 15.40, which is the difference between the market price of CHF 73.40 and the subscription price of CHF 58.

Long-term performance-based compensation

At the beginning of each three-year share-ownership plan, participants are informed of the number of shares that will be allocated if all objectives are met in full. At the end of each plan, the Bank informs participants of the extent to which objectives have been met based on the Bank's financial results and strategic and qualitative performance. The number of shares initially allocated is multiplied by the level of attainment of the objectives in order to determine the number of shares allocated to each participant. The amounts taken into account in the table on the

previous page correspond to the expense recorded in 2022 for the various plans in progress.

Free shares

The Bank awards 20 BCV shares to apprentices, high school graduate trainees, and university interns who join the Bank after their training.

The number allocated and their value, based on the market price on the last business day of the month before the shares are awarded, are also shown in the table.

5.14 Receivables and commitments with respect to related parties (in CHF millions)

	31 / 12 / 22		31 / 12 / 21	
	Receivable	Commitment	Receivable	Commitment
Significant shareholder	0	3 868	5	3 971
Group companies	156	54	7	91
Affiliated companies	215	376	204	294
Governing bodies	36	10	34	8

Corporations organized under public law in Vaud Canton and public-private entities in which Vaud Canton has a qualified holding are considered affiliated companies.

Transactions with members of the Board of Directors were conducted on market terms. Receivables and commitments with respect to Executive Board members were granted on the standard terms for BCV employees. Transactions with related parties were conducted on market terms.

5.15 Significant shareholder (in CHF millions)

	31 / 12 / 22			31 / 12 / 21		
	Number of shares (in units)	Total par value	Stake	Number of shares (in units)	Total par value	Stake
Voting rights						
Vaud Canton, direct interest	57 622 520	57.6	66.95%	57 622 520	57.6	66.95%

5.16 Own shares and breakdown of share capital

Number of shares (in units)	Average transaction price	Total	Own shares
Status at 31 December 2021		86 061 900	192 362
<i>of which shares reserved for long-term performance-based compensation</i>			105 850
Purchases	80		299 213
Sales	79		– 312 349
Status at 31 December 2022		86 061 900	179 226
<i>of which shares reserved for long-term performance-based compensation</i>			108 219

The breakdown of share capital is provided in note 5.12, page 183.

Own shares were traded at market prices. The proceeds of the sale of own shares were allocated directly to the capital reserve.

Non-distributable reserves

If the combined total of regulatory retained earnings and the regulatory capital reserve does not exceed half the amount of the Bank's share capital (i.e., CHF 43m), these line items can be used only to cover losses or for measures designed to sustain the company in the event of an operating loss. There are no regulatory restrictions on how optional reserves can be used.

The Bank must set part of its reserves aside in order to meet regulatory capital requirements.

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

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

Compensation breakdown (see pages 188–189)

Members of the Board of Directors

For 2022, the seven members of the Board of Directors in office at 31 December 2022 were accorded total compensation of CHF 1,400,000. Benefit expense resulting from compensation to the Board of Directors totaled CHF 134,874 (social security, unemployment insurance, accident insurance, and family allowances). The Bank does not make any occupational-pension contributions on behalf of the seven members of the Board. By law and in accordance with pension-fund regulations, members of the Board of Directors who are not receiving retirement benefits must join the "Caisse de pensions de la Banque Cantonale Vaudoise" and pay all of their occupational-pension contributions themselves.

Compensation comprises fees, remuneration, and expenses.

The Vice Chair receives additional fixed compensation of CHF 20,000. For the members of the Board committees – the Audit and Risk Committee and the Compensation, Promotions and Appointments Committee – annual compensation was set as follows: CHF 40,000 for the chair and CHF 20,000 for the other members of the Audit and Risk Committee; and CHF 20,000 for the chair and CHF 10,000 for the other members of the Compensation, Promotions and Appointments Committee.

The average compensation of Board members, excluding the Chair, amounted to CHF 128,333.

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 2022, the nine members of the Executive Board in office in 2022 were accorded total compensation of CHF 8,377,266. This includes annual performance-based compensation for an aggregate amount of CHF 3,920,000. There were eight Executive Board members until 31 October 2022 and nine Executive Board members from 1 November to 31 December 2022 due to the leadership transition in the Private Banking Division.

This compensation will be submitted to shareholders for approval at the Shareholders' Meeting on 4 May 2023. If approved, this amount will be paid in May 2023 in two parts: CHF 2,744,000 in cash and the remaining CHF 1,176,000 in the form of shares locked up for between five and ten years. Benefit expense resulting from compensation to the Executive Board totaled CHF 1,317,320 for occupational pensions and CHF 721,142 for other benefits (social security, unemployment insurance, accident insurance, income replacement, and family allowances), subject to approval of the proposed annual performance-based compensation at the Shareholders' Meeting.

Allocation of shares during 2022

Members of the Board of Directors

Since 2018, the members of the Board of Directors receive their compensation entirely in cash.

