



2009 ANNUAL REPORT

# BCV at a glance

## Key figures (in CHF millions)

	2009	2008	Change as %
Total assets	35 733	35 239	1%
Total income	976	928	5%
Operating profit	470	423	11%
Net profit	301	358	- 16%
Assets under management	76 209	66 766	14%
<b>Ratios</b>			
Cost / income ratio <sup>1</sup>	60%	63%	
ROE	9.5%	11.2%	
BIS capital adequacy ratios			
Tier 1 capital ratio	17.8%	16.4%	
Total capital ratio	17.8%	16.2%	

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

## 2009 highlights

### BCV turned in a very solid performance despite the challenging economic environment:

- Business volumes were sharply up.
- Operating profit climbed 11% to CHF 470m.
- The need for new provisions was moderate, confirming the quality of our loan book.
- At over CHF 300m, net profit remained strong.

### We began to implement our new strategy, BCVPlus:

- We changed our organization and appointed three new members to our Executive Board.
- We significantly reduced proprietary risk-taking in trading activities, in part by withdrawing from equity-derivative trading.
- We launched a series of multi-year strategic initiatives aimed at streamlining our operations, enhancing efficiency and improving the quality of our customer service.

### We pursued our capital-management strategy through a CHF 172m dividend and a CHF 86m par-value reduction, returning a total of CHF 258m to shareholders.

### **Our photo concept**

This year, BCV's annual report features a series of 360° photomontages depicting various facets of urban life in Vaud Canton.

These panoramic images were created by combining between 20 and 30 photographs shot every 15 degrees using a 24mm tilt-shift lens and a tripod with a panoramic head. It took approximately 20 minutes to shoot an entire scene. The photos were then carefully blended together, forming one seamless composition that brings each local urban scene to life.

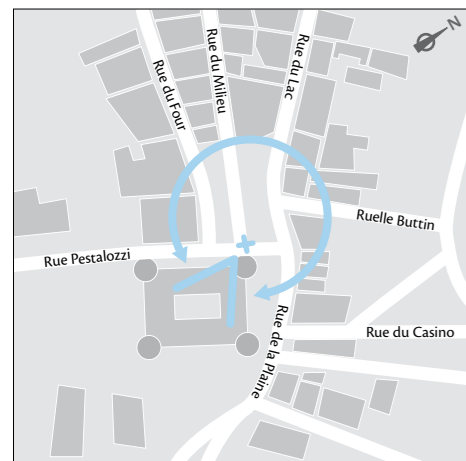
This 360° perspective mirrors the global approach we take in our client relationships, the multi-faceted role that we play in the local community, and our open, outward-looking viewpoint.

We hope you enjoy these new perspectives on our home region.









Place Pestalozzi, Yverdon, June 2009



# Key figures – 5-year overview

in CHF millions	2005	2006	2007	2008	2009
<b>Balance sheet at 31 December</b>					
Total assets <sup>1</sup>	32 233	33 031	35 337	35 239	35 733
Advances to customers	21 685	22 059	22 479	22 834	24 312
Customer deposits and bonds	24 638	25 120	27 490	28 134	29 517
Shareholders' equity	3 229	3 419	3 225	3 177	3 222
<b>Assets under management</b>	<b>71 751</b>	<b>80 775</b>	<b>84 349</b>	<b>66 766</b>	<b>76 209</b>
<b>Income statement</b>					
Total income	1 038	1 101	1 088	928	976
Operating expenses	552	565	559	505	506
Operating profit	486	536	529	423	470
Depreciation and write-offs	91	91	85	77	79
Value adjustments, provisions and losses	16	8	10	16	18
Net profit	457	534	477	358	301
<b>Headcount</b>					
Full-time equivalents	2 349	2 390	2 045	1 914	1 939
<b>Ratios</b>					
Shareholders' equity / total assets	10.0%	10.3%	9.1%	9.0%	9.0%
FINMA capital adequacy ratio	196%	199%	179%	180%	176%
BIS Tier 1 capital ratio	17.8%	18.3%	16.3%	16.4%	17.8%
BIS Total capital ratio	18.5%	18.5%	16.3%	16.2%	17.8%
Operating profit / average shareholders' equity	15.0%	15.9%	15.5%	13.1%	14.7%
Cost / income ratio <sup>2</sup>	61.8%	59.4%	59.0%	62.6%	59.8%
Operating profit per employee (in CHF thousands)	206.8	225.8	244.7	217.1	244.4
ROE	14.9%	16.0%	14.3%	11.2%	9.5%
<b>Credit ratings</b>					
<b>Standard &amp; Poor's</b>					
Long term	A- / stable	A / stable	A+ / stable	AA- / stable	AA- / stable
Short term	A-2	A-1	A-1	A-1+	A-1+
<b>Moody's</b>					
Long term			A1 / stable	A1 / stable	A1 / stable
Short term			Prime-1	Prime-1	Prime-1

<sup>1</sup> Following changes to accounting principles applied in preparing the 2007 financial statements, the corresponding line items from 2005 and 2006 were adjusted.

<sup>2</sup> Excluding goodwill amortization and write-downs.



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### Dear Fellow BCV Stakeholders,

Over the last two years, the global banking industry has experienced one of the toughest periods in its history. What began as the US subprime crisis turned into an economic slump that affected all countries, including Switzerland. BCV nevertheless held up well, thanks to a robust business model and a rigorous management approach. We generated very strong financial results despite the crisis, strengthened our management team, and pressed ahead with the strategy we set out in 2008.

BCV's franchise remained strong in 2009, underpinned by solid customer loyalty and firm growth across most business sectors. Our mortgage volumes expanded by 9%, savings were up 15%, and we brought in CHF 3.1bn of net new money.

Operating profit rose sharply due to a combination of strong revenue growth and strict cost control. Extraordinary income decreased substantially, as expected, and our bottom line continued to normalize. Net profit remained solid at over CHF 300m. We are very pleased with this result, particularly in view of the improvement in our risk profile following the sharp reduction in proprietary trading activities in 2009.

### New strategy

In late 2008, after a far-reaching strategic review, BCV unveiled a new strategy called *BCVPlus*. We confirmed our commitment to being a full-service bank with solid local roots and are now focused on developing our core businesses in Vaud Canton and selected niche businesses, such as institutional asset management in Switzerland. We also pinpointed quality of execution as a key factor in setting ourselves apart from the competition.



**Pascal Kiener**  
CEO

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

# LETTER FROM THE CHAIRMAN AND THE CEO

The first phase of our new strategy involved an organizational overhaul. We now have a separate Private Banking Division dedicated to business growth and client acquisition. We merged our Asset Management and Trading businesses into one division, which is tasked with developing our institutional client base, enhancing our range of investment products and executing customer trades. We also created a Credit Management Division to handle credit analysis and loan approvals, freeing up the Corporate Banking Division to focus on developing its business.

To meet the challenges of implementing *BCVPlus*, we strengthened our management team with the appointment of four new Executive Board members. Stefan Bichsel, head of our Asset Management & Trading Division, and Gérard Haerberli, head of the Private Banking Division, came to us from leading financial institutions. Thomas W. Paulsen, previously BCV's Chief Risk Officer, was appointed to the Executive Board as head of the Finance & Risks Division and Chief Financial Officer, while Bertrand Sager, formerly head of BCV's Loan Recovery Management Department, was named head of the Credit Management Division and Chief Credit Officer. Olivier Cavaleri and Serge Meyer left BCV in 2009, while Christopher E. Preston took charge of our subsidiary Banque Piguet & Cie SA.

We hired 24 additional client advisors as part of our new growth strategy for private banking. We also boosted momentum in retail banking by giving branch managers an enhanced role and higher visibility as BCV ambassadors in the local community. To rein in risk, we wound down our proprietary equity-derivative business line and reduced our exposure to international trade finance. We also embarked on a series of multi-year initiatives aimed at streamlining our operations, enhancing our quality of execution and improving our customer service.

We believe that one of the key success factors for *BCVPlus* will be establishing a common culture, shared by all our employees. Consequently, we have identified four fundamental values – professionalism, responsibility, performance and close ties to our customers and the community at large. We are strongly promoting these values across the organization. We want our people to have a common understanding of them, take them to heart and incorporate them into their day-to-day activities.

## Dividend policy maintained

We pursued the dividend policy and equity-optimization strategy that were introduced in 2008. BCV paid out CHF 172m in dividends in May 2009 and made a par-value reimbursement of CHF 86m in July 2009. This represents a total payout of CHF 258m to shareholders, of which Vaud Canton received CHF 173m. For the 2009 financial year, the Board of Directors will propose an increased dividend of CHF 21 per share and an additional par-value reimbursement of CHF 10 per share at the Shareholders' Meeting to be held on 29 April 2010. If approved, distributions to shareholders will total CHF 267m in 2010. This proposal is in line with our shareholder return policy and marks our confidence in the Bank's long-term earnings potential.

Our total shareholder return was nearly 40% in 2009. This figure reflects the rise in the BCV share price in addition to the dividend payout and the par-value reimbursement. Investors clearly recognized the value of our business strategy and shareholder return policy, and we would like to thank our shareholders for their trust and loyalty.

Although 2009 was a tough year, we generated exceptional volume growth. This is due to our customers, who continued to demonstrate their confidence in BCV. We are very grateful to them, and we intend to show our appreciation by further improving the quality of our products and services.

On behalf of the Board of Directors and the Executive Board, we would like to thank all our employees for their hard work and the success they achieved in 2009. They played a key role in laying the foundations for sustainable growth at BCV and enhancing our performance. This benefits our shareholders, Vaud Canton, our community and the local economy as a whole.



Olivier Steimer and Pascal Kiener

**Pascal Kiener**

CEO

**Thomas W. Paulsen**

CFO, Head of  
Finance & Risks

**Markus Gyax**

Head of  
Retail Banking

**Aimé Achard**

Head of  
Business Support



## EXECUTIVE BOARD

**Bertrand Sager**

Head of  
Credit Management

**G rard Haeberli**

Head of  
Private Banking

**Jean-Fran ois Schwarz**

Head of  
Corporate Banking

**Stefan Bichsel**

Head of  
Asset Management  
& Trading



### **Our legal status**

Banque Cantonale Vaudoise (BCV) was founded on 19 December 1845 by the Vaud Cantonal Parliament (Grand Conseil vaudois) as a société anonyme de droit public (i.e., a corporation organized under public law). The Canton of Vaud is BCV's majority shareholder, with 66.95% of the share capital. BCV is listed in the Vaud Commercial Register and is subject to all applicable legislation. BCV's 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 and 30 January 2007. BCV's commitments are not underwritten by the Canton, although a limited cantonal guarantee applies to deposits with Caisse d'Épargne Cantonale Vaudoise, a savings institution managed by the Bank.

### **Our core businesses**

With revenues of CHF 976m in 2009 and total assets of CHF 35.7bn, we rank among Switzerland's top five banks by assets. BCV is the country's second-largest cantonal bank, employing 2,126 people. Our four core business areas are: retail banking, with a network of 68 staffed branches and 180 ATMs throughout the Canton of Vaud; wealth management for both private and institutional clients; corporate banking; and trading. We offer a comprehensive range of financial services to all client segments. BCV Group comprises six subsidiaries: a small private bank, three fund management/administration firms and two service companies.

### **Our missions**

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

### **Our recent history**

Since the Bank was founded in 1845, it has considerably expanded its business in the Canton, mainly through organic growth. In the 1990s, however, the banking industry in Vaud underwent major consolidation. BCV acquired Banque Vaudoise de Crédit in 1993 and merged with Crédit Foncier Vaudois in 1995. From 1996 to 2000, we moved to diversify our operations, particularly in international trade finance, offshore wealth management, and trading. The result was a rise in total assets from approximately CHF 15bn at the beginning of the 1990s to over CHF 38bn in 2000.

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

At the end of 2002, Management defined a two-phase strategy for BCV, consisting of a strategic realignment on core businesses followed by a growth phase. Beginning in 2003, we successfully refocused operations on our four core businesses, while remaining active in selected niche activities offering strong potential in terms of both growth and profitability.

From 2005 to 2008, we implemented the second phase of our strategy, the CroisSens growth project. This project aimed to lay the foundations for sustainable growth and to increase business volumes by taking advantage of our unrivaled presence in our local market, the Canton of Vaud. This project included the reorganization of our local distribution structure into nine regions in order to strengthen ties with customers. All of this has helped us enhance our brand image in our home region and gain momentum in our businesses.

In 2007 the Bank repurchased the final tranche of participation-certificate capital created in the 2003 recapitalization, thus bringing to a successful close that chapter of BCV's recent history. On 15 April 2008, the Vaud Cantonal Parliament voted to authorize the Cantonal Government to reduce the Canton's stake in our share capital to 50.12%. On 25 November 2008, however, the Cantonal Government announced that no shares would be sold before 2010.

## Our strategy

At the end of 2008, we modified our strategy in order to focus our efforts on our front lines and generate organic growth in our core markets. Management decided that the best way to ensure profitable growth going forward is the business model of a universal bank with solid local roots. Through our new strategy, *BCVPlus*, we intend to strengthen our position as a full-service bank in the Vaud region and be recognized as a leading financial institution in Switzerland, particularly for private and institutional asset management.

With *BCVPlus*, we are targeting:

- renewed impetus in retail banking, particularly mortgage lending, by improving front-line execution and overall sales-support efficiency while tapping into the potential inherent in our large client base;
- growth in private wealth management, primarily in Vaud, and institutional asset management both within Vaud Canton and elsewhere in Switzerland;
- a greater role for SME-related activities;
- enhanced volumes and profitability in the Trade Finance and Large Corporates business lines, in accordance with the Bank's risk profile;
- a significant reduction in proprietary risk-taking in trading activities, which will now center on customer-driven business volumes, following our withdrawal from the equity-derivative trading business line.

Management is convinced that quality of execution is a key factor in setting ourselves apart from the competition and driving our success. With this in mind, we launched a series of internal initiatives in 2009 to simplify processes, develop our employees' skill sets, improve customer service and revitalize our sales and marketing approach.

The Group aims to achieve sustainable growth, with revenues expanding by 4-5% and operating profit by 5-8% per year. The long-term targets are 13-14% for ROE, 57-59% for cost/income and 13% for the Tier 1 capital ratio. These strategic objectives should be viewed from a multi-year perspective.

In the coming years, the Bank intends to pay a stable ordinary dividend, which may rise gradually within a range of CHF 20 to CHF 25 per share, depending on business growth. Furthermore, it will optimize equity by making an additional annual distribution of CHF 10 per share. As announced at the end of 2008, the Bank plans to maintain this distribution level for the next four to five years barring any significant changes in the economic or regulatory environment.

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

*BCV takes corporate social responsibility seriously.*

*We are – and intend to remain – a cornerstone of our home region's economy.*

*Our aim is to meet customers' needs, create lasting value for shareholders, be a benchmark employer and play an active role in the community.*



# CORPORATE RESPONSIBILITY: BCV'S MISSIONS

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

1. Contributing to the development of all sectors of the economy of our home region, the Canton of Vaud, and to the financing of public-sector entities, and helping to meet demand for mortgage lending in the Canton.
2. Meeting our clients' needs.
3. Creating lasting value for our shareholders.
4. Being a benchmark employer.
5. Playing an active role in the community.

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## CSR at BCV

BCV joined Philiat, Switzerland's network of socially responsible businesses, in 2006. We published our first Social Responsibility Report in 2008. This document provides details on BCV's approach to corporate social responsibility, and a new version has been published this year in conjunction with our annual report. It is available (in French only) on BCV's website: [www.bcv.ch](http://www.bcv.ch).

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

**Customer relations — close ties and high professional standards**

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

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

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

### BCV's market penetration

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	Market penetration	
	Individual customers	Corporate customers
2006	48%	55%
2007	50%	54%
2008	48%	52%
2009	49%	54%

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Source: BCV

Note: market penetration refers to the percentage of BCV client relationships relative to the population surveyed. Data is given with a confidence interval of +/- 2.5% and a confidence limit of 95%.

Despite increasingly fierce competition, BCV is perceived as solid, reliable and competent. This was once again evident in 2009, in a difficult environment for both the banking industry and the economy as a whole. Indeed, we experienced an influx of new clients and expanded our business with existing clients.

These developments also reflect our close ties with the people and businesses in our home region and the high professional standards of our product and service offering. Our client relationships are underpinned by the Bank's dense retail network, with 68 branch offices and 48 automated banking centers throughout the Canton. This on-the-ground presence ensures that we are never far away from our customers.

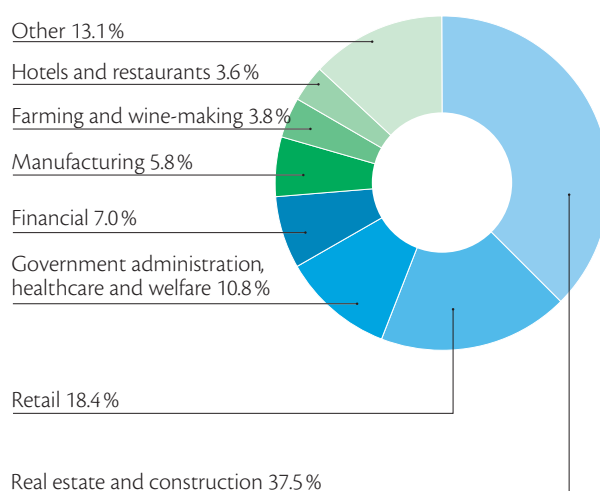
We continued to improve our local footprint in 2009 by implementing the following projects: we partially or totally renovated five branches (Clarens, Savigny, Montreux, Vevey and Chauderon), opened a new branch in Denges, and installed six additional off-site ATMs, one at the Y-Parc in Yverdon, one in the Retraites Populaires building on Rue Caroline in Lausanne, three at the Centre Métropole shopping center in Lausanne and one at the Aigle-Chablais shopping center. All in all, between 2006 and 2009 we renovated 23 branches, refurbished 45 automated banking centers and opened 3 new branches. Although several other projects are being considered, we believe that a network of around 70 branches throughout our home region is the right size to effectively meet our clients' needs (see the map of our retail network on page 158).

We strive to continuously improve customer service, which means keeping in step with changing lifestyles. Our customers can now contact a BCV advisor at any time between 7:30am and 7:30pm. Many of our branches are open non-stop throughout the day and stay open later in the evening, and at some locations, such as the head office in Lausanne, we are open on Saturday mornings. Initiatives like these clearly demonstrate our commitment to offering local customers the best possible access to banking services, and we remain the most widely accessible bank in Vaud Canton.

In terms of products and services, we aim to cover the full range of banking needs for individual, institutional and business customers. This is reflected in a high – and still rising – level of customer satisfaction. Our customers feel that we are meeting their requirements ever better in terms of on-the-ground presence and availability. Over half of all local companies bank with BCV, and three out of every ten use us as their main bank and are happy with all aspects of their relationship with us. More than half of them (58%) would recommend us to other firms.

In 2009, 45% of the loans we granted went to individuals in Vaud and 55% to businesses. These firms were active in all sectors of the Canton's economy. The dedication and enthusiasm of our staff enabled us to maintain our market share despite increasingly aggressive competition in an operating environment marked by stronger demand on the commercial lending front in Vaud and Switzerland generally. Large corporates and international trading firms based in the Canton accounted for 16% of the lending volumes on our balance sheet, while Vaud public-sector entities represented 3%.

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



Source: BCV

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

	Broye	Lavaux	Nord Vaudois	Nyon	Morges	Riviera	Chablais	Gros- de-Vaud	Lausanne
Mortgages	4%	11%	15%	16%	11%	12%	8%	7%	16%
Other loans	4%	9%	15%	18%	12%	11%	7%	8%	16%
Workforce distribution (secondary and tertiary sectors)	3%	5%	11%	10%	9%	9%	5%	6%	42%

Sources: BCV, SCRIS

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

Workforce distribution: 2008 nationwide census data

**Working with clients in difficulty**

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

Naturally, continuing the business relationship is only possible if the company or individual can be reasonably expected to return to a sustainably sound financial position without any distortion of competition. A team of some 20 specialists is entrusted with this work, which is carried out in accordance with clearly defined rules based on strict ethical standards.

In 2002, BCV had to set aside substantial provisions for impaired loans. These loans now account for less than 2% of our loan portfolio, a level in line with Swiss banking standards. Nevertheless, we pressed ahead with our efforts to keep impaired loans to a strict minimum. 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**

As part of our new BCVPlus strategy, we launched several major projects to align ourselves more closely with the needs of both our individual and business customers in Vaud Canton. This includes continued improvements to our products and services.

**Service quality**

In order to ensure that calls from private clients are dealt with in a timely manner, our call-center advisors are available non-stop every weekday from 7:30am to 7:30pm. In 2009, they handled more than 300,000 incoming calls, including 41,000 calls for our e-banking hotline. Our call center provides essential back-up for our branches in responding to the many different kinds of enquiries we receive from our customers.

The business banking hotline we set up in 2006 continued its progress last year, as more and more small businesses and self-employed customers made use of this service. With more than 56,000 calls, our SME advisors offered customers quick, practical and efficient assistance and also provided support to our advisors in the various regions of Vaud Canton.

Internet is becoming more and more popular with our customers. More than a third of our customers use our online banking services and nearly three out of four payments are carried out online. Apart from our online banking services, we launched a free real-estate ad website in 2009, [www.immobiliervaudois.ch](http://www.immobiliervaudois.ch). This site is intended to help both local people and anyone wishing to settle in Vaud to find a place to live. In the first seven months since its creation, the site received more than 117,000 visits.

## Products and services

Continuing our efforts to provide effective answers to changing customer needs, we enhanced our range of products and services for individual and corporate clients in 2009.

Three recent Retail Banking initiatives illustrate these efforts. First, with customers becoming more and more concerned about protecting their savings, we promoted our Direct Savings Account as an attractive alternative to other savings products.

Second, in response to increasing environmental awareness, we launched a green renovation loan and a special "Minergie" loan. These products aim to encourage construction and renovation work that will reduce energy consumption in buildings.

Finally, we rolled out our "Preferred" banking package targeted specifically at the employees of large multinational companies based in Vaud. This package offers a range of everyday banking services and has proved popular with these companies' human resources departments, who are the ones responsible for promoting the package within the company. Over a dozen major companies now offer this banking package to foreign employees who are relocated to the region.

In Corporate Banking, we launched the "Package Direct PME," which gives small-business clients access to a full range of simple and efficient cash management tools on attractive terms. This package, for which there is an online and a classic version, meets the needs of local SMEs and positions us favorably in relation to our competitors.

In Wealth Management, our clients continued to benefit from our "Global Advisory" approach. This approach is designed to provide clients with an all-round service that addresses the needs dictated by their personal circumstances and financial situation. In addition, we rounded off our range of management products with an investment fund that enables our clients to change their exposures to stocks and bonds according to market conditions. This product proved to be particularly well suited to the shifting market climate in 2009.

More information on our business sectors can be found on pages 36 to 47.

## 3. Creating lasting value for shareholders

At BCV, we are committed to creating lasting value for our shareholders. In keeping with this mission, our new strategy targets sustainable growth and a moderate risk profile. As a result, our dividend policy is aimed at generating attractive returns for all our shareholders over the long term.

We are targeting an average return on equity of 13-14% and a cost/income ratio of 57-59%. We have also decided to optimize the level of our shareholders' equity by gradually reducing our FINMA capital adequacy ratio to 145% for the Group as a whole. To achieve this, BCV reduced its share capital in both 2008 and 2009 under resolutions approved by the shareholders at the Annual Shareholders' Meeting. In 2008, there was a par-value reimbursement of CHF 32.50 per share, which returned CHF 280m to our shareholders. Last year saw a further par-value reimbursement of CHF 10 per share, with CHF 86m returned to our shareholders.

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

All these factors won recognition from the rating agencies. Standard & Poor's maintained BCV's long-term credit rating at AA- (stable), and Moody's confirmed its A1 rating with a stable outlook. These ratings reflect the Bank's excellent financial situation and solid market position in Vaud. They also take account of BCV's status as a cantonal bank.

More information on this subject can be found in the investor information chapter on pages 48 and 49.

#### 4. Being a benchmark employer

BCV is the fifth largest employer in the Canton of Vaud, after the cantonal government itself and three locally-based firms. We see human resource management as crucial to both our mission and our strategy. This is why we have put in place human resource policies that focus on training and skills development – factors which themselves are essential to our success.

We have defined four values that are central to our corporate culture: professionalism, responsibility, performance and close ties with our customers and the community at large. We have launched a major communications and training initiative to ensure that all employees do everything they can to meet our customers' needs. This approach is also aimed at attracting the very best talent in all areas of the banking business.

Staff training is a major priority at BCV, as it underscores our commitment to motivating staff and managing knowledge. The issue of women in the workforce is also a focus. Finally, we seek to promote a healthy balance between work and leisure activities by supporting our employees' direct involvement in the various associations and organizations that make up the fabric of Vaud society, at the cantonal, regional and community levels.

##### Staff

BCV Group is one of the Canton's leading employers, with 1,939 employees on a full-time equivalent (FTE) basis at the end of December 2009, 25 more than a year earlier. This increase is a result of new hires made as part of our growth strategy in private banking, together with the recruitment of advisors within the branch network, as well as advisors for our business and institutional clients.

The parent company accounts for the largest share of the workforce, with a total of 1,966 employees, or 1,790 FTEs. BCV remains Vaud Canton's top employer in banking, insurance and financial services, providing around 15% of all jobs in the sector.

BCV was active in the labor market again in 2009, recruiting 225 new people and making 106 interdivisional transfers. Average staff turnover was down from 11.3% in 2008 to 9.3%. Recruitment and transfers took place across all of our business lines.

##### Staff survey

Each year BCV commissions a third-party polling service to conduct anonymous surveys of all staff members in order to obtain their opinions on working conditions, workplace relations, satisfaction with supervisors and, more generally, to determine overall employee buy-in and commitment. Over 80% of employees took part in the 2009 survey, which focused on staff members' views of our new BCVPlus strategy. Last year's survey produced the most positive results in five years, with employees showing strong support for the new strategy. In general, confidence in the Bank's future and its management team was considerably higher.

##### Women at BCV

The parent company had 832 female employees (42% of the workforce) on its staff at the end of 2009. Women accounted for 20% of supervisory staff, with 187 in this category, and 6% of all managers (16 women in management positions). In addition, we now have 11 female branch managers, who play an important role in running our retail network. BCV facilitates part-time employment for women, and there were 334 women (40% of all female employees) working part-time at the end of the year.

##### Focus on training

In 2009, BCV provided training for 88 employees, including 59 trainees, 21 students in their final year and eight university interns. Nine women participated in our "Rejoignez-nous" program.

BCV is one of the Canton's three main providers of professional training, alongside government institutions and a private-sector corporation. We have our own training center with a staff of nine, who are assisted by around 100 instructors, two-thirds of whom work elsewhere within the Bank.

The training center had a very busy year in 2009, focusing specifically on developing sales and coaching skills. Each private client advisor received an average of five days of skills development training, the aim being to provide more professional and personalized customer service. In order to strengthen the role of on-site training for advisors, branch managers also received coaching on how to improve their management skills and provide feedback.

### **Micro MBAs**

In collaboration with the Entrepreneurship and Business Development program at the Geneva University Business School, we have put in place a “Micro MBA” study program which aims to enhance interdisciplinary skills and interdivisional collaboration while strengthening project management expertise. In the program’s theoretical component, participants acquire a global view of the Bank, and are faced with issues that are different from the ones they would usually have to deal with in their profession. This teaches them to integrate new approaches and methods into their work.

After completing around twenty modules, participants carry out a practical project. Projects aim to be at once innovative and concretely applicable to our processes here at BCV.

The first group of 22 employees is now in the project phase, and a new group will begin the program in April 2010. This training program is set to continue over the long term. It complements the various actions taken by BCV to develop staff skills and train up our future managers.

### **Staff pension fund**

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

At the end of 2009, pension fund members included 2,041 active employees, 1,881 of whom were working at the parent company, and another 1,168 recipients of pensions, including 887 retirees.

### **Employee health**

BCV takes several kinds of action in the interest of employees’ health, either within the framework of Swiss government programs or on its own initiative. For example, we participate in the cantonal campaigns to encourage influenza vaccination, and we regularly take steps to raise awareness among staff members of the importance of following safety guidelines. In 2009, we worked to prevent the spread of swine flu (H1N1) by setting up a pandemic working group and campaigning to raise awareness of the hygiene measures recommended by the cantonal health authorities. We also took vigorous action to discourage smoking, which is banned in nearly all Bank premises, including individual offices. In collaboration with CIPRET-Vaud (the Canton’s anti-smoking information center), we organized two workshops to raise smokers’ awareness of the advantages of giving up smoking.

### **Environmental standards**

BCV is committed to protecting the environment through various types of action. In 2009, we signed a three-year agreement to be the main sponsor of “Lausanneroule!”. “Lausanneroule!” is the first of Switzerland’s free bicycle networks to be set up in Vaud Canton. We were attracted by the innovative nature of this initiative as well as by the positive impact it will have on the environment and the health of its users.

We have also implemented a policy to encourage our employees to use public transportation, thus contributing to the Canton of Vaud’s campaign to promote awareness – and use – of public transportation. The Bank also offers employees subscriptions to the Mobility Car Sharing service. Finally, we operate a centralized collection and sorting system to deal with waste from our offices, including paper, cardboard and batteries.





Place du Château, Nyon, September 2009



## 5. Playing an active role in the community

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

More specifically, we regularly organize programs allowing staff members to take part in humanitarian and environmental initiatives in association with non-governmental organizations. We once again worked with the Mère Sofia Foundation on this front in 2009, when nearly 60 employees volunteered to raise money by selling care packages at open-air markets across the Canton, with all proceeds going to the Foundation.

The Bank's sponsorship policy gives preference to non-profit activities which are of public interest in Vaud, focusing on the fields of culture, training and teaching, sports, the environment and research.

Examples of sponsorship in 2009 include:

- **Culture:** Paléo Music Festival, Rock Oz'Arènes, the Théâtre du Jorat, the Nuit des Musées museum openhouse, the 16th Schubertiade d'Espace 2 classical music festival, the Théâtre de Beausobre, the MUDAC modern art museum, the Musée de l'Elysée photography museum, the Cully Jazz Festival and the Lausanne Chamber Orchestra;
- **Outreach:** Société Vaudoise d'Utilité Publique (an association of social-service institutions), the 90th anniversary of Pro Senectute, 125 years of Paternelle and the Vaud Red Cross;
- **Training and teaching:** Prize presentations at schools in the Canton and support for Lausanne's Centre Sports-Etudes for school-age athletes;
- **Sports:** Lausanne 20K run, the BCV Villars 24H ski race, the International Hot Air Balloon Festival, the Christmas Midnight Run and the Trophées du Muveran ski-mountaineering race;
- **Other:** Forum économique vaudois, Lausanneroule!, Semaine de la mobilité and the Pro Natura Center in Champ-Pittet.

BCV also supports its employees' involvement in the community, thereby contributing to their personal development in accordance with our Statement of Core Values. In 2009, 314 staff members were actively involved in a variety of societies, associations and other organizations of a social, political, cultural or sporting nature.

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

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

**Switzerland has generally held up better than most countries in Europe and North America against the backdrop of the severe economic downturn that began in 2008. But both Switzerland as a whole and Vaud Canton nonetheless experienced a rise in unemployment and a fall in GDP during the year under review. As in the global economy, however, some indicators point to a timid recovery in 2010.**

### World economy firming up again

The financial crisis triggered the deepest recession in developed countries since the depression of the 1930s. Real GDP in the OECD area fell by 4.7% in the first half of 2009 compared with average growth of 2.5% per year from 1981 to 2008. At the same time, imports and exports fell by over 30%.

Most OECD economies nonetheless returned to a moderately positive growth trend in the second half of 2009. This turnaround was underpinned by two main factors. In the first place, governments and central banks responded swiftly when the crisis broke in autumn 2008, injecting huge amounts of liquidity and implementing stimulatory government spending measures on an unprecedented scale in order to reflate the economy. Secondly, industrial production bounced back sharply in the second quarter of 2009, following significant inventory drawdowns at the beginning of the year.

Equity markets made strong gains in 2009, but did not reach levels observed before the crisis. The massive injections of liquidity helped to keep interest rates very low. It is encouraging to note that credit-risk premiums are now returning to normal.

The gradual recovery now taking shape points to moderate growth in 2010. At the start of the year, the IMF forecast that global economic growth would return to around 4% after a worldwide recession in 2009. Emerging economies are expected to be the main drivers, with growth rates ranging from 5% for Brazil to 10% for China, whereas the pace for developed countries will be much more sedate: 1% in the euro zone and 3% in the USA. A number of structural problems remain unresolved, including excess debt in the USA, the interdependence of the USA and China, the hesitant rise in consumer spending and persistently high unemployment. The last two points are linked, as unemployment is one of the main obstacles to a renewed upturn in household spending.

### Slowdown in the Swiss economy in 2009

Swiss economic growth dropped from 3% at the beginning of 2008 to 1.6% at the end of the year before turning negative in 2009. The decline in GDP reached 1.6% according to year-end estimates from the State Secretariat for Economic Affairs (SECO). Exports, which had been a source of support in previous years, fell by 9.7% in 2009 according to SECO, wiping out three years of growth and dealing a blow to many secondary sectors that are highly dependent on foreign markets, including machine tools, instrument manufacturing, chemicals and watch-making.

Imports and investment also followed a downward slope, but construction held up well. Household consumption showed an aggregate rise of 0.9% at the end of June despite some signs of weakening. In line with this, the consumer confidence index hit a historic low in July before picking up slightly in October.

Labor-market conditions deteriorated throughout the year. A very frequent response to the worsening business climate was to shorten working hours, putting workers on partial unemployment benefits, and by the end of October the number of workers and firms affected by this measure was 43 times higher than in the same period of 2008. The annual unemployment rate averaged 3.6%, compared with 2.6% in the previous year. Despite increasing signs of an economic recovery, some observers expect this figure to reach 6% or more in 2010.

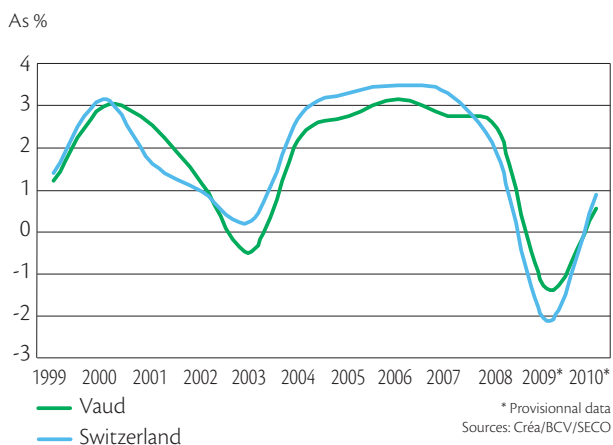
In early December 2009, SECO confirmed certain indications of recovery. In the middle of that month, the government's group of expert economic advisers expressed the opinion that these indications warranted some optimism for 2010. But business and economic institutes are nevertheless forecasting another slack year, with GDP rising just 0.7%. Against this backdrop and given the absence of any inflationary pressures, the Swiss National Bank stuck to its accommodating monetary policy and kept interest rates historically low. At the end of 2009, the target range for the 3-month Swiss franc LIBOR was still 0-0.75%.