Members of the Executive Board

For 2022, Executive Board members in office at 31 December 2022 will receive a number of locked-up BCV shares equivalent to 30% of their annual performance-based compensation. The number of locked-up shares will be determined in accordance with the closing share price on 15 May 2023. They also subscribed to 6,500 locked-up shares under the employee share-ownership program.

Other fees and compensation

Members of the Board of Directors and Executive Board received no fees or other compensation from BCV that are not included in the above compensation. Moreover, all fees and other amounts received by Executive Board members representing BCV on the boards of directors of other companies are remitted to the Bank. In 2022, such payments to the Bank amounted to CHF 330,522.

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 2022. In 2022, the interest charged on short-term mortgage loans and on medium- and long-term fixed-rate loans was between 0.15 and 0.46 percentage points above market rates, depending on the term of the loan.

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 1,000 BCV shares, which must be acquired before the end of their first term. At 31 December 2022, directors and their close relations held a total of 45,012 BCV shares.

Members of the Executive Board

At 31 December 2022, Executive Board members and their close relations held 148,198 BCV shares.

Compensation of members of the Board of Directors for the 2022 financial year (in CHF)

	Efychia Fischer	Jean-François Schwarz	Jack Clemons	Ingrid Deltenre	Fabienne Freymond Cantone	Peter Ochsner	Pierre-Alain Urech	Total	Average compensation Excluding Chair
	Chair	Vice Chair	Member	Member	Member	Member	Member starting 1 January		
Fees	600 000	115 000	95 000	95 000	95 000	95 000	95 000	1 190 000	98 333
Committee-related compensation	0	20 000	20 000	20 000	10 000	40 000	10 000	120 000	20 000
Other	30 000	10 000	10 000	10 000	10 000	10 000	10 000	90 000	10 000
Total	630 000	145 000	125 000	125 000	115 000	145 000	115 000	1 400 000	128 333
Other benefits ¹	42 779	16 739	15 601	16 595	13 932	16 738	12 490	134 874	15 349

¹ Social security, unemployment insurance, accident insurance, and family allowances. The Bank does not make any occupational-pension contributions on behalf of the seven members of the Board. By law and in accordance with pension-fund regulations, members of the Board of Directors who do not receive retirement benefits must join the “Caisse de pensions de la Banque Cantonale Vaudoise” and pay all of their occupational-pension contributions themselves.

Compensation of members of the Board of Directors for the 2021 financial year (in CHF)

	Jacques de Watteville	Jean-François Schwarz	Jack Clemons	Ingrid Deltenre	Efychia Fischer	Fabienne Freymond Cantone	Peter Ochsner	Total	Average compensation Excluding Chair
	Chair	Vice Chair	Member	Member	Member	Member	Member		
Fees	600 000	115 000	95 000	95 000	95 000	95 000	95 000	1 190 000	98 333
Committee-related compensation	0	10 000	20 000	20 000	20 000	10 000	40 000	120 000	20 000
Other	30 000	10 000	10 000	10 000	10 000	10 000	10 000	90 000	10 000
Total	630 000	135 000	125 000	125 000	125 000	115 000	145 000	1 400 000	128 333
Other benefits ¹	49 356	15 322	15 601	16 595	15 601	14 387	18 183	145 045	15 948

¹ Social security, unemployment insurance, accident insurance, and family allowances. The Bank does not make any occupational-pension contributions on behalf of the seven members of the Board. By law and in accordance with pension-fund regulations, members of the Board of Directors who do not receive retirement benefits must join the “Caisse de pensions de la Banque Cantonale Vaudoise” and pay all of their occupational-pension contributions themselves.

Compensation of members of the Executive Board for the 2022 financial year (in CHF)

	Total ¹		Pascal Kiener CEO	
	Shares (in units)		Shares (in units)	
Fixed salary		4 751 736		960 000
Annual performance-based compensation paid in cash ²		2 744 000		448 000
Annual performance-based compensation paid in shares ^{2,3}		834 747		107 211
Shares acquired under employee share-ownership program ⁴	6 500	23 583	1 000	3 628
Stock options (BCV has no employee stock-option plan)	0		0	
Other		23 200		6 000
Total		8 377 266		1 524 839
<i>Previous year</i>		<i>8 010 100</i>		<i>1 513 216</i>
2020-2022 long-term performance-based compensation plan				
Shares allocated at CHF 83.90 per share ⁵	11 960	1 003 444	1 850	155 215
<i>Previous year</i>	<i>14 030</i>	<i>1 038 220</i>	<i>1 880</i>	<i>139 120</i>
Total		9 380 710		1 680 054
<i>Previous year</i>		<i>9 048 320</i>		<i>1 652 336</i>
Occupational pension		1 317 320		152 721
Other benefits ⁶		721 142		145 214
<i>Previous year</i>				
<i>Occupational pension</i>		<i>1 344 450</i>		<i>220 059</i>
<i>Other benefits⁶</i>		<i>818 674</i>		<i>147 304</i>

¹ Eight Executive Board members until 31 October 2022; nine Executive Board members from 1 November to 31 December 2022 owing to the leadership transition in the Private Banking Division

² Subject to approval at the 2023 Annual Shareholders' Meeting

³ The number of shares will be calculated based on the market price on 15 May 2023, and rounded up to the nearest unit. The value of the shares (in Swiss francs) is discounted according to the duration of the share lock-up period.