### Resilient Vaud economy

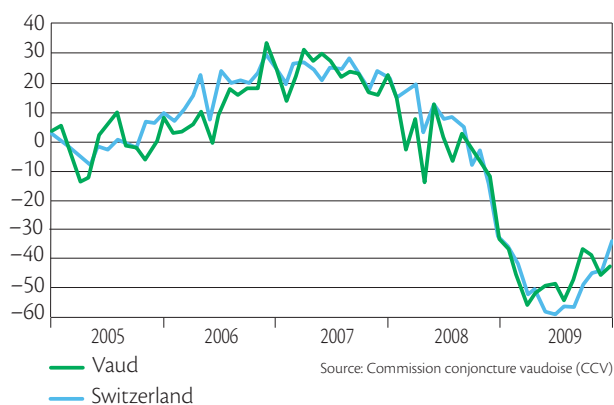
Like the Swiss economy as a whole, Vaud Canton's economy dipped into recession in the fourth quarter of 2008 and emerged from it in the third quarter of 2009 (see figure 1). Créa (the Lausanne University Institute for Applied Macroeconomics) expects a fall of 1.3% in the Canton's GDP for full-year 2009.

Figure 1 shows GDP taking an abrupt, steep turn for the worse until August 2009, then picking up again in the third quarter. The same trend was apparent in the Canton's exports, which registered a drop of over 14% at the end of June compared with the record levels posted one year earlier. Exports then staged a gradual recovery to set the full-year decline at 7%. In this regard, it is worth noting that the year-end composite index of business sentiment points to a weaker recovery in Vaud Canton than in Switzerland as a whole (figure 2).

**Figure 1**  
Annual change in Vaud and Swiss GDP since 1999



**Figure 2**  
Composite index of business sentiment



In more qualitative terms, a limited improvement was confirmed by the Vaud Chamber of Commerce and Industry's autumn survey covering 854 businesses in the secondary and tertiary sectors, which together represent 16% of the Canton's working population. Business levels were judged satisfactory by 67% of respondents in manufacturing and by 78% in services, compared with only 58% in spring 2009. Anticipations for 2010 are flat, with 65% of respondents in manufacturing and 79% in services expecting conditions to be much the same as in 2009.

The same survey revealed a high degree of caution among respondents. Although Vaud businesses invested over CHF 1.8bn in Switzerland and other countries in 2009 compared with less than CHF 1bn the previous year, they indicated that they would be cutting outlays by nearly half in 2010.

This situation weighed on the Canton's labor market, leading to a steep rise in short-time working. At the end of 2009, reduced working hours were authorized for 295 companies employing 6,082 people compared with 30 companies employing 464 people a year earlier. Partial unemployment thus affected 1.6% of the Canton's working population in 2009.

### Employment trend by sector

	2009	2010 <sup>1</sup>
Primary	↘	↘
Secondary	↓	↘
Tertiary	↘	↗

<sup>1</sup>) Expected trend

Source: BCV

### Vaud Canton and Switzerland in figures

	Vaud	Suisse
Area	3 212 km <sup>2</sup>	41 285 km <sup>2</sup>
Population (end-2008)	684 317 inhabitants	7 701 856 inhabitants
Population density	213 inhabitants/km <sup>2</sup>	186 inhabitants/km <sup>2</sup>
Working population (end-2008)	373 600	4 375 374
Number of companies (2008 federal survey)	37 207	451 758
Primary sector	12%	14%
Secondary sector	16%	17%
Tertiary sector	72%	69%
Jobs (2008 federal survey)	340 141	4 193 044
Primary sector	4%	4%
Secondary sector	17%	25%
Tertiary sector	79%	71%
Unemployment rate (2009 average)	5.1%	3.7%
GDP (2009 est.)	CHF 36.5bn	CHF 484bn
GDP / 100 inhabitants	CHF 5.3m	CHF 6.3m
Budget (2010)	CHF 7.5bn	CHF 60.5bn
Budget / 100 inhabitants	CHF 1.1m	CHF 7.9m
Public debt (2009 est.)	CHF 2.7bn	CHF 129.3bn
Public debt / 100 inhabitants	CHF 0.4m	CHF 1.6m

Sources: 2008 federal survey, FSO, Créa, Sagefi, FDF, cantons

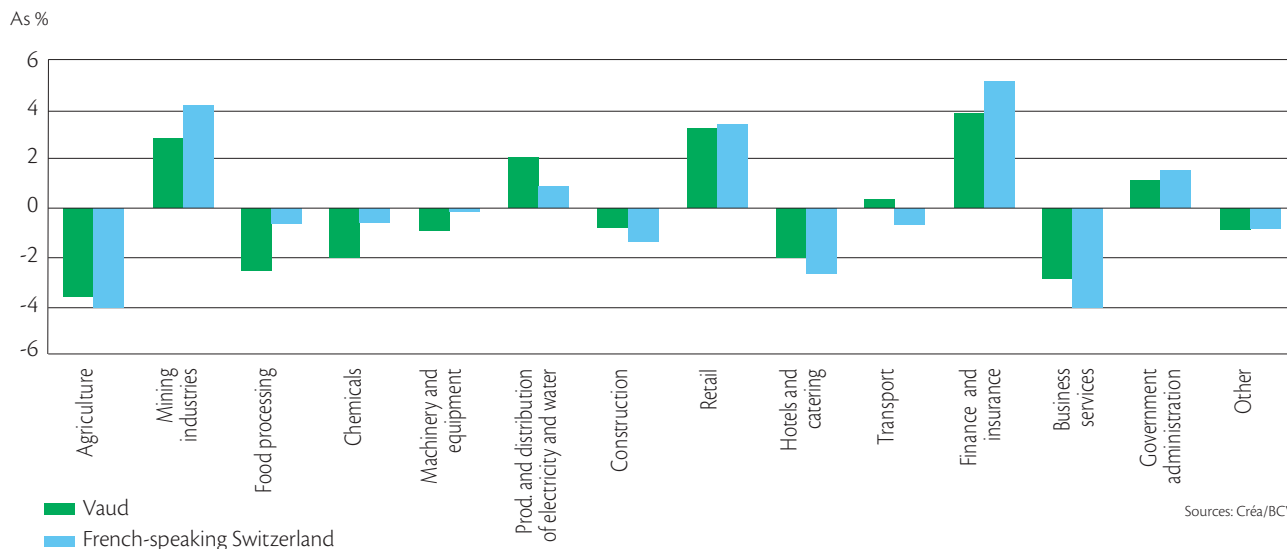
Unemployment in Vaud, which is generally higher than the Swiss average, rose rapidly in 2009 to reach 5.9% at the end of the year. This compares with 4.3% at the end of 2008. The average for Vaud was 5.1% in 2009. Worst affected was the Canton's capital Lausanne, with a jobless rate of 7.6%. The only districts where the level stayed below 5% were Gros-de-Vaud (4%) and Lavaux (4.1%).

During the year, unemployment rose most steeply in the secondary sector, particularly in export-dependent segments such as chemicals, machinery and precision technologies. The impact was also felt throughout the tertiary sector, especially in business and IT services. Unemployment levels rose at a slower pace in retailing, which accounted for 14% of jobseekers, as well as in public administration, education, healthcare and social services. The economic distress in 2009 was reflected in a 22% rise in bankruptcies in the Canton, although this is still less than the figure for Switzerland as a whole (25%).

### Vaud shows continued appeal

The Canton's economy deteriorated in 2009 but remains healthy and continues to attract outsiders. The Vaud population increased by 16,341 (+2.4%) in 2008; this was the highest rate of all Swiss cantons and compares with a national average of +1.4%. Even more tellingly, 92% of this increase is attributable to newcomers, i.e., people from other parts of Switzerland or other countries. Indeed, a survey conducted by a leading bank found the regions of Lausanne, Vevey-Montreux and Nyon to be the preferred locations for foreigners coming to live in Switzerland, while Nyon and Morges seem to be particularly popular with Swiss citizens moving to Vaud.

**Figure 3**  
**Expected trend by sector for 2010**



## Primary sector

### Farming and wine-making: fair weather

According to the latest federal business census, the primary sector accounts for 4% of employment in the Canton, where approximately 4,500 farms and vineyards were operated either as a main or secondary business in 2009. This sector accounted for roughly 1.8% of cantonal GDP compared with the Swiss average of 1.6%, according to figures published by the Federal Statistical Office (FSO). Its contribution to total value added in the Canton, however, has been declining for several years (see figure 4).

The FSO data show that primary sector output was worth CHF 1.2bn in 2009, down 4% on the 2008 figure. This trend has been underway for several years now and is mainly attributable to declining prices for agricultural products. Alongside Bern and Lucerne, Vaud is one of the three cantons with the largest primary sectors and accounts for 11% of Switzerland's total agricultural output in terms of value. As in previous years, weather conditions were unfavorable in 2009.

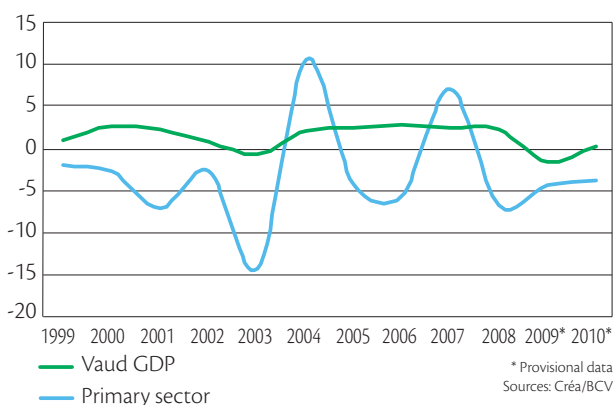
Vaud's crop production for the year was once again the highest of any Swiss canton. At CHF 787m, which includes CHF 224m for the wine harvest, the Canton led the country in the production of grain, industrial crops (tobacco, canola, etc.), potatoes, fresh vegetables and grapes. Despite a dry spell in the spring and hailstorms over the summer, the weather at harvest time was generally favorable (and even excellent for beetroot and grain). Volumes sometimes fell short of expectations, particularly for fruit growers.

The grape harvest yielded 29m liters of new wine with a value of CHF 224m. The yield declined 1% versus 2008 owing to hailstorms in some areas, and inventories contracted further in the course of the year. Some observers nevertheless consider the quality of the harvest as outstanding, with the Cantonal Office for Viticulture calling the 2009 vintage one of the best in over half a century. This underpinned the special efforts made to promote and market Vaud wines.

Finally, the value of livestock production declined 8% to CHF 308m. The drop was particularly marked in the case of beef and milk (down 11% on 2008).

**Figure 4**  
Annual change in Vaud GDP and the primary sector

Real data as %



## Secondary sector

The Canton's manufacturing sector felt the effects of the recession in 2009 (see figure 5). Production started to sag in the closing quarter of 2008, and this trend continued throughout most of the year under review. Order books were lower than a year earlier. Surveys show that all sectors of industry were affected, with food processing, chemicals, precision electronics and optics, and machinery more exposed due to their reliance on exports.

## International trade

The international trade operations of local businesses were particularly hard-hit by the global economic downturn last year. SCRIS (Vaud Canton's statistical service) reported declines in both imports (-14%) and exports (-7%). Exports totaled CHF 11.8bn in 2009, with EU countries again taking the lion's share (69%) (see figure 6).

## Technology

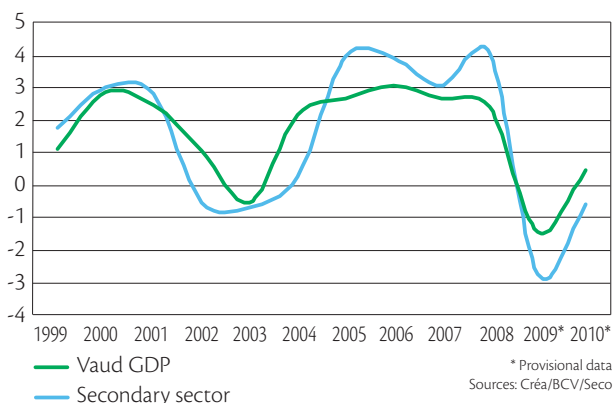
Medium- and high-tech industries are the biggest contributors to the Canton's exports. They include chemicals, machinery and equipment, precision instruments and watch-making, production of transport equipment and medical instruments. According to a sector study published recently by BCV, medium- and high-tech industries account for 6% of employment and 9% of value added in the Canton.

In 2009, the sector ran into difficulties due to sluggish exports. The machinery segment suffered particularly badly, with value added dropping nearly 6% compared with a decline of 1.3% for the Canton's economy as a whole.

Prospects for the sector look brighter in 2010. Signs of recovery emerged around the middle of 2009, suggesting that exports had bottomed out at that point. Lausanne University's Créa Institute expects machinery production to return to breakeven this year.

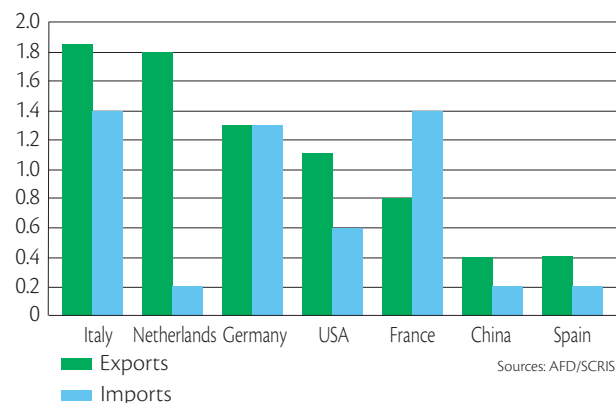
**Figure 5**  
Annual change in Vaud GDP and the secondary sector

Real data as %



**Figure 6**  
Vaud's main trading partners in 2009

In CHF billions





### Construction

According to the latest federal business census, construction accounts for 8% of businesses in the Canton and 7% of employment in the secondary and tertiary sectors. It also represents 5% of the Canton's total value added. Trends for the sector were uneven in 2009 (see figure 7).

Construction-related investments in the Canton totaled CHF 3.8bn in 2008, with residential construction alone accounting for just over CHF 2bn (54%).

In 2009, housing needs were largely satisfied and investment steadied. Applications for building permits nonetheless showed a significant rise in the first half of the year, reaching 2,128 and representing a total of CHF 2.5bn. This was 6% more than in the same period of 2008.

According to the autumn survey conducted by KOF (the Zurich University Institute for Economic Research), the sector outlook for 2010 is more difficult in terms of revenues, new orders and jobs.

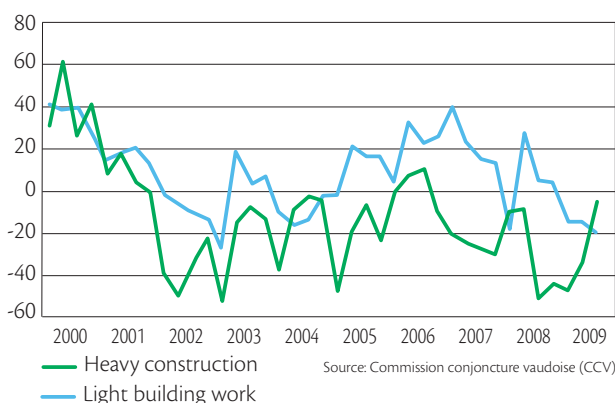
### Tertiary sector

The Canton's economy is dominated by the tertiary sector (see figure 8), which accounts for over 75% of the 340,000 jobs in the canton and an equivalent share of value added.

The largest sub-sector is made up of public administration, healthcare, education and social services. This represents 30% of value added in the tertiary sector and 22% of value added for the Canton as a whole. Other contributors are retail and wholesale distribution (20% of value added in the sector), business services (16%), and banking and insurance (11%).

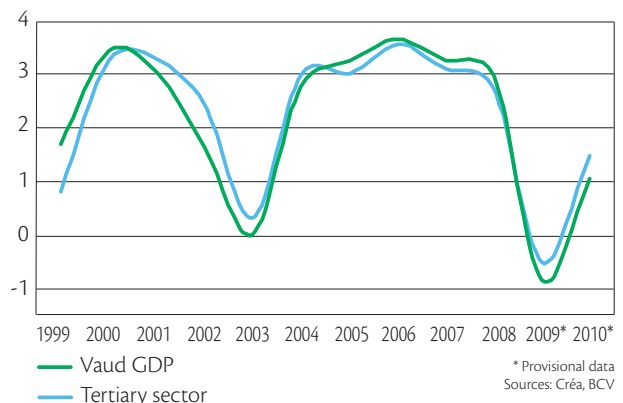
**Figure 7**  
Index of business sentiment in the Vaud construction industry

Net positive and negative responses



**Figure 8**  
Annual change in Vaud GDP and the tertiary sector

Real data as %



### Administration, healthcare and social services

The Canton of Vaud has for several years successfully pursued budgetary policies designed to whittle away its operating deficit and reduce debt. These efforts translated into substantial surpluses in 2008 and 2009, leading to a significant reduction in debt to less than CHF 3bn. For 2009, public debt is expected to be less than 8% of GDP.

The budget for 2010 is counter-cyclical, combining sizeable increases in investment with tax cuts. The public and semi-public sectors, which together account for 22% of the Canton's value added, should be an effective stabilizer for GDP. According to the Vaud Cantonal Government, however, the budget risks arising from federal measures and the economic downturn could lead to a gradual rise in the Canton's indebtedness in the years ahead.

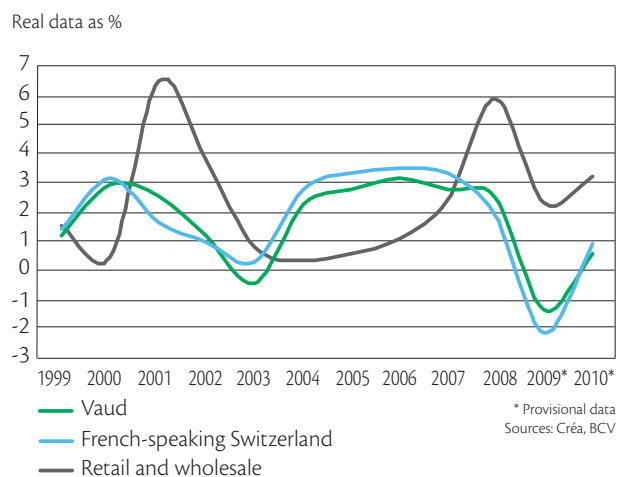
### Wholesale and retail distribution

Consumer spending in the Canton was very brisk in 2009 and followed the overall trend in Switzerland, where it provided a significant stimulus to GDP growth. This sector, which brings in 15% of the Canton's total value added, did well in the year under review.

The wholesale and retail distribution sector's value added has grown considerably faster than Vaud GDP as a whole since 2008 (see figure 9).

However, consumer spending was marked by a significant decline in new-vehicle registrations last year. They were down 6.8% at the end of December, whereas used-car registrations rose by 6%. This parallels a broad behavioral shift among consumers, who are more inclined to save their money than to make certain large purchases and who look for better value in everyday products.

Figure 9  
Annual change in consumer spending



### Real estate

The Vaud real-estate market remained extremely dynamic in 2009, with persistently strong demand outstripping the supply of rental properties in the most attractive areas. Shortages in the Lake Geneva Region continued to exert upward pressure on prices in neighboring regions both within Vaud and in other cantons.

The economic downturn therefore had little effect. The scarcity of building land in attractive locations supported both rents and prices for single-family homes and apartments. This was not, however, the case for commercial real estate, which was clearly hit by the deteriorating economic conditions.

### Services

According to the Vaud Chamber of Commerce and Industry's most recent survey, two out of ten respondents found business trends for this sector unfavorable in 2009.

However, in the same survey, nearly seven out of ten respondents stated that they had made investments in the course of the year. Out of a total of CHF 1.7bn, 21% was invested within the Canton.

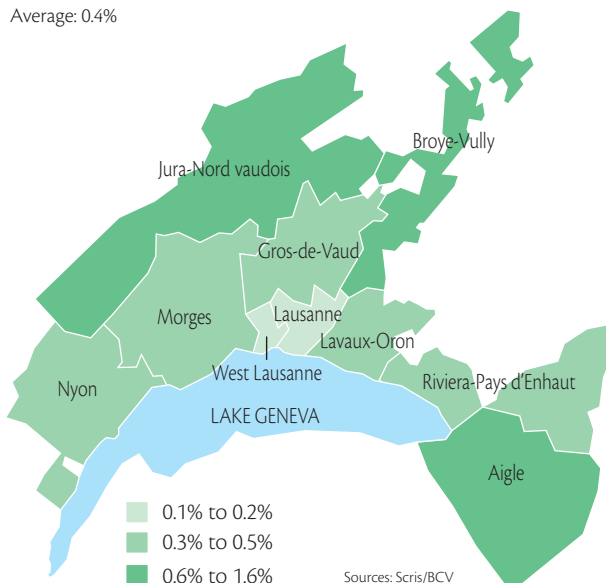
At the beginning of autumn, service companies took a glum view of prospects for 2010. Two out of ten expected business to be slack in the six months ahead. Respondents also reported plans for investments totaling CHF 778m – down 50% from 2009 – with close to 54% earmarked for the Canton.

### Financial services

Banking and other financial services provide around 18,000 jobs in the Canton, representing over 5% of total tertiary sector employment and generating 9% of value added. The financial sector also plays an important economic role, as it is the Canton's biggest taxpayer and accounts for 11% of its budget revenue. The financial crisis had an impact on business in 2009, but the strong focus on the domestic market in both mortgage lending and wealth management, combined with broad diversification, generally enabled the Vaud financial sector to weather the crisis.

**Figure 10**  
**Vacancy rate in Vaud housing sector**

Average: 0.4%



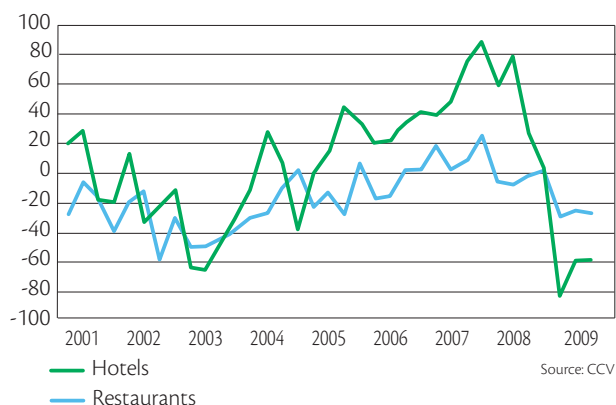
## Hospitality services

Tourism is a mainstay of the local economy, with direct and indirect economic benefits totaling an annual CHF 5bn, including CHF 2bn for Lausanne alone. This is particularly true in the Alps, where tourism provides close to 20% of all jobs. A study commissioned by SELT, the Vaud government department responsible for tourism, estimated that tourism accounts for 7.2% of GDP and, directly and indirectly, nearly 9% of employment in the Canton. Hotels and restaurants, the backbone of the sector, represent only 2% of GDP but 5% of employment.

After firming up in 2008, the sector's performance was more mixed in 2009. Restaurants, with their traditionally fragile financial structure, suffered from more restrained spending by both private and business customers. Hotels bore the full brunt of the financial crisis, with the number of overnight stays down 5.6% by end-December compared with an average decline of 4.7% for Switzerland as a whole. The sector had a good 2008-2009 winter season, as skier-days in Vaud mountain resorts rose by nearly 6% over the previous season. Hotels then experienced a continuous deterioration in business as a result of the economic downturn and the strength of the Swiss franc. By the end of 2009, occupancy had fallen below 50% compared with nearly 70% a year earlier (see figure 11).

**Figure 11**  
*Business sentiment trend: hotels and restaurants in Vaud*

Net positive responses



## District roundup

**Broye.** In the primary sector, production volumes were healthy but prices came under heavy downward pressure. Apart from that, the district appears to have been largely spared by the crisis, benefiting from the presence of construction firms, whose order books remained well filled in 2009. Conditions were tougher for subcontractors in the mechanical engineering, watch-making and automotive branches, however, where significant declines in sales were observed.

**Nord Vaudois.** The secondary sector had a difficult year in this region, as was the case throughout the Canton. Sales were down by around a third for subcontractors and export-dependent businesses. Real estate remained very firm, providing growth momentum for local builders. Secondary-sector companies will face another difficult year in 2010.

**Nyon.** The primary sector had an excellent year with bumper grain and grape harvests. On the other hand, conditions in the secondary sector were difficult for watch-making and automotive subcontractors. Trends in construction were very brisk, as this region has the highest population growth in the Canton. The tertiary sector was buoyed by firm consumer demand, except in luxury segments.

**Morges.** The performance of the primary sector has been steady for several years. For winegrowers, 2009 was a very good year marked by the introduction of numerous new grape varieties and blends. In the secondary sector (excluding construction), several industrial parks were established in recent months. Some small and medium-sized businesses operating as subcontractors had a difficult time in 2009. The economic recovery is likely to be very weak in 2010. Construction is still booming, and the scarcity of available land is pushing prices up, especially following the arrival of several multinational businesses.

**Lausanne.** Secondary-sector businesses in and around the Canton's capital were hard hit by the crisis. Sales were down by as much as 50%, particularly for subcontractors, forcing firms to resort to short-time working. Construction held up well, as it was boosted by large development projects. Business diversification enabled the tertiary sector to weather the economic difficulties, with the exception of the hotel and catering industry.

**Gros-de-Vaud.** In the primary sector, some areas were hit by summer hailstorms, and dairy farmers had to cope with volatile milk prices. In manufacturing, subcontractors in precision mechanics suffered declines in orders and had to put some employees on short hours. Construction revenues were firm. The tertiary sector also did well, buoyed in part by a rise in the population.

**Lavaux.** Winegrowers had an excellent harvest. The region's manufacturers and builders also had a good year, and prospects for both areas of activity are favorable in 2010.

**Riviera.** Trends were uneven in 2009. Hotels and other tourism-related businesses felt the fallout from the economic downturn. Private schools and clinics continued to show robust growth, as did real estate in general. The real-estate market remains extremely buoyant, reflecting the chronic shortage of building land caused by continued high demand for single-family homes.

**Chablais.** The 2009 grape harvest was remarkable in terms of both quantity and quality. In the secondary sector, manufacturing and building were resilient in the face of the crisis. In 2010, construction activity in the lower altitudes will contract somewhat compared with previous years but will remain firm.

## Outlook

Lausanne University's Créa Institute sees a modest recovery taking shape for Vaud Canton in 2010, reflecting the general trend for Switzerland and the rest of the world. The strength and duration of this recovery remain uncertain. The real-estate market looks set to remain stable, as firm demand for housing is underpinned by low interest rates and a low vacancy rate.

*Sources: OECD, SECO (State Secretariat for Economic Affairs), Swiss National Bank, KOF (Zurich University Institute for Economic Research), Créa (Lausanne University Institute for Applied Macroeconomics), SCRIS (Vaud Canton statistics bureau), Observatoire cantonal du logement (government agency monitoring the Vaud Canton housing market), SELT (economy, housing and tourism department of the Vaud Cantonal Government), BCV's property-market research team, CVCI (Vaud Chamber of Commerce and Industry), Laurent Vanat Consultant, CS Research, Dun & Bradstreet, BCV's regional managers, and the Observatoire BCV de l'économie vaudoise (which monitors the local economy).*

*We managed through  
the crisis in 2009, delivering  
very strong financials  
thanks to a resilient business  
model and a prudent,  
rigorous approach.*

Despite the challenging economic environment, BCV achieved strong growth in business volumes in 2009. Revenues grew by 5%, operating profit was up 11%, and net profit was above the CHF 300m mark. These results confirm the robustness of BCV's business model in difficult times and demonstrate solid customer trust in the Bank.

We started implementing our new strategy, known as *BCVPlus*, in 2009. As part of this, front-line operations were reorganized into four divisions with a resolutely customer-driven focus. In addition, three new members joined the Executive Board, and a strategic, multi-year program of operational initiatives got underway.

## Markets and business volumes

One of the most serious financial crises in modern history began in 2008. The interbank money market ground to a halt, forcing central banks to step in with large liquidity injections. The financial crisis then turned into a worldwide recession, which did not spare Switzerland. According to the State Secretariat for Economic Affairs (SECO), Swiss GDP fell by 1.6% in 2009.

Although conditions gradually improved over the course of 2009, the lack of confidence in certain financial institutions persisted. Thanks to BCV's strong local franchise and moderate risk profile, however, the Bank was able to capture new business, attracting CHF 3.1bn in net new money. Assets under management were also boosted by the stockmarket rally, rising from CHF 66.8bn to CHF 76.2bn by year-end.

Switzerland has been under pressure in offshore private banking, and it is not yet clear how this will play out. As our focus is on onshore clients, we are less affected by this issue than other banks. However, we are monitoring the situation closely.

We attracted new business in wealth management for onshore clients in Switzerland throughout 2009, boosted by our solid reputation and the impressive performance of our investment policy. We plan to maintain our efforts in this area, making private banking and institutional asset management in Switzerland one of our main growth drivers.

The Vaud real-estate market showed remarkable overall resilience, as low vacancy rates in the Lake Geneva region's housing market supported the property sector in 2009. Our mortgage business registered further growth, with lending up CHF 1.5bn or 9%. While taking a balanced and cautious approach, we continued to help customers purchase their own home and kept our lending standards unchanged. Other loans to customers were stable at CHF 5.5bn.

## Financial results

Revenues rose by 5% to CHF 976m in 2009. Despite the sharp increase in business volumes, interest income was practically unchanged, rising by 1% to CHF 508m. This was due to the cautious approach taken with regard to substantial fund inflows, which were placed with the Swiss National Bank and in top-grade bonds.

Fee and commission income fell by 3% to CHF 329m. Fees and commissions on lending operations expanded on the back of strong business volumes, while those on wealth management activities declined as a result of stockmarket conditions.

Trading income came in at CHF 99m, bouncing back from CHF 37m in 2008 when the equity-derivative business posted a loss in the first quarter. This strong performance was especially satisfying given the sharp reduction in the Bank's risk profile following our full withdrawal from the proprietary equity-derivative trading business line.

As expected, other ordinary income declined (-13% to CHF 41m). This reflects a fall-off in sales of financial investments, which had been at very high levels in previous years as a result of the realignment strategy.

We maintained a firm grip on costs, and total operating expenses held steady at CHF 506m. Personnel costs rose by 2% to CHF 316m, partly owing to the recruitment of new wealth management advisors. Other operating expenses fell by 3% to CHF 189m.

Driven by revenue growth combined with strict cost control, operating profit grew by 11% to CHF 470m, up from CHF 423m in 2008.

Value adjustments, provisions and losses stood at CHF 18m, a figure that illustrated the resilience of our loan book. With the strategic realignment on core businesses now complete, extraordinary income returned to normal levels, down from CHF 130m to CHF 17m. The tax burden amounted to CHF 88m, for a tax rate of 23%. Despite the decline in extraordinary items, net profit remained very solid at CHF 301m.

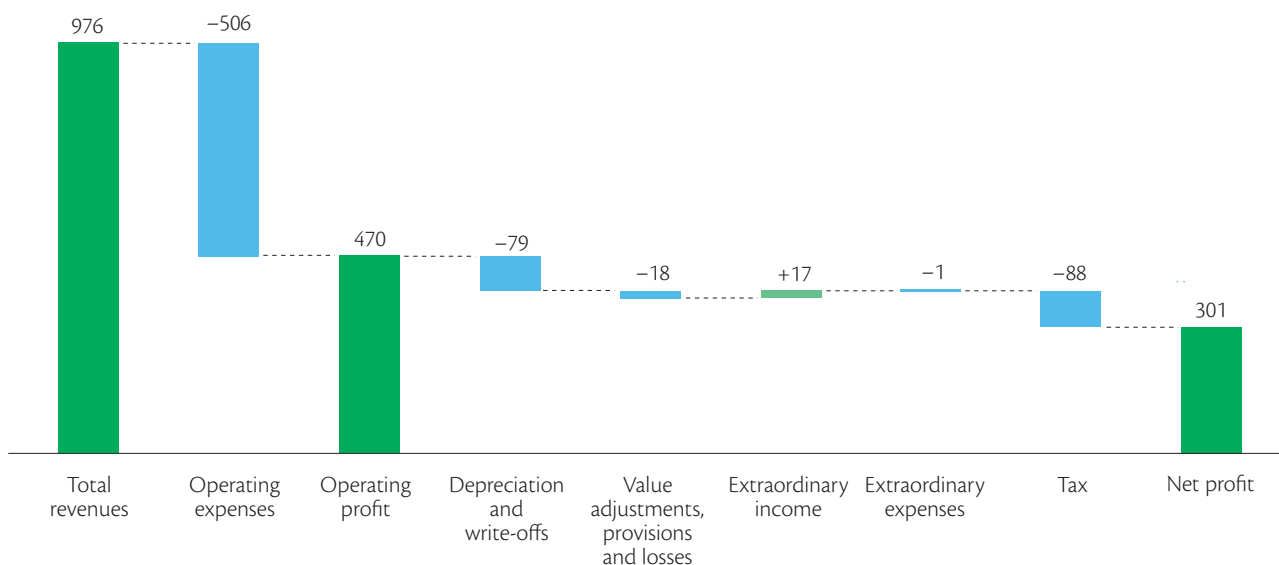
Higher revenues and tight cost control led to an improvement in the cost/income ratio from 63% to 60%. Our prudent approach to liquidity management pushed the net interest margin down from 1.51% to 1.45%. With extraordinary income returning to normal, the return on equity was slightly lower than in 2008, at 9.5%. Our FINMA capital adequacy ratio remained comfortable at 176%.

## Business sector overview

### Retail Banking

In an environment marked by the financial and economic crisis, our retail customers demonstrated their continued trust in BCV's solidity and stability. This resulted in a significant increase in business volumes throughout 2009. The mortgage book grew by 4% to CHF 6.2bn, and customer deposits were up 8% to CHF 6.8bn. Revenues rose by 4% to CHF 215m. There was even stronger growth in operating profit, which increased by 6% to CHF 111m due to tight cost control. As part of the *BCVPlus* strategy, Retail Banking carried out a comprehensive review of its operations, including the sector's sales and marketing approach. The results of this review will be implemented over the next few years in order to further enhance customer service.

BCV's 2009 results: from total revenues to net profit – CHF millions









Place de l'Europe, Lausanne, November 2009

### Corporate Banking

Corporate Banking delivered solid growth in 2009. Lending to companies in Vaud Canton and the rest of Switzerland, particularly real-estate financing, increased substantially, and we signed new contracts with leading corporations. In our trade-finance business, we took a cautious approach after the collapse of commodity prices in late 2008. Driven by BCV's strong relationships with companies in Vaud and across Switzerland, lending volumes grew by 6% to CHF 14.1bn, while deposits increased by 9% to CHF 6.6bn. Revenues rose by 7% to CHF 302m, and operating profit was up by 9% to CHF 249m. Despite the challenging economic environment, new credit risk provisions remained under control. Corporate Banking reviewed its SME strategy in 2009, with the principal aim of enhancing its products and advisory services.

### Wealth Management

The strong customer trust enjoyed by BCV boosted net new money inflows from institutional and private clients in 2009, even as some of our competitors experienced difficulties. Assets under management grew by 16% to CHF 58.4bn. There was a significant rise in mortgage lending to private banking clients, which was up 14% to CHF 4.5bn. With overall conditions still difficult, however, revenues fell 3% to CHF 377m and operating profit dropped 4% to CHF 231m. Switzerland has been under pressure in offshore private banking recently, and it is not yet clear how this will play out. As our focus is on onshore business, we are less affected by this issue than other Swiss banks but we are monitoring the situation closely. In 2009, we reorganized our wealth management activities by creating two divisions, Private Banking and Asset Management & Trading. Two new Executive Board members were appointed to run these divisions.