⁴ Difference between the subscription price (CHF 58) and the market price on 15 March 2022 (CHF 73.40) at its discounted value

⁵ Market price on 9 March 2023

⁶ 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 / 22 Drawn down
Board of Directors					
Eftychia Fischer	Chair	2 100 000	2 100 000		2 100 000
Jean-François Schwarz	Vice Chair	11 050 000	11 050 000		10 700 000
Jack Clemons	Member	365 000	365 000		365 000
Ingrid Deltenre	Member	0			
Fabienne Freymond Cantone	Member	0			
Peter Ochsner	Member	0			
Pierre-Alain Urech	Member	0			
Total		13 515 000	13 515 000	0	13 165 000
Previous year		13 915 000	13 915 000	0	13 565 000
Executive Board					
Total		26 657 000	26 552 000		23 694 000
Previous year		23 596 000	23 536 000	60 000	21 868 000
G�rard Haeberli ¹	Member	9 034 000	9 040 000	0	7 842 000

¹ Largest individual loan granted to an Executive Board member

No loans were granted to close relations (i.e., persons living under the same roof) of the members of the Board of Directors and Executive Board on terms not in keeping with market practice.

Loans to companies with links to members of governing bodies (in CHF)

No loans were granted to companies with links to members of governing bodies.

Share and option ownership

		31 / 12 / 22	31 / 12 / 21
		Shares (in units)	Shares (in units)
Board of Directors			
Efychia Fischer	Chair	1 060	1 060
Jean-François Schwarz	Vice Chair	36 910	36 910
Jack Clemons	Member	1 000	1 000
Ingrid Deltenre	Member	1 740	1 740
Fabienne Freymond Cantone	Member	1 002	1 002
Peter Ochsner	Member	3 000	3 000
Pierre-Alain Urech ¹	Member	300	
Total		45 012	44 712

¹ Joined BCV on 1 January 2022

Executive Board

Pascal Kiener	CEO	21 937	41 177
Andreas Diemant	Corporate Banking	8 865	10 335
G�rard Haerberli	Private Banking	17 871	19 115
Christian Meixenberger	Business Support	13 752	10 503
Thomas W. Paulsen	CFO	9 281	10 441
Bertrand Sager	Credit Management	49 499	46 133
Jos� Fran�ois Sierdo	Retail Banking	14 663	27 901
Christian Steinmann ¹	Private Banking	0	
Fabrice Welsch	Asset Management & Trading	12 330	14 246
Total		148 198	179 851

¹ Joined BCV on 1 November 2022

5.17.2 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 2022 financial year

None.

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 in line with market practice for the banking industry.

Retired Executive Board members continue to receive preferential terms that are in line with market practice for the banking industry.

Jean-Fran ois Schwarz, a retired Executive Board member who receives a pension from the “Caisse de pensions de la Banque Cantonale Vaudoise,” joined the Board of Directors on 1 January 2019 and will continue to receive preferential terms, in line with market practice for the banking industry, on his fixed-term mortgage loans until they mature. He will receive no other preferential terms during his time in office, like the other members of the Board of Directors.

5.18 Breakdown of assets by solvency of the country group in which the risk is domiciled (in CHF millions)

Internal country rating	Standard & Poor's rating	31 / 12 / 22		31 / 12 / 21	
		Absolute value	as % of total	Absolute value	as % of total
1&2	AAA to AA-	3 703	91	3 081	86
3	A+ to A-	101	2	168	5
4	BBB+ to BBB-	49	1	64	2
5	BB+ to BB-	55	1	30	1
6	B+ to B-	118	3	204	6
7	CCC+ to C	17	0	10	0
Not rated	Not rated	19	0	31	1
Foreign exposure		4 062	100	3 587	100

6. Notes to off-balance-sheet transactions

6.1 Fiduciary transactions (in CHF millions)

	31 / 12 / 22	31 / 12 / 21	Change absolute	Change as %
Fiduciary investments with third parties	388	170	218	128

6.2 Assets under management

As BCV is not required to disclose these figures, they are provided voluntarily and only on a consolidated basis (see note 11.4 to the consolidated financial statements).