### Trading

Equity markets fell sharply in the first quarter of 2009. The year also brought high volatility in the forex market. In April, equities started a rally that lasted until the end of the year. Trading volumes recovered and volatility returned to normal, including in the forex market. We sharply curtailed our proprietary trading activities, withdrawing from the equity-derivative trading business line. As a result, risk levels fell markedly. Our trading room now focuses on executing customer-driven transactions. After a poor performance in equity-derivative trading in 2008, revenues rose by 47% to CHF 55m, boosted by forex volumes. Operating profit nearly tripled to CHF 26m.

### Highlights of the year

#### Majority shareholder

On 15 April 2008, the Vaud Cantonal Government (VCG) was authorized to reduce the Canton's stake in BCV from 66.95% to its historical level of 50.12%. On 25 November 2008, the VCG announced that it would not make a final decision on whether to reduce Vaud's holding in BCV's capital until 2010. On 9 December 2009, BCV and the VCG updated the information-exchange agreement that governs communications between the two entities. The VCG also renewed the four-year terms of office of three of the four members it appoints to BCV's Board of Directors: Olivier Steimer (Chairman), Luc Recordon and Paul-André Sanglard. The term of office of Vaud Canton's fourth appointee, Stephan Bachmann, began two years ago and was therefore not up for renewal.

#### New organization and new Executive Board members

In accordance with the announcement made in late 2008, the new organization, featuring four strongly customer-oriented front-line divisions and a new division dedicated to credit decisions, was put in place. This led to the appointment of four new members to the Executive Board.

Thomas W. Paulsen, formerly Chief Risk Officer, joined the Executive Board on 1 January 2009 as CFO and head of the Finance & Risks Division.

Stefan Bichsel joined BCV on 1 May 2009. He is head of the new Asset Management & Trading Division, which encompasses BCV's fund management, investment policy, institutional asset management and trading activities. Mr. Bichsel has acquired extensive experience in institutional asset management both within Switzerland and abroad and is ideally suited to lead our targeted expansion in this area.

Gérard Haerberli became head of the new Private Banking Division on 1 July 2009. This division comprises BCV's activities in private banking, international private banking, financial protection and planning, and external asset management services. Thanks to his in-depth knowledge of Vaud Canton and French-speaking Switzerland in general, together with his broad experience in private banking, Mr. Haerberli is particularly well qualified to spearhead the targeted expansion of BCV's wealth management activities.

More recently, on 15 February 2010, Bertrand Sager, formerly head of the Credit Recovery Management department, became Chief Credit Officer and head of the Credit Management Division.

Olivier Cavaleri, head of the former Trading Division, and Serge Meyer, Chief Credit Officer, left BCV in 2009. Christopher E. Preston, head of the former Wealth Management Division, left the parent company on 31 March 2009 to take on a new role as CEO of BCV subsidiary Banque Piguet & Cie SA.

### **Par-value reimbursement and dividend payment**

For the second consecutive year, BCV maintained the dividend policy and equity-optimization strategy introduced in 2008. The Bank distributed CHF 172m to shareholders in the form of a dividend in May 2009 and carried out a par-value reimbursement totaling CHF 86m in July 2009. Of the CHF 258m paid out to shareholders in 2009, Vaud Canton received CHF 173m.

### **Withdrawal from proprietary equity-derivative trading**

Following our 2008 business review and our decision to focus trading activities on customer-driven transactions, we fully withdrew from the proprietary equity-derivative trading business line in 2009.

### **Immobiliervaudois.ch: an ambitious new website**

Leveraging our position as a major player in Vaud Canton's real-estate market, we launched a free web-based classified ad service for the Canton's residents, [www.immobiliervaudois.ch](http://www.immobiliervaudois.ch). The site lets property buyers and sellers place ads. It also offers services such as email and text-message alerts, maps and a mortgage calculator. Whereas traditional property websites charge both real-estate professionals and individuals a fee for their ads, [immobiliervaudois.ch](http://www.immobiliervaudois.ch) is free of charge. The website has attracted around 117,000 visitors since it was launched on 25 May 2009, and it lists more than 1,800 properties on average.

## **Key projects and investments**

### **BCVPlus strategic program**

We embarked on a major, multi-year program of initiatives aimed at improving our operating procedures, making execution more efficient and achieving excellent customer service. The program includes initiatives to simplify processes, enhance the performance of IT systems, introduce a performance management framework and improve customer service.

### **Basel II**

BCV became the only Swiss cantonal bank to obtain IRB-F (Internal Ratings-Based Foundation approach) approval in late 2008. The Bank's Basel II Pillar 3 report is now available on the BCV website. This half-yearly report provides information on governance and risk-management methods, along with figures on our capital adequacy and risk profile.

### **Investments**

In each of the past three years, we have invested between CHF 70m and CHF 90m in infrastructure, equipment, and IT maintenance and development.

## Strategy and outlook

We adopted the *BCVPlus* strategy in November 2008. Under *BCVPlus*, we are focusing our efforts on business development in core markets, while enhancing growth and optimizing our overall risk profile. As a result, our development priorities are clearly defined. We are targeting:

- renewed impetus in retail banking, particularly mortgage lending, by improving front-line execution and overall sales-support efficiency while tapping into the potential inherent in our large client base;
- growth in private wealth management, primarily in Vaud, and institutional asset management both within Vaud Canton and elsewhere in Switzerland;
- a greater role for SME-related activities;
- enhanced volumes and profitability in the Trade Finance and Large Corporates business lines, in accordance with the Bank's risk profile;
- a significant reduction in proprietary risk-taking in trading activities, which will now center on customer-driven business volumes, following our withdrawal from the proprietary equity-derivative trading business line;

We believe that one of the key success factors for *BCVPlus* will be establishing a common culture, shared by all our employees. Consequently, we have identified four fundamental values – professionalism, responsibility, performance and close ties to our customers and the community at large. We are strongly promoting these values across the organization. We want our people to have a common understanding of them, take them to heart and incorporate them into their day-to-day activities.

From this foundation, we intend to generate sustainable growth and stable earnings going forward.

## Financial targets

Under our new strategy, we are aiming to increase revenues by 4-5% and operating profit by 5-8% per year. Long-term targets include a return on equity of 13-14% and a cost/income ratio of 57-59%. These strategic objectives should be viewed from a multi-year perspective.

In the coming years, we intend to pay a stable ordinary dividend, which may rise gradually within a range of CHF 20 to CHF 25 per share, depending on business growth. We will also optimize our equity capital through annual par-value reimbursements of CHF 10 per share. As reported in late 2008, and barring significant changes in the economic and regulatory environment, we intend to maintain these distribution levels over the next four to five years. This should gradually bring our FINMA capital adequacy ratio down to 145%, equivalent to a BIS Tier 1 ratio of 13%.

## Business trends at the main subsidiaries

### Banque Piguet & Cie SA

After a 27% decline in 2008, assets under management rose by 11% to CHF 4.7bn, mainly due to stronger financial markets and rising asset prices. Net new money remained positive at CHF 145m. Revenues fell by 21% to CHF 44m, while net profit declined by 48% to CHF 5m.

Banque Piguet completed the sale of its representative office in Hong Kong in 2009.

### Gérifonds

Total assets held by the 103 Swiss-registered funds administered by *Gérifonds SA* rose by 27% and ended the period at CHF 16.8bn. The number of funds administered grew by 12.

Assets under management also increased (+27% to CHF 7.7bn). The number of funds managed by *Gérifonds SA* rose by 15 to 79, of which 61 were registered in Switzerland and 18 in Luxembourg.

*Gérifonds SA* also welcomed four new business partner firms, three in Switzerland and one in Luxembourg.

In an increasingly competitive operating environment, revenues fell by 8% to CHF 13m, and net profit declined by 13% to CHF 3m.

*BCV Group's activities are of four types: retail banking, corporate banking, wealth management and trading.*

## Retail Banking

### Highlights

**In an environment marked by the financial and economic crisis, our retail customers demonstrated their continued trust in BCV's solidity and stability. This resulted in a significant increase in business volumes throughout 2009.**

**The mortgage book grew by 4% to CHF 6.2bn, and customer deposits were up 8% to CHF 6.8bn.**

**Revenues rose by 4% to CHF 215m. There was even stronger growth in operating profit, which increased by 6% to CHF 111m due to tight cost control.**

**As part of the BCV*Plus* strategy, Retail Banking carried out a comprehensive review of its operations, including the sector's sales and marketing approach. The results of this review will be implemented over the next few years in order to further enhance customer service.**

### Business and strategy

At end-2009, Retail Banking employed 405 people, serving the banking needs of individuals with assets of up to CHF 250,000 or mortgages of up to CHF 1.2m. In addition to the usual current accounts, savings accounts and credit cards, BCV offers a full range of banking products such as mortgages, investment funds and financial planning services, along with online trading via our e-SIDER.com platform. In 2009, the Sector enhanced its range of mortgage products by adding loans that encourage environmentally friendly construction and renovation work.

Most of BCV's customers first come to the Bank for retail banking services. We offer an unrivaled range of distribution channels. Customers can do their banking via 68 staffed retail locations, a network of 180 ATMs, a highly efficient call center and an internet banking platform that is used by more than 100,000 clients. Our retail banking operations are an integral part of our image as the bank of choice for local residents. We work closely with customers from day one of the relationship, and provide ongoing support through our broad array of services. Retail Banking also provides a pool of potential customers for BCV's Wealth Management Sector.

Retail Banking also functions as a natural training ground for the Bank's staff. Many employees working in BCV's other business areas started their career with a trainee program, work placement or on-the-job training in the Retail Banking Division. The Sector continues to fulfill this role, and frequently transfers staff to BCV's other divisions.

## Market and competitive environment

Economic conditions were tough in 2009, and this prompted numerous customers to switch their allegiance to cantonal and regional banks. Competition remained stiff, however, as reflected in continuing pressure on margins.

Swiss consumer spending, which has an influence on banking activity, was stable despite the economic slowdown. Yet consumer confidence dropped substantially, which drove strong demand for savings products.

Demand for real estate remained firm because of factors such as the low vacancy rate (0.4%), population growth in Vaud Canton and attractive interest rates. The mortgage market in Switzerland as a whole continued to experience growth, expanding by 5.2% in 2009.

According to an independent report published in 2009, BCV maintained a high penetration rate in Vaud Canton, at around 50%. (This rate is defined as the number of banking relationships divided by the number of survey respondents.)

## 2009: business report

Business volumes expanded strongly in 2009. The mortgage book grew by 4% to CHF 6.2bn, and savings were up 8% to CHF 6.8bn.

Revenues rose by 4% to CHF 215m, and operating profit increased by 6% to CHF 111m.

In 2009, we undertook major initiatives to improve our retail banking sales and marketing approach. Large-scale changes will be implemented over the next two years. One such change concerns our branch managers, whose role and visibility have been enhanced, to position them as ambassadors of BCV in the local community. Going forward, the call center will focus on customer service, and online facilities will be made more user-friendly, with new features being added in response to the changing needs of our customers. Retail Banking also plans to develop new ways of managing its sales force and arranging meetings between clients and advisors.

BCV also consolidated its position as a leading player in the mortgage market by launching a free real-estate classified-ad website, [www.immobiliervaudois.ch](http://www.immobiliervaudois.ch).

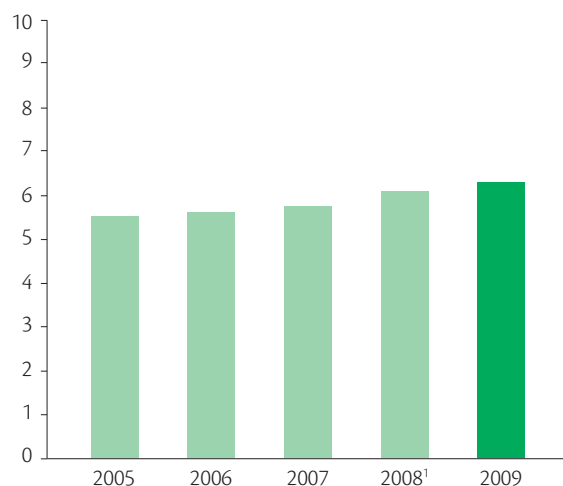


## 2010: objectives and outlook

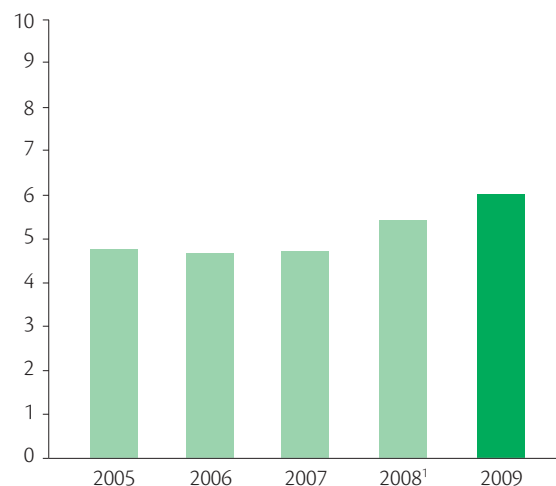
We intend to keep the retail banking customers who came to us during the financial crisis and further grow our market share. We will also press ahead with our new retail banking sales and marketing approach, in order to enhance our service quality and gain new customers. Concretely, we intend to improve sales-force management and front-line execution. Our goal here is two-fold: more customer-facing time for our advisors and more effective use of that time, for maximum responsiveness to our customers' needs.

## 2005 – 2009 financial data

### Mortgages and other loans and advances to customers – CHF billions



### Savings and investments – CHF billions



## Key figures

	2009	2008
Total revenues (CHF millions)	214.6	206.9
Operating profit (CHF millions)	110.6	104.4
Cost / income ratio (excluding goodwill amortization and write-downs)	70%	72%
ROE (based on operating profit after depreciation and write-downs) <sup>2</sup>	46.7%	18.5%
Headcount	405	411

<sup>1</sup>) To facilitate like-for-like comparisons, 2008 figures were adjusted following a market resegmentation and the resulting transfer of Wealth Management and Retail Banking clients.

<sup>2</sup>) As of 2009, ROE is determined according to Basel II internal ratings-based capital requirements (previously determined according to Basel I requirements).

## Corporate Banking

### Highlights

**Corporate Banking delivered solid growth in 2009. Lending to companies in Vaud Canton and the rest of Switzerland, particularly real-estate financing, increased substantially, and we signed new contracts with leading corporations. In our trade-finance business, we took a cautious approach after the collapse of commodity prices in late 2008.**

**Driven by BCV's strong relationships with companies in Vaud and across Switzerland, lending volumes grew by 6% to CHF 14.1bn, while deposits increased by 9% to CHF 6.6bn.**

**Revenues rose by 7% to CHF 302m, and operating profit was up by 9% to CHF 249m.**

**Despite the challenging economic environment, new credit risk provisions remained under control.**

**Corporate Banking reviewed its SME strategy in 2009, with the principal aim of enhancing its products and advisory services.**

### Business and strategy

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

Our Corporate Banking Sector continued to expand its SME customer base in order to consolidate its already-strong presence in the local economy. Currently, half of the Canton's SMEs bank with BCV.

In the Large Corporates segment, BCV has relationships with two-thirds of Vaud's leading companies. We also offer 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 companies. BCV has recognized strengths in serving these companies, particularly those dealing in metals and softs. Within this segment, we specialize in a few key markets and systematically monitor all transactions that we finance. The Trade Finance department handles transaction financing requests from trading companies, most of which are based in Switzerland and operate mainly in Eastern Europe, the Middle East, the Mediterranean region, North America and parts of South America.

### Market and competitive environment

Overall, Vaud SMEs have so far proven resilient to the economic crisis, since they were relatively well capitalized and their management was quick to respond when the first signs of a slowdown appeared. The Vaud real-estate sector has come through particularly well, as illustrated by demand for building permits, which has remained stable.

The financial crisis prompted several foreign banks to scale back their activities in the Swiss market. Some large companies switched banks as a result, and this enabled BCV to sign new contracts with leading corporations.

The collapse in commodity prices in 2008 and the first quarter of 2009 created problems for certain trade-finance players. Industrial demand has since recovered and commodity prices have risen again, resulting in substantial business volumes. We continued to engage in trade-finance activities during this market turbulence but reduced our exposure.

### 2009: business report

Corporate Banking delivered an excellent performance in 2009. Revenues grew by 7% to CHF 302m, and business volumes rose as a result of two factors. First, lending increased by 6%, with the main growth drivers being real-estate professionals and large corporates. Second, the Sector experienced strong inflows of deposits, particularly from large corporates. Deposits rose by 9% from CHF 6.0bn in 2008 to CHF 6.6bn in 2009.

There was firm growth in revenues, which were up 7% to CHF 302m. Combined with tight cost control, this drove a 9% increase in operating profit to CHF 249m.

Credit risk provisions in Corporate Banking were slightly higher than the expected cycle-average level. Given the slump in commodity prices in late 2008 and the general economic slowdown, however, the corporate loan book proved resilient.

Corporate Banking continued its efforts to cross-sell the products and services of other BCV business sectors, in particular occupational pension plans, forex products, structured products and wealth management services.

In 2009, Corporate Banking carried out a major review of its sales and marketing approach in the SME segment, including its customer segmentation and front-line management.