7. Notes to the income statement

7.1 Net interest income before loan impairment charges/reversals

Refinancing of trading positions and negative interest (in CHF millions)

	2022	2021	Change absolute	Change as %
Banks and reverse repurchase agreements	20.6	- 7.1	27.7	390
Customers	483.1	474.1	9.0	2
Interest and dividends on financial investments	21.2	17.9	3.4	19
Other interest income	10.5	4.2	6.3	151
Total interest income	535.4	489.1	46.4	9
Banks and repurchase agreements	33.6	- 4.3	37.9	872
Customers	- 5.8	- 41.0	35.2	86
Medium-term notes and bonds	55.9	54.7	1.2	2
Other interest expense	- 0.5	14.8	- 15.3	- 103
Total interest expense	83.1	24.1	59.0	244
Net interest income before loan impairment charges/reversals	452.3	464.9	- 12.6	- 3

Interest income totaled CHF 535.4m and included the deduction of CHF 2.5m in negative interest paid by the bank in 2022, compared with CHF 8.4m in 2021. Negative interest was paid primarily on transactions with banks and reverse repurchase agreements.

Interest expense totaled CHF 83.1m and included the deduction of CHF 45.8m in negative interest earned by the Bank in 2022, compared with CHF 63.8m in 2021. Negative interest was earned on transactions with banks and repurchase agreements, customer deposits, and transactions related to debt issuance (i.e., structured product issuance).

7.2 Net trading income and fair-value adjustments (in CHF millions)

	2022	2021	Change absolute	Change as %
Breakdown by business sector				
Retail Banking	19.2	17.1	2.1	12
Corporate Banking	10.9	9.9	1.0	10
Wealth Management	9.9	9.8	0.1	1
Trading	58.5	55.5	3.0	5
Corporate Center	77.8	40.2	37.6	94
Total	176.3	132.5	43.8	33
Trading income and fair-value adjustments				
Trading income on fixed-income instruments and equity securities	27.5	38.2	-10.7	-28
Trading income on foreign currencies, banknotes, and precious metals	157.2	108.1	49.1	45
Total trading income and fair-value adjustments	184.7	146.3	38.4	26
<i>of which fair-value adjustments</i>	26.0	35.7	-9.7	-27
<i>of which fair-value adjustments on assets</i>	-410.6	189.5	-600.1	-317
<i>of which fair-value adjustments on liabilities</i>	436.7	-153.8	590.4	384
Trading fee and commission expense	-8.4	-13.8	-5.4	-39
Net trading income and fair-value adjustments	176.3	132.5	43.8	33

7.3 Personnel costs (in CHF millions)

	2022	2021	Change absolute	Change as %
Fixed and variable compensation	235.0	233.5	1.6	1
<i>of which charges related to share-based compensation and other variable compensation (including the portion paid in cash)</i>	35.7	34.1	1.6	5
Employee benefits	25.1	27.0	-1.8	-7
Contributions to staff pension funds	34.0	34.0	0.0	0
Other personnel expenses	14.2	13.5	0.8	6
Total	308.4	307.9	0.5	0

7.4 Other operating expenses (in CHF millions)

	2022	2021	Change absolute	Change as %
Premises	19.0	19.2	-0.3	-1
IT	66.4	64.5	1.9	3
Machinery, furniture, vehicles, etc.	2.6	2.5	0.1	3
Office supplies	0.9	0.9	0.0	4
Telecommunications and shipping	6.1	6.2	-0.1	-2
Marketing and communications, gifts, and subscriptions	16.0	12.5	3.5	28
Financial information	13.1	12.5	0.6	5
Auditor fees	1.9	1.9	-0.0	-2
<i>of which for financial and prudential audits</i>	1.7	1.7	0.1	3
<i>of which for other services</i>	0.1	0.2	-0.1	-38
Other professional fees	3.9	4.4	-0.5	-10
Payment transactions	11.4	10.7	0.7	7
Issuing fees	1.6	1.4	0.2	11
Miscellaneous operating expenses	4.2	3.3	0.9	28
<i>of which charges for the guarantee by the Canton of Vaud¹</i>		0.3	-0.3	-100
Total	147.0	140.0	7.0	5

¹ Limited guarantee by the Canton of Vaud for deposits with the Caisse d'Epargne Cantonale Vaudoise, managed by BCV until end-2021

7.5 Other provisions and losses (in CHF millions)

	2022	2021	Change absolute	Change as %
Provisions for credit risk	- 1.3	- 0.3	- 1.0	- 323
Miscellaneous provisions	4.7	- 1.3	6.1	461
Miscellaneous losses	1.6	1.0	0.5	49
Total	5.0	- 0.6	5.6	973

7.6 Extraordinary income (in CHF millions)

	2022	2021	Change absolute	Change as %
Disposals of tangible fixed assets	0.8	11.7	- 10.8	- 93
Other extraordinary income	0.3	0.4	- 0.1	- 15
Total	1.1	12.0	- 10.9	- 91

7.7 Extraordinary expenses (in CHF millions)

	2022	2021	Change absolute	Change as %
Miscellaneous extraordinary expenses	0.0	0.0	- 0.0	- 100
Total	0.0	0.0	- 0.0	- 100

7.8 Taxes (in CHF millions)

	2022	2021	Change absolute	Change as %
Direct federal tax	30.3	29.8	0.4	1
Cantonal and municipal taxes	27.5	28.7	- 1.3	- 4
Total	57.7	58.5	- 0.8	- 1
Weighted average tax rate, based on operating profit	13%	14%		

8. Proposal by the Board of Directors

At the Annual Shareholders' Meeting to be held on 4 May 2023, the Board of Directors will recommend the following appropriation of profit and distributions:

The proposed allocation of available earnings of CHF 386.2m is as follows:

	Dividend in CHF per registered share	Number of shares (in units)	Appropriation (in CHF millions)
Payment of an ordinary dividend	3.80	86 061 900	327.0
Allocation to regulatory retained earnings			0.0
Allocation to optional retained earnings			59.2
			386.2

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 10 May 2023.



Statutory Auditor's Report

To the General Meeting of Banque Cantonale Vaudoise, Lausanne

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the financial statements of Banque Cantonale Vaudoise (the Company), which comprise the balance sheet as at 31 December 2022, the income statement and the statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 172 to 195) comply with Swiss law and the Company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the provisions of Swiss law, together with the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters



Methods regarding identification and valuation of the value adjustments related to amounts due from customers and mortgage loans which are impaired or presenting increased risks

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



 **Methods regarding identification and valuation of the value adjustments related to amounts due from customers and mortgage loans which are impaired or presenting increased risks**

Key Audit Matter

Mortgages and loans are one of the bank’s main activities and represent approximately two thirds of its balance sheet as at 31 December 2022. The valuation of a counterparty’s default risk relies largely on the use of rating methods developed by the bank. The valuation of the loans which are impaired or presenting increased risks relies on an analysis method that takes into account various elements such as market factors, the client’s estimated willingness to repay and financial capacity or the estimation of the collateral’s value.

The identification of risks and the valuation of the related loan impairment charges thus rely on models and analyses that imply an element of judgement by the Board of Directors and Management. Exposures that create greater uncertainty are typically those that result from unsecured loans or those that are subject to a collateral’s loss of value.

Our response

Our procedures consisted in particular in assessing and testing the key controls related to the granting, recording and monitoring of mortgages and loans as well as the methodology used for the identification of default risk and the valuation of the loan impairment charges.

For a sample of non-impaired exposures which do not present increased risks, we assessed the debtors’ capacity to fulfil their obligations. We compared our findings with the assessment of the default risk performed by the bank using its counterparty rating process.

Regarding receivables that are considered as impaired or as presenting increased risks, our procedures consisted, among others, of assessing the evolution of the relation between the loan impairment and the concerned receivables as a whole. For a sample of individual receivables that are considered impaired or presenting increased risks, we assessed the debtors’ financial standing as well as the valuation of collaterals and we compared our findings with the assumptions and factors taken into account by the bank when calculating the required loan impairment charges.

For further information on methods regarding identification and valuation of the value adjustments related to amounts due from customers and mortgage loans, refer to the following notes to the consolidated and parent company financial statements of Banque Cantonale Vaudoise as at 31 December 2022:

- Note 7.2 “Credit risk” (p. 131 to 133 of the Annual Report)
- Note 5.2 “Risk mitigants for loans and off-balance-sheet transactions, impaired loans” (p. 177 of the Annual Report)



Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the Company and our auditor's reports thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' Responsibilities for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and PS-CH 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 (page 195) complies with Swiss law and the Company’s articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG SA