## 2010: objectives and outlook

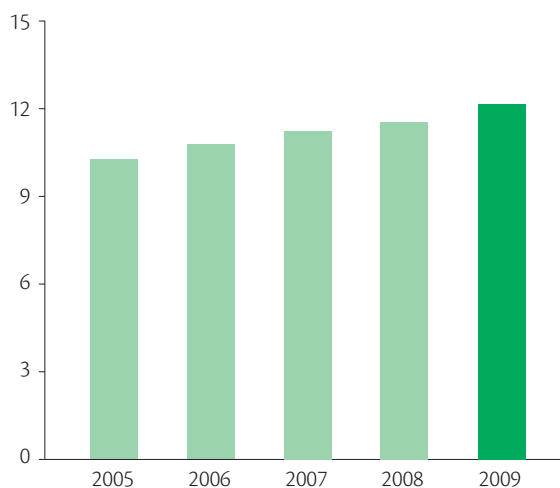
The Sector will implement a new market segmentation in 2010, with a view to offering the right services for each segment of its SME customers, as well as enhancing and adjusting processes and increasing the amount of time that advisors spend with customers. This will enhance our overall responsiveness to client needs. As part of this effort, our business banking hotline has proven its worth in establishing close partnerships with SMEs and in providing operational support to advisors. In 2010, the hotline will be given an even more prominent role, increasing operational efficiency.

Recent efforts to increase front-line effectiveness will enable our advisors to devote more time to SME customers and enhance service quality. BCV advisors will stand out for their on-the-ground presence, close ties with customers and professional approach to banking services and financial advice.

In the Large Corporates and Trade Finance segments, maximizing profitability is the key objective. These segments seek to expand business volumes in line with the economic environment.

## 2005 – 2009 financial data

Loans outstanding – CHF billions



Customer deposits – CHF billions



## Key figures

	2009	2008
Total revenues (CHF millions)	302.0	281.9
Operating profit (CHF millions)	248.6	229.0
Cost / income ratio (excluding goodwill amortization and write-downs)	33%	35%
ROE (based on operating profit after depreciation and write-downs) <sup>1)</sup>	19.6%	21.6%
Headcount	194	192

<sup>1)</sup> As of 2009, ROE is determined according to Basel II internal ratings-based capital requirements (previously determined according to Basel I requirements).

## Wealth Management

### Highlights

**The strong customer trust enjoyed by BCV boosted net new money inflows from institutional and private clients in 2009, even as some of our competitors experienced difficulties. Assets under management grew by 16% to CHF 58.4bn.**

**There was a significant rise in mortgage lending to private banking clients, which was up 14% to CHF 4.5bn.**

**With overall conditions still difficult, however, revenues fell 3% to CHF 377m and operating profit dropped 4% to CHF 231m.**

**Switzerland has been under pressure in offshore private banking recently, and it is not yet clear how this will play out. As our focus is on onshore business, we are less affected by this issue than other Swiss banks but we are monitoring the situation closely.**

**In 2009, we reorganized our wealth management activities by creating two divisions, Private Banking and Asset Management & Trading. Two new Executive Board members were appointed to run these divisions.**

### Business and strategy

BCV Group's wealth management business comprises the activities of the parent company and those of its subsidiaries Banque Piguet & Cie SA, G rifonds SA and GEP SA. Within the parent company, wealth management was allocated to two divisions in 2009. One division now deals with affluent and high-net-worth individuals, and the other with institutional investors. This separation shows our commitment to taking full advantage of growth opportunities in both these areas. BCV has 535 employees in wealth management and a major presence in private banking. We are also the Canton of Vaud's leading institutional asset manager.

In light of our region's strong potential in private banking, we are maintaining the growth strategy initiated in 2009. Because BCV operates in all areas of banking, efforts to attract private clients can be coordinated with other business sectors, creating valuable synergies. For example, our private banking business benefits from a steady stream of clients identified by the Retail Banking Sector, whose client base includes most individuals living in the Canton of Vaud, and by Corporate Banking, which is very active on the local business scene.

Both individuals and institutional investors have increasingly sophisticated needs. To meet these needs most effectively, we decided to combine our asset management and trading businesses within a single division. This combination enables the Sector to deliver enhanced customer service and offer a full range of investment products under one roof. Currently, one of Asset Management's distinguishing features is its discretionary management service for pension funds in both the French- and German-speaking parts of Switzerland. The aim is to continue developing this business and attract more institutional investors across Switzerland by promoting BCV's investment policy more aggressively and by creating high-performance financial products.

Banque Piguet & Cie SA, headquartered in Yverdon-les-Bains, has 119 staff and three branches in Geneva, Lausanne and Lugano. It is 85%-owned by BCV, and is run as an independently managed small private bank.

Gérifonds SA is a wholly owned subsidiary of BCV. It has 31 employees and provides fund-administration services, complementing BCV's asset-management activities. Gérifonds' expertise has enabled it to build a solid portfolio of clients outside BCV Group, and it leads the investment fund market in French-speaking Switzerland.

GEP SA is a wholly owned subsidiary of BCV with a staff of ten. It specializes in managing real-estate investment funds.

### **Market and competitive environment**

The Swiss banking industry is going through a turbulent period as a result of challenges to banking confidentiality. BCV has therefore set up a steering committee to ensure proper governance of its activities involving foreign customers and to address any potential changes.

As our main focus is on onshore clients, we are less affected by this situation than other banks in Switzerland. Our competitive position has also benefited from the difficulties experienced by the major Swiss banks. However, competition in private banking will intensify as new players arrive in Vaud Canton and banks that suffered during the crisis seek to rebuild their positions.

Despite increasingly fierce competition, both our private banking and institutional asset management businesses experienced growth in 2009. In Asset Management, our investment funds and mandates achieved excellent returns compared with our rivals and the broader market.

### **2009: business report**

Business volumes showed strong growth in 2009. Assets under management rose by 16% to CHF 58.4bn, due in part to the stockmarket rally in the second half of 2009. Net new money inflows from individual Swiss clients were also particularly robust. The mortgage book grew by 14% to CHF 4.5bn.

Despite strong fund inflows, revenues fell by 3% to CHF 377m, and operating profit was down 4% at CHF 231m. This decline was due to reduced trading volumes and lower fees and commissions on wealth management activities linked to a lower average AuM in 2009.

## 2010: objectives and outlook

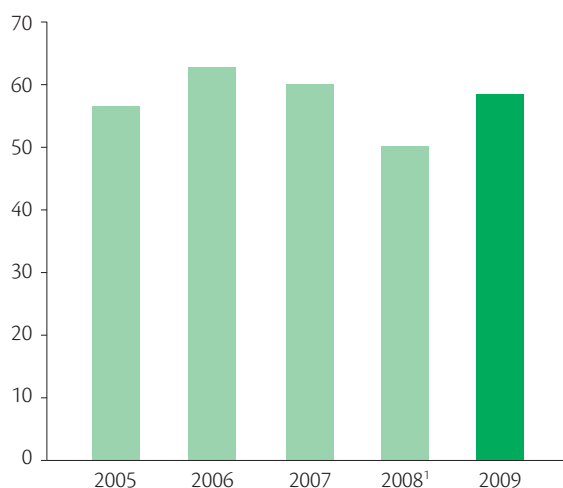
Wealth Management is benefiting from the momentum generated by the reorganization of front-line activities. We aim to become a leading player in private banking in Vaud Canton and to develop our institutional asset management business across Switzerland.

We intend to continue recruiting private banking advisors and press ahead with intensive efforts to increase our onshore market share. We will focus on developing business in certain niches that are currently underexploited. In 2010, the Sector will also start implementing measures under the *BCVPlus* project to streamline operations and enhance efficiency.

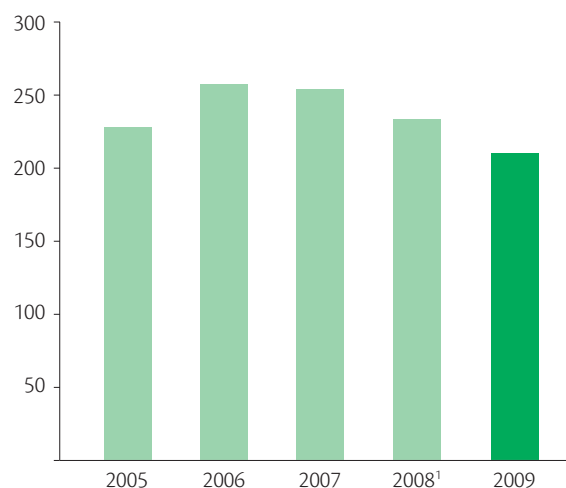
As a producer and provider of investment products, Asset Management will continue to look for ways to optimize its investment strategies and further improve its risk/return profile. The product range will be expanded, offering investors a more diverse choice of regions, asset classes and investment styles. Asset Management will step up efforts to win advisory and investment business from institutional investors in French-speaking Switzerland, and will expand into the German-speaking part of the country. To support this strategy, we will continue to bolster our sales force and make greater efforts to publicize the investment performance of BCV Asset Management, which has been among the best in the market for the last several years.

## 2005–2009 financial data

Assets under management – CHF billions



Fee and commission income – CHF millions



## Key figures

	2009	2008
Total revenues (CHF millions)	377.3	386.9
Operating profit (CHF millions)	230.9	240.6
Cost / income ratio (excluding goodwill amortization and write-downs)	50%	49%
ROE (based on operating profit after depreciation and write-downs) <sup>2</sup>	92.4%	71.8%
Headcount	535	527

<sup>1)</sup> To facilitate like-for-like comparisons, 2008 figures were adjusted following a market resegmentation and the resulting transfer of Wealth Management and Retail Banking clients.

<sup>2)</sup> As of 2009, ROE is determined according to Basel II internal ratings-based capital requirements (previously determined according to Basel I requirements).

## Trading

### Highlights

**Equity markets fell sharply in the first quarter of 2009. The year also brought high volatility in the forex market. In April, equities started a rally that lasted until the end of the year. Trading volumes recovered and volatility returned to normal, including in the forex market.**

**We sharply curtailed our proprietary trading activities, withdrawing from the equity-derivative trading business line. As a result, risk levels fell markedly. Our trading room now focuses on executing customer-driven transactions.**

**After a poor performance in equity-derivative trading in 2008, revenues rose by 47% to CHF 55m, boosted by forex volumes. Operating profit nearly tripled to CHF 26m.**

### Business and strategy

We aim to meet our customers' needs by offering them a broad array of products and services. To achieve this, we have one of the largest trading rooms in French-speaking Switzerland. Our traders operate directly on the following electronic exchanges: SIX Swiss Exchange, Xetra, Eurex and Scoach (Switzerland). We focus on investment and hedging products (equities, bonds, forex, derivatives and structured products) that are denominated primarily in Swiss francs and aimed at clients based mainly in Switzerland. More than a third of customers who trade currencies with BCV use our e-Forex trading platform.

The new strategy adopted by the Trading Sector in November 2008 has been successfully implemented. As part of this strategy, we completed our withdrawal from the proprietary equity-derivative trading business line in December 2009. Trading activities will now focus on customer-driven transactions and business volumes.

In 2009, BCV's trading activities were transferred to the new Asset Management & Trading Division, which encompasses the asset management, investment policy and trading businesses. This combination will enable us to make the most of synergies between the trading room and asset management, helping us to provide investment products that are responsive to customer needs and consistent with our investment policy.

### Market and competitive environment

2009 was a very turbulent year in the financial markets. The financial crisis caused equity markets to fall sharply in the first quarter, after which they rallied strongly. Trading declined on all markets, with SIX Swiss Exchange and Scoach experiencing a 23% decline in trading volumes and a 42% drop in value traded.

In the forex market, there were wide swings in the dollar, which initially rose before embarking on a long downtrend in March. The unusual conditions drove exceptional exchange-rate volatility in the first half of the year. This resulted in increased demand for forex hedging from companies, and new opportunities were created for investors. Things started to return to normal in the second half of 2009, as exemplified by the Swiss National Bank's intervention in the markets to stem a sharp rise in the Swiss franc.

### 2009: business report

The forex business generated excellent results, and equity-derivative earnings returned to normal. Overall, trading profits increased substantially.

2009 was a very good year for forex trading. Business was boosted by extreme volatility early in the year, and activity levels and revenues remained very strong despite the economic downturn.

A total of CHF 388m in structured products was issued, down from CHF 476m in 2008. The downward trend reversed in the summer, as investors seeking higher returns showed renewed interest in these products. As a result, the value of issues in the second half was more than 50% higher than in the first.

We gradually unwound proprietary positions on equity derivatives throughout 2009, and the remaining portfolio was sold at the end of the year.

In line with financial market trends, customer trading volumes grew strongly from March 2009 onwards, particularly in bonds, before slackening from October onwards.



Overall, trading revenues rose by 47% to CHF 55m. Operating profit jumped by 189% to CHF 26m.

We reduced the division's risk profile sharply, with VaR (1-day, 99%) falling from CHF 1.9m at 31 December 2008 to CHF 0.3m a year later (see page 153).

### 2010: objectives and outlook

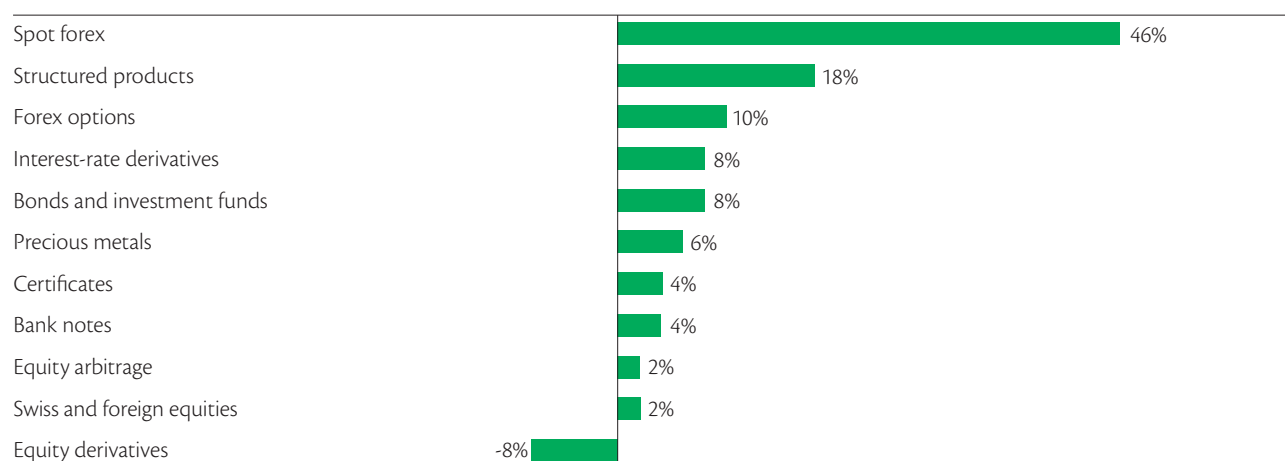
We have launched various initiatives to improve market positioning and customer service. These include enhancing our range of forex hedging and investment products and issuing new structured products. These efforts are aimed at supporting the business growth of BCV's trading activities.

Our product and service offering will now focus even more on transparency and simplicity, and on creating value for our customers.

Our new Asset Management & Trading Division will adopt a robust and consistent approach to ensure that the products we offer are perfectly responsive to the needs of our customers and investors.

### 2009 financial data

#### Breakdown of revenues by market segment



### Key figures

	2009	2008
Total revenues (CHF millions)	54.6	37.2
Operating profit (CHF millions)	25.7	8.9
Cost / income ratio (excluding goodwill amortization and write-downs)	60%	85%
ROE (based on operating profit after depreciation and write-downs) <sup>1)</sup>	32.7%	3.3%
Headcount	64	67

<sup>1)</sup> As of 2009, ROE is determined according to Basel II internal ratings-based capital requirements (previously determined according to Basel I requirements).

## BCV share price and SPI



Listed on:	SIX		
Par value:	CHF 20		
Swiss security number:	1 525 171		
ISIN code:	CH0015251710		
Ticker symbols:	Bloomberg: BCVN	Telekurs: BCVN	Reuters: BCVN.S

	2006	2007	2008	2009
Number of shares outstanding (thousands)	8,590	8,606	8,606	8,606
Period-end share price (in CHF)	587	501	318	411
Share price high/low (unadjusted, in CHF)				
– high	587	652	479	427
– low	389	480	249	260
EPS <sup>1</sup> (in CHF)	59.4	55.0	41.4	35.0
Adjusted EPS <sup>2</sup> (in CHF)	73.6	71.3	41.4	35.0
Dividend per share (in CHF)	7.0	14.0	20.0	21.0 <sup>3</sup>
Dividend yield <sup>4</sup> (%)	1.2	2.8	6.3	5.1
Total payout <sup>5</sup> (in CHF)	7.0	46.5	30.0	31.0 <sup>3</sup>
Total payout yield <sup>4</sup> (%)	1.2	9.3	9.4	7.5
S&P long-term credit rating	A / stable	A+ / stable	AA– / stable	AA– / stable
S&P short-term credit rating	A-1	A-1	A-1+	A-1+
Moody's long-term credit rating		A1 / stable	A1 / stable	A1 / stable
Moody's short-term credit rating		Prime-1	Prime-1	Prime-1

<sup>1)</sup> Based on net profit after minority interests and payment of a preferred dividend in 2006.

<sup>2)</sup> Based on net profit after minority interests and payment of a preferred dividend in 2006, and excluding an allocation to the reserves for general banking risks.

<sup>3)</sup> Dividend to be proposed at the Shareholders' Meeting of 29 April 2010.

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

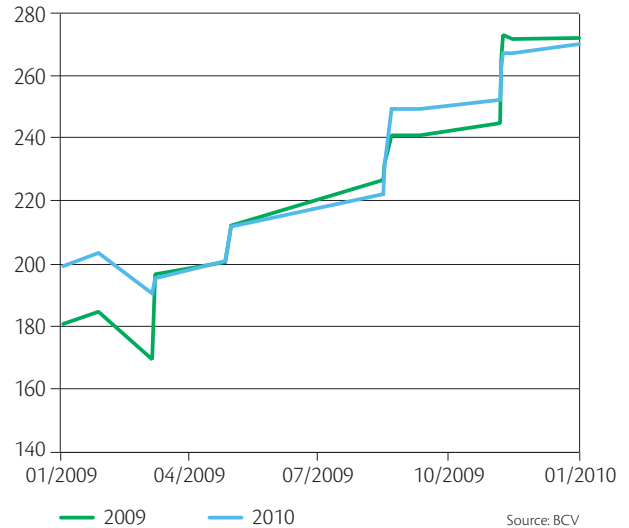
<sup>5)</sup> Total amount distributed to shareholders in the form of a dividend and a par-value reimbursement.

# INVESTOR INFORMATION

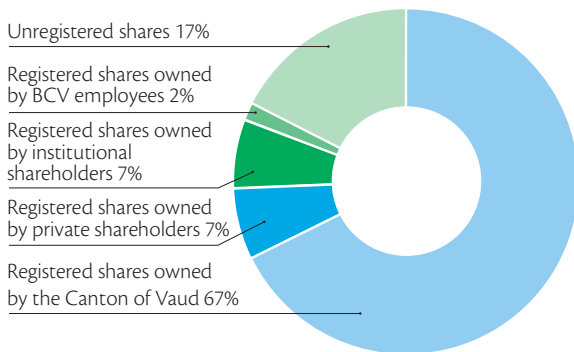
BCV's share price was up 33% year-on-year at the end of 2009, increasing the Group's market capitalization to CHF 3.5bn. Total shareholder return (the change in the share price plus the dividend and par-value reimbursement) was 40%. The BCV share performed better than the SIX Swiss Exchange's Swiss Performance Index (SPI), reflecting strong trust in the Group. BCV's shareholder structure was relatively stable, with share ownership continuing to grow among European fund managers. In line with the Bank's risk profile and its new strategy, the new dividend policy adopted in November 2008 is transparent and aims at generating attractive returns for shareholders over the long term. BCV also intends to further strengthen its ties with investors and to continuously improve its financial reporting and communications.

## BCV earnings: analyst consensus forecast

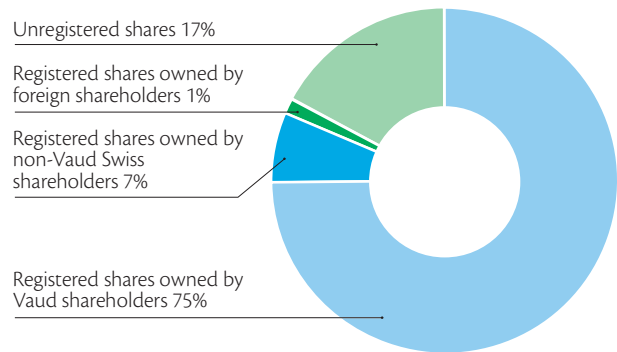
– at 8 February 2010  
– in CHF millions



## Share ownership structure



## Share ownership by geographical zone



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

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# Report on the Consolidated Financial Statements

## Robust growth in customer business volumes

### 1. Assets

Total assets were CHF 35.7bn, which represents a CHF 495m increase (+1%) compared with end-2008.

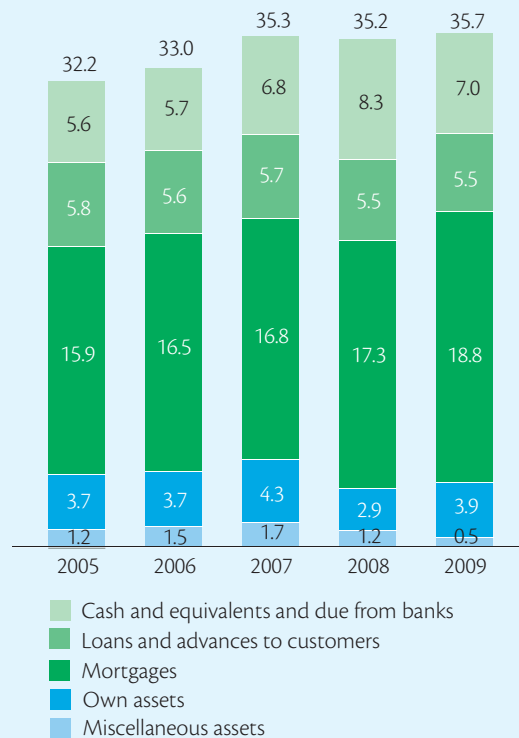
Amounts due from banks declined CHF 2.25bn to CHF 5.5bn. In order to limit bank-counterparty risk, significant funds were placed with the Swiss National Bank, increasing cash holdings there by CHF 859m, or invested in top-rated bonds (+CHF 1.32bn to CHF 2.9bn). This reflected the prudent approach to liquidity management taken during the period.

Loans outstanding increased CHF 1.48bn (+6%) to CHF 24.3bn, driven by a CHF 1.49bn rise in mortgage lending volumes (+9%) to CHF 18.8bn, while other loans and advances to customers remained stable at CHF 5.5bn.

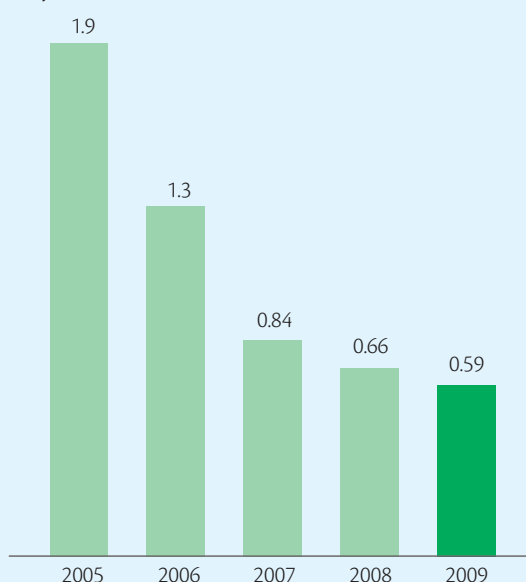
Trading portfolio assets decreased to CHF 0.4bn (–35%), in line with the Bank's decision to reduce proprietary trading activities. By end-2009, BCV had completely implemented the previously announced withdrawal from the proprietary equity-derivative business line.

Other assets declined CHF 664m to CHF 0.3bn, owing mainly to a drop in equity-derivative replacement values following BCV's withdrawal from this business line.

Assets – CHF billions



Impaired loans – CHF billions



## 2. Liabilities

Liabilities amounted to CHF 32.5bn, a CHF 450m increase compared with end-2008.

Amounts due to banks were down CHF 270m to CHF 2.1bn.

Customer deposits were up 8%, or CHF 1.7bn, to CHF 23.9bn. Customer savings deposits rose CHF 1.3bn (+15%) to CHF 9.8bn, and other customer accounts grew by CHF 502m (+4%) to CHF 13.6bn. Medium-term notes declined by CHF 103m, or 17%, to CHF 0.5bn.

Long-term borrowings fell CHF 318m (–5%) to CHF 5.6bn. This reduction was the result of a marked decline in borrowings from the central mortgage-bond institution (–CHF 26m), together with the redemption of a bond issue and a drop in structured products (a combined total of –CHF 292m).

Mirroring developments on the assets side, the item “Other liabilities” registered a decrease of CHF 539m (–57%) to CHF 0.4bn.

Value adjustments and provisions declined a further CHF 96m (–24%) to CHF 0.3bn.

## 3. Shareholders' equity

Shareholders' equity rose by CHF 45m to CHF 3.2bn. The net profit of CHF 301m for the year under review offset the par-value repayment (CHF 86m) and the parent-company dividend (CHF 172m).

### FINMA and BIS capital ratios

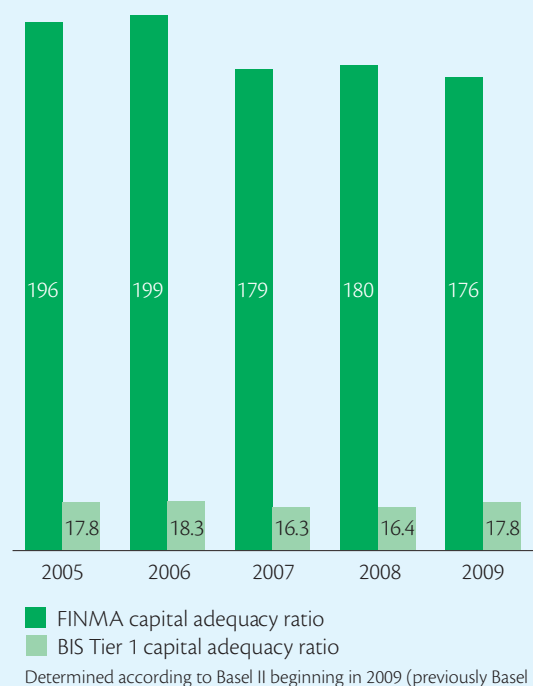
With respect to the legal minimum, the Group had surplus capital of CHF 1.3bn at end-2009. This equates to a FINMA capital adequacy ratio of 176%. The FINMA Tier 1 ratio is 14.1%; the more commonly used BIS Tier 1 ratio (Basel II IRB) is 17.8%.

See note under section 16.1 "Other information."

Liabilities – CHF billions



Capital adequacy ratios – as a %



## Substantial rise in AuM, with CHF 3.1bn in fund inflows

### 4. AuM (customer assets)

Group AuM climbed by CHF 9.4bn to CHF 76.2bn (+14%). Net new money for the period amounted to CHF 3.1bn.

## Income statement: very good results, with operating profit up 11%

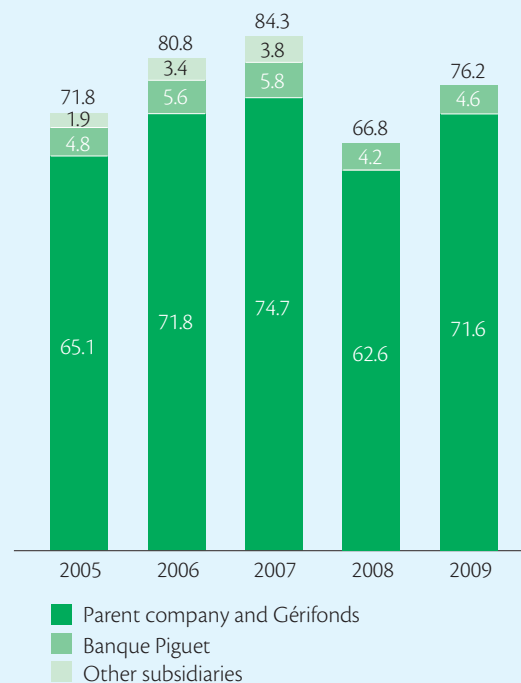
### 5. Revenues

Total revenues rose by 5% to CHF 975.6m.

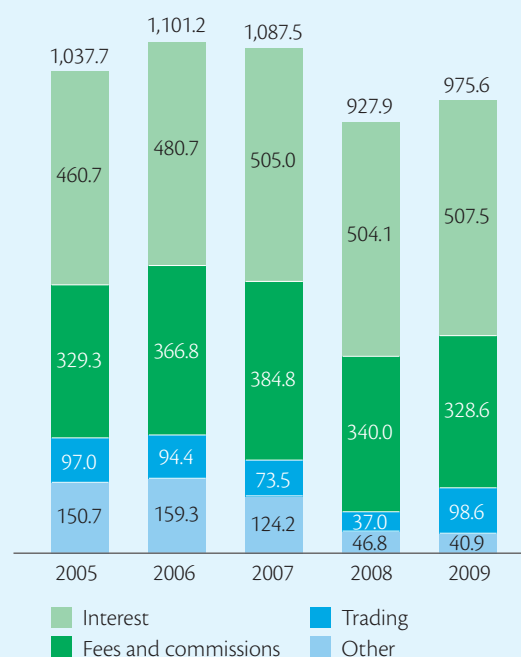
The various revenue streams contributed as follows:

- Interest income edged up 1% (+CHF 3.4m) to CHF 507.5m, compared with CHF 504.1m in 2008. The relative stability of this figure is the result of an increase in customer business volumes, and a 6 basis-point decline in the net interest margin to 1.45% (from 1.51% in 2008) reflecting the Bank's prudent liquidity management policy.
- Fee and commission income dropped just 3% to CHF 328.6m. This resilient overall performance reflects a 14% rise in fees and commissions on lending operations driven by strong business volumes, together with a 7% decline in fees and commissions on wealth management activities.

Assets under management – CHF billions



Revenues – CHF millions





- Trading income bounced back after a poor showing in 2008, coming in at CHF 98.6m even as the Bank's risk profile improved. Customer-driven forex transactions played a major role in this turnaround.
- Other ordinary income declined 13% to CHF 40.9m. This reflects a fall-off in sales of financial investments, which were at very high levels in recent years as a result of the Group's realignment strategy.

### 6. Operating expenses

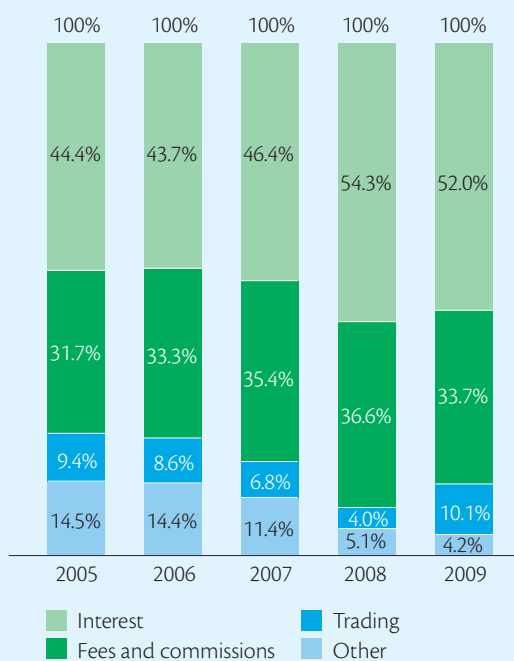
Total operating expenses were CHF 505.6m versus CHF 504.6m one year earlier. The CHF 1.0m increase is attributable to a CHF 6.1m rise in personnel costs that was largely offset by a CHF 5.1m decline in other operating expenses.

### 7. Operating profit

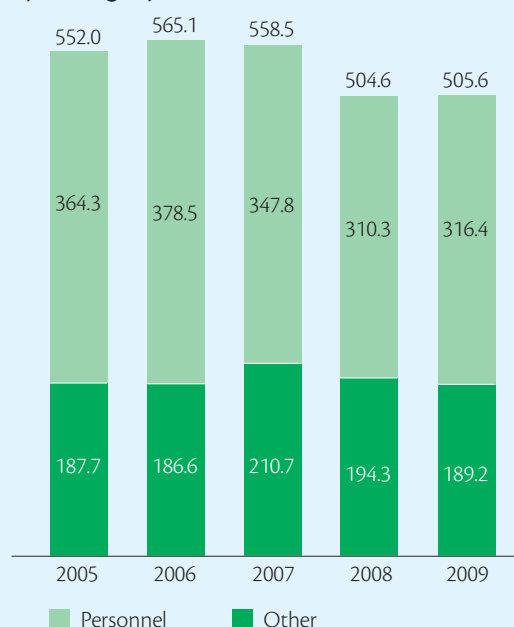
Operating profit rose by a strong 11% to CHF 470.0m, driven by revenue growth combined with strict cost control.

The cost/income ratio, which compares the sum of operating expenses, depreciation and write-offs with total income, improved to 60% from 63% at year-end 2008.

Revenues – breakdown



Operating expenses – CHF millions



## 8. Net profit

Net profit before minority interests fell CHF 56.3m (–16%) to CHF 301.4m, compared with CHF 357.7m in 2008.

Depreciation and write-offs on fixed assets expanded 3% to CHF 79.0m versus CHF 76.8m in 2008.

The need for new provisions remained moderate, testifying to the resilience of the Bank's loan book in an unfavorable economic environment. Value adjustments, provisions and losses were up 12% overall to CHF 18.0m.

As expected, extraordinary income decreased substantially to CHF 16.9m, which is 87% below the 2008 figure of CHF 129.5m. This was the primary factor in the decline in net profit; the difference between operating profit and net profit, which was quite low in recent years, has now returned to normal levels.

The Group's tax burden was CHF 88.2m compared with CHF 101.4m in 2008.