Olivier Gauderon

Licensed Audit Expert
Auditor in Charge

Philippe Ruedin

Licensed Audit Expert

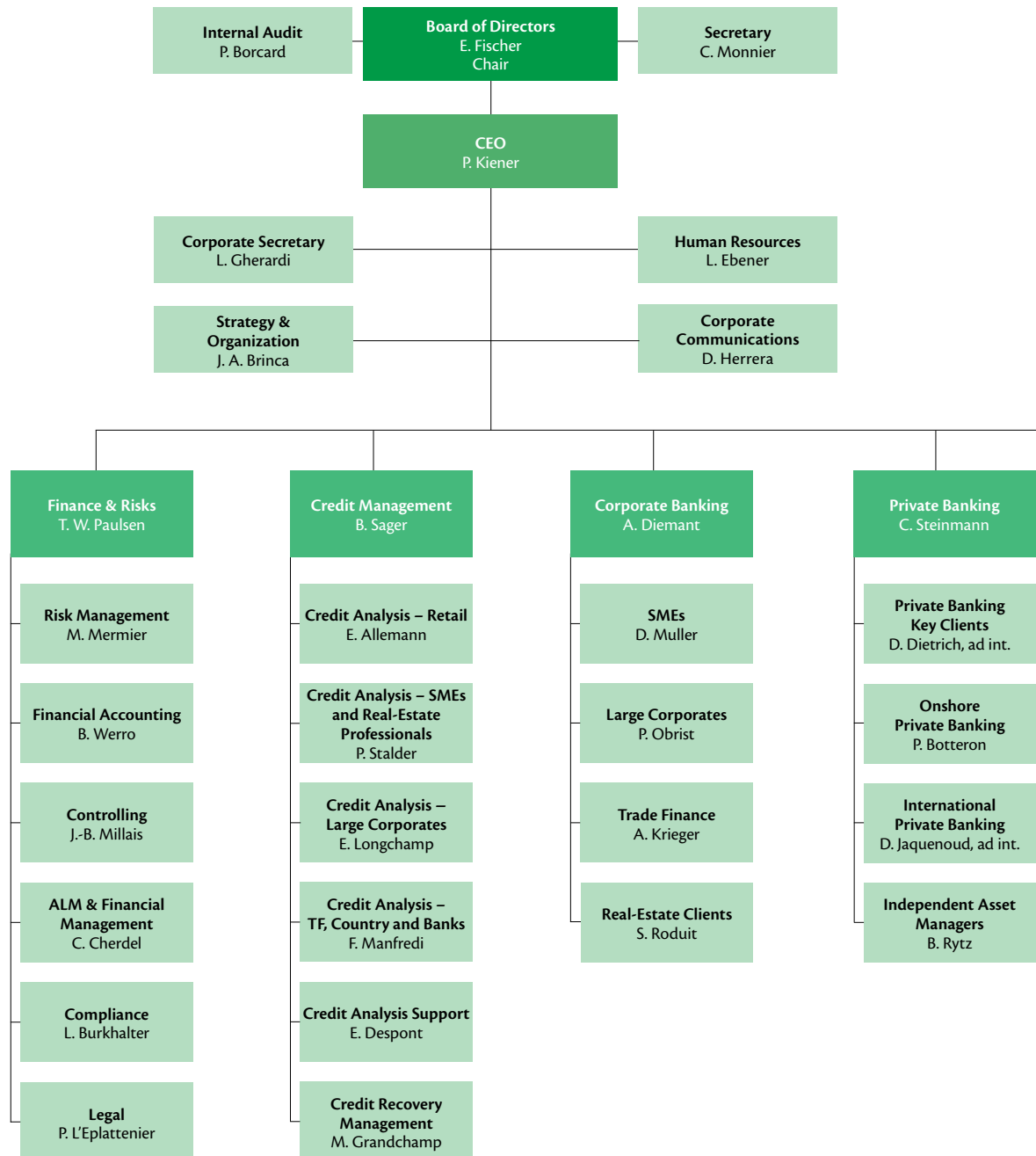
Geneva, 28 March 2023

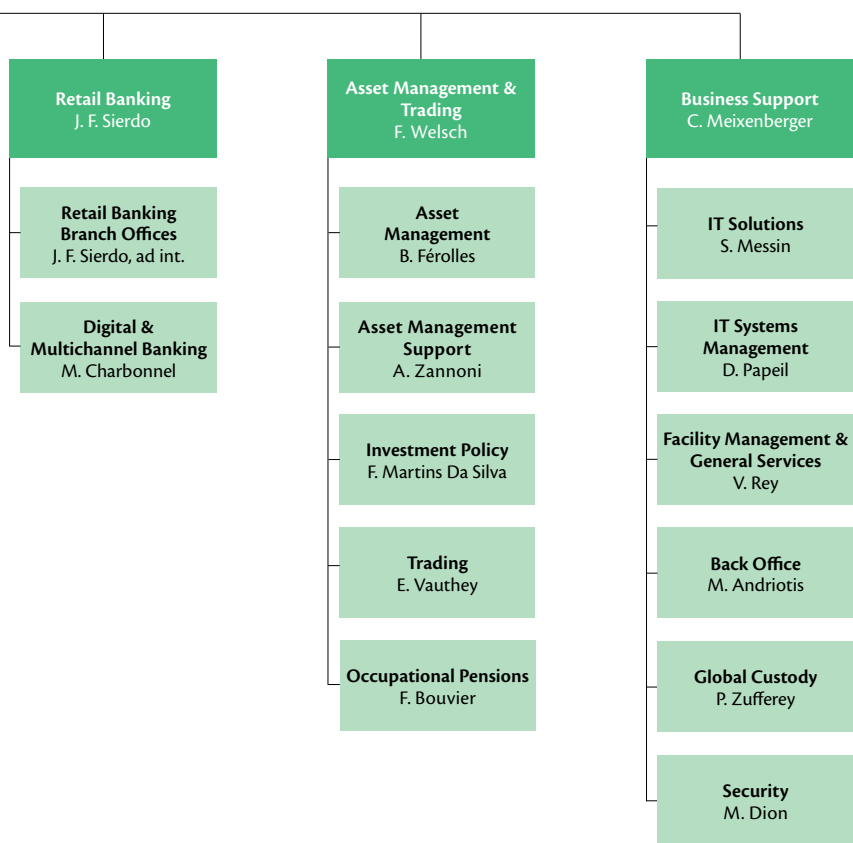
KPMG SA, Esplanade de Pont-Rouge 6, CH-1211 Genève 26

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Organization Chart

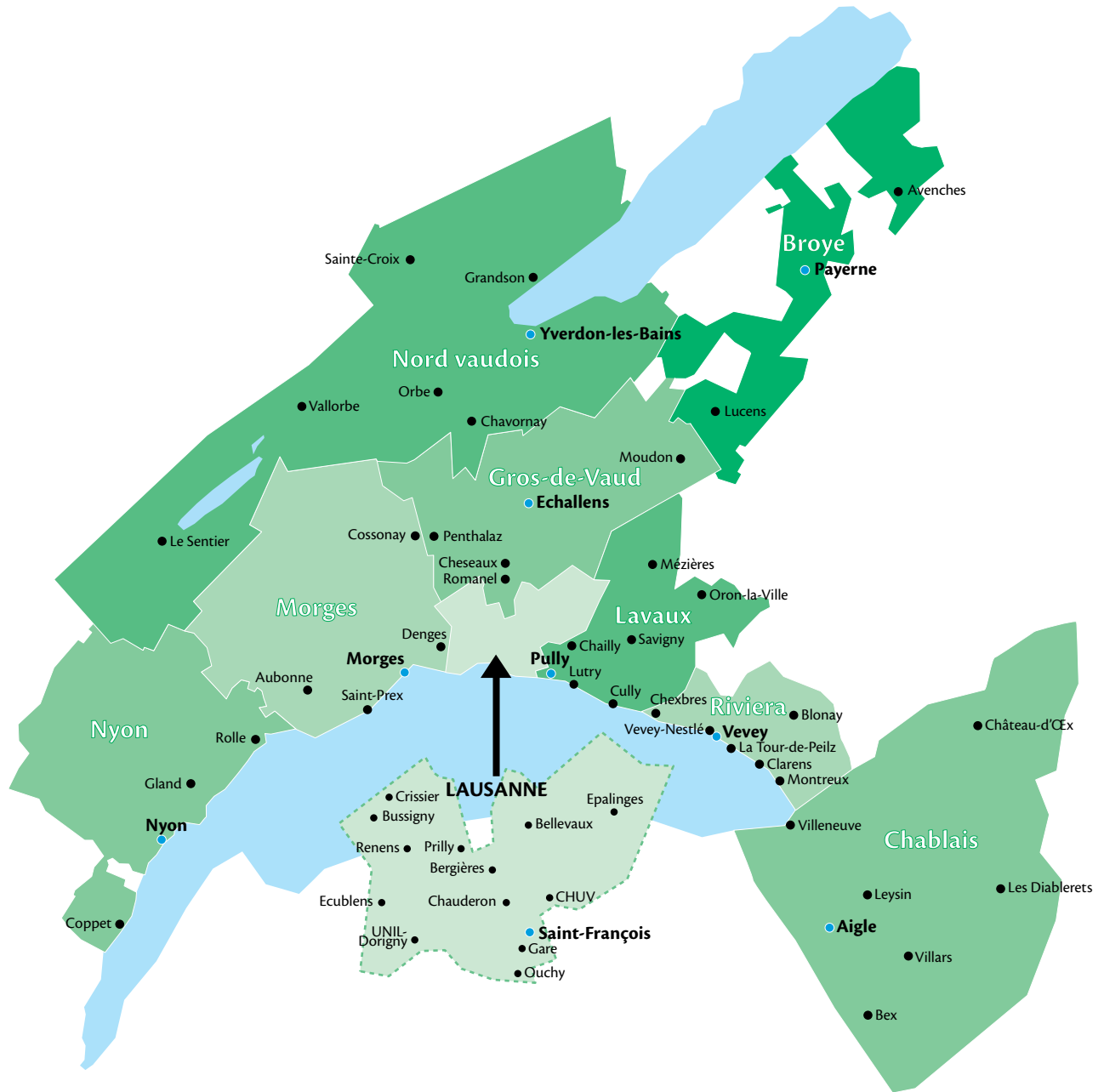
As at 1 March 2023





Retail Network

As at 1 March 2023



Regional Managers

As at 1 March 2023

Broye region

Retail banking
Private banking
SME

Cristina Martinez
Hubert Joye
Julien Gander

Morges region

Retail banking
Private banking
SME

Cédric Weissert
Daniel Vuffray
Patrick Blanc

Chablais region

Retail banking
Private banking
SME

Dario Bucci
Vincent Mottier
David Hunacek

Nord Vaudois region

Retail banking
Private banking
SME

Pascal Udry
Adrian Kocher
Alexandre Berthoud

Gros-de-Vaud region

Retail banking
Private banking
SME

Aleksandar Radic
Pierre-Yves Zimmermann
Stéphane Binggeli

Nyon region

Retail banking
Private banking
SME

Jean-Daniel Dreifuss
Valérie Grivel
Jean-Marc Pichon

Lausanne region

Retail banking
Private banking
SME

Sébastien Launaz
Pascal Aubry
Henri-Pierre Monney

Riviera region

Retail banking
Private banking
SME

Elena Lederrey
Christophe Millius
Rachel Perroud

Lavaux region

Retail banking
Private banking
SME

David Platel
Cédric Molleyres
Cédric Ottet

Branch Offices

As at 1 March 2023

Broye region

Avenches

Route de Lausanne 9
Case postale
1580 Avenches

Lucens

Avenue de la Gare 4 A
Case postale
1522 Lucens

Payerne

Rue du Temple 9
Case postale
1530 Payerne

Chablais region

Aigle

Rue du Collège 2
Case postale
1860 Aigle

Bex

Rue Centrale 5
Case postale
1880 Bex

Château-d'Œx

Grand-Rue 82
Case postale
1660 Château-d'Œx

Les Diablerets

Les Ormonts 7
Case postale
1865 Les Diablerets

Leysin

Place du Marché
Case postale
1854 Leysin

Villars

Avenue Centrale 119
Case postale
1884 Villars

Villeneuve

Grand-Rue 1
Case postale
1844 Villeneuve

Gros-de-Vaud region

Cheseaux-sur-Lausanne

Rue du Pâquis 1
Case postale
1033 Cheseaux-sur-Lausanne

Echallens

Place de la Gare 7
Case postale
1040 Echallens

Moudon

Rue du Temple 10
Case postale
1510 Moudon

Penthalaz

Place Centrale 3
Case postale
1305 Penthalaz

Romanel

Centre commercial Migros
en Félezin
1032 Romanel-sur-Lausanne

Lausanne region

Belleaux

Route Aloys-Fauquez 116
1018 Lausanne

Bergières

Avenue Bergières 42
Case postale
1000 Lausanne 22

Bussigny

Rue St-Germain 2 A
Case postale
1030 Bussigny

Chauderon

Place Chauderon 8
Case postale
1001 Lausanne

CHUV

Rue du Bugnon 46
Case postale
1011 Lausanne

Crissier

Centre MMM
Case postale
1023 Crissier

Écublens

Chemin du Croset 3
Case postale
1024 Écublens

Épalinges

Place de la Croix-Blanche 17
Case postale
1066 Épalinges

Lausanne – Gare

Place de la Gare 10
Case postale
1001 Lausanne

Ouchy

Avenue d'Ouchy 76
1006 Lausanne

Prilly

Route de Cossonay 21
Case postale
1008 Prilly

Renens

Rue du Midi 15
Case postale
1020 Renens

UNIL

Internef – Dorigny
Case postale
1015 Lausanne

Lausanne – St-François

Place St-François 14
Case postale
1001 Lausanne

Lavaux region

Chailly

Avenue de Chailly 10
Case postale
1000 Lausanne 12

Cully

Place de l'Hôtel de Ville 7
Case postale
1096 Cully

Lutry

Route de Lavaux 166
Case postale
1095 Lutry

Mézières

Rue du Théâtre 2
Case postale
1083 Mézières

Oron-la-Ville

Le Bourg 16
Case postale
1610 Oron-la-Ville

Pully

Rue de la Poste 8
Case postale
1009 Pully

Savigny

Place du Forum 2
Case postale
1073 Savigny

Morges region

Aubonne

Chemin du Mont-Blanc 2
Case postale
1170 Aubonne

Cossonay

Rue des Etangs 5
Case postale
1304 Cossonay-Ville

Denges

Route de Genève 107 B
Case postale
1026 Denges

Morges Hôtel-de-Ville

Place de l'Hôtel-de-Ville 2
Case postale
1110 Morges 1

St-Prex

Route de Rolle 2
Case postale
1162 St-Prex

Nord Vaudois region

Chavornay

Route d'Yverdon 2
Case postale
1373 Chavornay

Grandson

Place du Château 8
Case postale
1422 Grandson

Le Sentier

Grand-Rue 36
Case postale
1347 Le Sentier

Orbe

Place du Marché 9
Case postale
1350 Orbe

Ste-Croix

Rue Neuve 2
Case postale
1450 Ste-Croix

Vallorbe

Rue de l'Horloge 1
Case postale
1337 Vallorbe

Yverdon-les-Bains

Rue des Remparts 17
Case postale
1401 Yverdon-les-Bains

Nyon region

Coppet

Rue Froide 1
Case postale
1296 Coppet

Gland

Avenue du Mont-Blanc 14 A
Case postale
1196 Gland

Nyon

Rue Perdtemps 6
Case postale
1260 Nyon 1

Rolle

Grand-Rue 60
Case postale
1180 Rolle

Riviera region

Blonay

Route du Village 7
Case postale
1807 Blonay

Chexbres

Grand-Rue
Case postale
1071 Chexbres

Clarens

Avenue Vinet 15
Case postale
1815 Clarens

La Tour-de-Peilz

Grand-Rue 38
Case postale
1814 La Tour-de-Peilz

Montreux

Grand-Rue 50
Case postale
1820 Montreux

Vevey – Gare

Place de la Gare
Case postale
1800 Vevey 1

Vevey – Nestlé

Avenue Nestlé 55
Case postale
1800 Vevey 1

Thanks

BCV would like to thank its employees as well as the various external service providers involved in preparing this document.

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