Operating and net profit – CHF millions



# Consolidated Financial Statements

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

	Notes <sup>1)</sup>	31 / 12 / 09	31 / 12 / 08	absolute	Change as %
Cash and cash equivalents	13.11	1 404.4	545.7	858.7	157
Money-market instruments	13.1/13.11	87.7	95.2	-7.5	-8
Due from banks	13.11	5 468.6	7 715.5	-2 246.9	-29
Loans and advances to customers	13.2/13.11	5 541.6	5 550.5	-8.9	-0
Mortgage loans	13.2/13.11	18 770.2	17 283.0	1 487.2	9
Trading portfolio assets	13.3/13.11	397.2	607.0	-209.8	-35
Financial investments	13.3/13.11	2 870.3	1 552.0	1 318.3	85
Non-consolidated holdings	13.3/13.4	80.8	81.8	-1.0	-1
Tangible fixed assets	13.4	597.3	607.2	-9.9	-2
Intangible assets	13.4	4.6	5.5	-0.9	-16
Accrued income and prepaid expenses		219.5	240.3	-20.8	-9
Other assets	13.5	290.8	954.8	-664.0	-70
<b>Assets</b>	13.6/13.14/13.15/13.16	<b>35 733.0</b>	<b>35 238.5</b>	<b>494.5</b>	<b>1</b>
Total subordinated assets		3.7	5.8	-2.1	-36
Total claims on non-consolidated holdings and significant shareholders		28.7	41.0	-12.3	-30
<i>of which claims on the Canton of Vaud</i>		2.0	9.2	-7.2	-78
Money-market paper issued	13.11	3.7	0.4	3.3	825
Due to banks	13.11	2 064.8	2 335.1	-270.3	-12
Customer savings and investment accounts	13.11	9 841.8	8 539.1	1 302.7	15
Other customer accounts	13.11	13 563.5	13 062.0	501.5	4
Medium-term notes	13.8/13.11	506.8	609.8	-103.0	-17
Bonds and mortgage-backed bonds	13.9/13.11	5 605.1	5 923.4	-318.3	-5
Accrued expenses and deferred income		225.5	257.3	-31.8	-12
Other liabilities	13.5	402.7	941.4	-538.7	-57
Value adjustments and provisions	13.2/13.10	297.3	393.1	-95.8	-24
<b>Liabilities</b>	13.7	<b>32 511.2</b>	<b>32 061.6</b>	<b>449.6</b>	<b>1</b>
Reserves for general banking risks	13.10	704.0	704.0	0	0
Equity capital		172.1	258.2	-86.1	-33
Capital reserve		356.9	354.7	2.2	1
Own equity securities		-7.2	-7.3	0.1	1
Retained earnings		1 681.0	1 497.0	184.0	12
Minority interests - equity		13.6	12.6	1.0	8
Net profit before minority interests		301.4	357.7	-56.3	-16
<i>Minority interests</i>		0.8	1.4	-0.6	-43
<b>Shareholders' equity</b>		<b>3 221.8</b>	<b>3 176.9</b>	<b>44.9</b>	<b>1</b>
<b>Total liabilities and shareholders' equity</b>	13.14/13.16	<b>35 733.0</b>	<b>35 238.5</b>	<b>494.5</b>	<b>1</b>
Total subordinated liabilities		121.0	132.3	-11.3	-9
Total liabilities to non-consolidated holdings and significant shareholders		1 646.3	1 239.1	407.2	33
<i>of which liabilities to the Canton of Vaud</i>		1 595.3	950.2	645.1	68

<sup>1)</sup> The notes are on pages 75 – 89.

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

	Notes <sup>1</sup>	31 / 12 / 09	31 / 12 / 08	absolute	Change as %
Irrevocable and similar guarantees		761.6	775.4	- 13.8	- 2
Other guarantees		554.5	455.7	98.8	22
<b>Contingent liabilities</b>	13.2	<b>1 316.1</b>	<b>1 231.1</b>	<b>85.0</b>	<b>7</b>
<b>Irrevocable commitments</b>	13.2	<b>802.3</b>	<b>726.2</b>	<b>76.1</b>	<b>10</b>
<i>of which commitments to make payments into a depositor protection fund</i>		148.9	153.0	- 4.1	- 3
<b>Commitments relating to calls on shares and other equity securities</b>	13.2	<b>97.7</b>	<b>100.1</b>	<b>- 2.4</b>	<b>- 2</b>
Commitments arising from deferred payments		82.7	54.6	28.1	51
<b>Confirmed credits</b>	13.2	<b>82.7</b>	<b>54.6</b>	<b>28.1</b>	<b>51</b>
<b>Derivative financial instruments</b>					
Gross positive replacement values	13.5/14.1	350.9	3 254.6	- 2 903.7	- 89
Gross negative replacement values	13.5/14.1	324.3	3 096.3	- 2 772.0	- 90
Values of underlyings	14.1	26 614.2	61 980.5	- 35 366.3	- 57
Fiduciary investments		856.5	1 385.6	- 529.1	- 38
Fiduciary loans and other fiduciary financial transactions		0	7.3	- 7.3	- 100
<b>Fiduciary transactions</b>		<b>856.5</b>	<b>1 392.9</b>	<b>- 536.4</b>	<b>- 39</b>

<sup>1)</sup> The notes are on pages 75 – 90.

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

	31 / 12 / 09	31 / 12 / 08	absolute	Change as %
Assets held by collective investment vehicles under own management	20 908	16 979	3 929	23
Assets under discretionary management agreements	9 707	8 763	944	11
Other assets	45 594	41 024	4 570	11
<b>Total customer assets (incl. double-counted)</b>	<b>76 209</b>	<b>66 766</b>	<b>9 443</b>	<b>14</b>
<i>of which double-counted</i>	7 361	6 948	413	6
<b>Net new money (incl. double-counted)</b>	<b>3 090</b>	<b>354</b>	<b>2 736</b>	<b>773</b>

The terms "customer assets" and "net new money" are defined in section 9.9 of the accounting principles sub-chapter.

4. Consolidated income statement (in CHF millions)

	Notes <sup>1</sup>	2009	2008	absolute	Change as %
Interest and discount income		783.3	1 023.2	- 239.9	- 23
Interest and dividend income from financial investments		51.2	43.1	8.1	19
Interest expense		- 327.0	- 562.2	- 235.2	- 42
<b>Net interest income</b>	15.1/15.2/15.12	<b>507.5</b>	<b>504.1</b>	<b>3.4</b>	<b>1</b>
Fees and commissions on lending operations <sup>2</sup>		58.9	51.5	7.4	14
Fees and commissions on securities and investment transactions		276.6	298.9	- 22.3	- 7
Fees and commissions on other services <sup>2</sup>		64.6	62.4	2.2	4
Fee and commission expense		- 71.5	- 72.8	- 1.3	- 2
<b>Net fee and commission income</b>	15.3/15.4/15.12	<b>328.6</b>	<b>340.0</b>	<b>- 11.4</b>	<b>- 3</b>
<b>Net trading income</b>	15.5	<b>98.6</b>	<b>37.0</b>	<b>61.6</b>	<b>166</b>
Profit on disposal of financial investments		14.9	24.9	- 10.0	- 40
Total income from holdings		7.8	5.0	2.8	56
<i>of which other non-consolidated holdings</i>		7.8	5.0	2.8	56
Real-estate income		11.2	12.5	- 1.3	- 10
Miscellaneous ordinary income		11.9	12.2	- 0.3	- 2
Miscellaneous ordinary expenses		- 4.9	- 7.8	- 2.9	- 37
<b>Other ordinary income</b>		<b>40.9</b>	<b>46.8</b>	<b>- 5.9</b>	<b>- 13</b>
<b>Total income from ordinary banking operations</b>		<b>975.6</b>	<b>927.9</b>	<b>47.7</b>	<b>5</b>
Personnel costs	15.6/15.12	- 316.4	- 310.3	6.1	2
Other operating expenses	15.7/15.12	- 189.2	- 194.3	- 5.1	- 3
<b>Operating expenses</b>		<b>- 505.6</b>	<b>- 504.6</b>	<b>1.0</b>	<b>0</b>
<b>Operating profit</b>		<b>470.0</b>	<b>423.3</b>	<b>46.7</b>	<b>11</b>
Depreciation and write-offs on fixed assets	13.4/15.8	- 79.0	- 76.8	2.2	3
Value adjustments, provisions and losses	13.10/15.9	- 18.0	- 16.1	1.9	12
<b>Profit on ordinary banking operations before extraordinary items and taxes</b>		<b>373.0</b>	<b>330.4</b>	<b>42.6</b>	<b>13</b>
Extraordinary income	13.10/15.10	16.9	129.5	- 112.6	- 87
Extraordinary expenses	15.11	- 0.3	- 0.8	- 0.5	- 63
Taxes		- 88.2	- 101.4	- 13.2	- 13
<b>Net profit before minority interests</b>		<b>301.4</b>	<b>357.7</b>	<b>- 56.3</b>	<b>- 16</b>
Minority interests		- 0.8	- 1.4	- 0.6	- 43
<b>Net profit</b>		<b>300.6</b>	<b>356.3</b>	<b>- 55.7</b>	<b>- 16</b>

<sup>1)</sup> The notes are on pages 75 – 93.

<sup>2)</sup> To facilitate like-for-like comparisons, 2008 figures were adjusted following the reclassification of certain fees and commissions.

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

	Notes <sup>1</sup>	2009		2008	
		Source of funds	Use of funds	Source of funds	Use of funds
Net profit for the year		301.4		357.7	
Depreciation and write-offs on fixed assets	15.8	79.0		76.8	
Value adjustments and provisions	13.10	89.6	66.7	94.7	137.0
Accrued and deferred items		20.8	31.8	32.2	111.2
Profit / loss (incl. affiliates accounted for using the equity method, sale of fixed assets)			1.7	1.7	
Dividend for the previous year			172.5		121.4
		<b>490.8</b>	<b>272.7</b>	<b>563.1</b>	<b>369.6</b>
<b>Net cash inflow / outflow from operations</b>		<b>218.1</b>	<b>0</b>	<b>193.5</b>	<b>0</b>
Equity capital			86.1		279.7
Own equity securities		27.6	25.3	12.4	10.2
Change in scope of consolidation, minority interests, effect of exchange-rate differences			0.2		7.0
		<b>27.6</b>	<b>111.6</b>	<b>12.4</b>	<b>296.9</b>
<b>Net cash inflow / outflow from equity transactions</b>		<b>0</b>	<b>84.0</b>	<b>0</b>	<b>284.5</b>
Holdings	13.4	2.1	2.4		
Real estate	13.4	4.3	3.8	9.8	5.4
Other tangible fixed assets	13.4		12.0	0.1	10.8
Computer programs	13.4		53.7		43.7
Goodwill	13.4			5.3	
		<b>6.4</b>	<b>71.9</b>	<b>15.2</b>	<b>59.9</b>
<b>Net cash inflow / outflow from investments</b>		<b>0</b>	<b>65.5</b>	<b>0</b>	<b>44.7</b>
<b>Cash flow from banking operations</b>					
Due to banks			25.0		
Customer accounts			59.8		106.3
Medium-term notes		75.1	178.1	318.4	113.3
Long-term borrowings	13.9	1 725.3	2 043.6	1 493.6	2 103.4
Savings and investment accounts		1 302.7		419.0	
Other liabilities			538.7		264.0
Due from banks			8.4		30.3
Loans and advances to customers			89.0	10.6	
Mortgage loans			1 487.2		494.8
Provisions as allocated	13.10		118.1		136.7
Financial investments			1 318.9	38.7	
Other receivables		664.0		449.5	
<b>Medium- and long-term operations (over 1 year)</b>		<b>3 767.1</b>	<b>5 866.8</b>	<b>2 729.8</b>	<b>3 248.8</b>
Money-market paper issued		3.3			4.6
Due to banks			245.3		137.2
Customer accounts		561.3		736.2	
Money-market instruments		7.5		4.9	
Due from banks		2 255.3			1 321.0
Loans and advances to customers		97.9		130.0	
Trading portfolio assets		209.8		1 439.0	
<b>Short-term operations</b>		<b>3 135.1</b>	<b>245.3</b>	<b>2 310.1</b>	<b>1 462.8</b>
<b>Cash and cash equivalents</b>			<b>858.7</b>		<b>192.6</b>
		<b>6 902.2</b>	<b>6 970.8</b>	<b>5 039.9</b>	<b>4 904.2</b>
<b>Net cash flow from banking operations</b>		<b>0</b>	<b>68.6</b>	<b>135.7</b>	<b>0</b>
		<b>218.1</b>	<b>218.1</b>	<b>329.2</b>	<b>329.2</b>

<sup>1)</sup> The notes are on pages 75 – 93.

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

	Equity capital	Capital reserve	Own equity securities	Retained earnings <sup>1</sup>	Effect of exchange-rate differences	Reserves for general banking risks	Equity - Group	Equity - minority interests	Total equity
<b>Status at 1 January 2008</b>	<b>537.9</b>	<b>352.8</b>	<b>-7.6</b>	<b>1 618.4</b>	<b>0.4</b>	<b>704.0</b>	<b>3 205.9</b>	<b>19.2</b>	<b>3 225.1</b>
2007 dividend				- 120.5			- 120.5	- 0.9	- 121.4
Share par-value reduction <sup>2</sup>	- 279.7						- 279.7		- 279.7
Purchases of own equity securities (at cost)			- 10.2				- 10.2		- 10.2
Sales of own equity securities (at cost)			10.5				10.5		10.5
Profit on disposal of own equity securities and dividends		1.9					1.9		1.9
Effect of exchange-rate differences					- 1.6		- 1.6		- 1.6
Changes in scope and / or minority interests				0.3			0.3	- 5.7	- 5.4
Net profit for the year				356.3			356.3	1.4	357.7
<b>Status at 31 December 2008</b>	<b>258.2</b>	<b>354.7</b>	<b>-7.3</b>	<b>1 854.5</b>	<b>- 1.2</b>	<b>704.0</b>	<b>3 162.9</b>	<b>14.0</b>	<b>3 176.9</b>
2008 dividend				- 172.1			- 172.1	- 0.4	- 172.5
Share par-value reduction <sup>2</sup>	- 86.1						- 86.1		- 86.1
Purchases of own equity securities (at cost)			- 25.3				- 25.3		- 25.3
Sales of own equity securities (at cost)			25.4				25.4		25.4
Profit on disposal of own equity securities and dividends		2.2					2.2		2.2
Effect of exchange-rate differences					- 0.2		- 0.2		- 0.2
Changes in scope and / or minority interests							0		0
Net profit for the year				300.6			300.6	0.8	301.4
<b>Status at 31 December 2009</b>	<b>172.1</b>	<b>356.9</b>	<b>-7.2</b>	<b>1 983.0</b>	<b>- 1.4</b>	<b>704.0</b>	<b>3 207.4</b>	<b>14.4</b>	<b>3 221.8</b>

Number of shares (in units)

	Total	Own equity securities
<b>Status at 1 January 2008</b>	<b>8 606 190</b>	<b>18 936</b>
Purchases		27 678
Sales		- 31 744
<b>Status at 31 December 2008</b>	<b>8 606 190</b>	<b>14 870</b>
Purchases		72 521
Sales		- 72 321
<b>Status at 31 December 2009</b>	<b>8 606 190</b>	<b>15 070</b>

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

<sup>2)</sup> This transaction is described in section 2.3 of the corporate governance chapter.

Percentage of ownership

Main shareholder, with voting rights

	31 / 12 / 09	31 / 12 / 08
Canton of Vaud, direct interest	66.95%	66.95%

## 7. Overview of operations and headcount

### 7.1 Overview of operations

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

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

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

The Bank has mandated the IBM banking IT center in Prilly to carry out activities that include data storage, operating and maintaining databases, operating IT systems, and printing and mailing banking documents. This form of IT systems management meets the legal requirements relative to outsourcing.

### 7.2 Headcount

Full-time equivalents	31 / 12 / 09	31 / 12 / 08
Group	1 939	1 914
of which parent company	1 790	1 765

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

### 8.1 Significant events

In December 2008, the Swiss Federal Tax Administration (FTA) asked BCV to pay CHF 150m, representing the sum of anticipatory taxes reimbursed to the Bank from 2004 to 2006 in connection with its equity-derivative trading activities.

BCV firmly opposed this request and asked FTA to reconsider its position. In 2003, with the support of a leading tax consultant, BCV had petitioned for and obtained FTA's agreement concerning BCV's right to reimbursement of the anticipatory tax. Surprisingly, FTA challenged retroactively the validity of that agreement.

In April 2009, FTA rendered a formal decision upholding its request of December 2008. BCV has lodged an appeal against this decision. The proceedings are in progress.

Citing reports by independent experts, the Bank is maintaining its position and has not created a provision for the amount claimed. It has, however, set aside a sum to cover estimated legal fees in the event of a dispute.

### 8.2 Events taking place after closing date

To the Group's knowledge, there was no event liable to have a material influence on the annual financial statements as of 5 March 2010, when the writing of this annual report was completed.



## 9. Accounting principles

### 9.1 Basis of preparation of consolidated financial statements

The consolidated financial statements of BCV Group have been prepared in accordance with the provisions of the Federal Act of 8 November 1934 on Banks and Savings Institutions, its Ordinance of 17 May 1972 and the Directives of 20 November 2008 governing the preparation of financial statements.

#### Changes to accounting principles

No changes were made to the accounting principles in 2009.

### 9.2 Scope of consolidation

Banks, financial companies and real-estate companies in which BCV directly or indirectly holds a majority of the share capital or voting rights are fully consolidated.

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

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

### 9.3 Basis of consolidation

Equity is consolidated using the purchase method. The acquisition cost of a holding is offset against the equity existing on the date on which control is transferred. Goodwill is carried on the balance sheet and amortized over its estimated useful life (maximum 20 years). Depending on its nature, any negative goodwill is allocated either to retained earnings or provisions.

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

### 9.4 True and fair view

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

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

### 9.5 Close of financial year

The accounts are closed at 31 December.

### 9.6 Proper registration of business transactions

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

### 9.7 Foreign-currency translation

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

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

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

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

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

Major currencies in CHF	Units	Rates at 31 / 12 / 09
Euro	1	1.4832
US dollar	1	1.0338
Pound sterling	1	1.6694
Japanese yen	100	1.1104

## 9.8 Presentation of individual line items

### 9.8.1 Cash and cash equivalents

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

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

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

### 9.8.3 Customer loans and advances, mortgages

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

Customer loans and advances are analyzed on an individual basis. Any provisions for impaired loans are booked in accordance with the principles set out in section 10.2 of the risk-assessment and risk-management principles sub-chapter. Interest and commissions overdue by more than 90 days are not entered in the income statement. They are instead booked directly to "Value adjustments and provisions."

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

### 9.8.4 Trading portfolio assets

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

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

### 9.8.5 Financial investments

This item comprises securities and precious metals acquired for medium- and long-term investment purposes, as well as equity securities held neither for trading nor as a long-term investment. Available-for-sale real estate acquired in connection with credit operations is also shown under this heading.

Held-to-maturity interest-bearing securities are carried at cost, with premiums or discounts (yield components) amortized over the term of the instrument. Gains and losses arising from their sale or early redemption are recorded proportionally up to the initial maturity date of the securities.

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

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

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

#### 9.8.6 Holdings

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

#### 9.8.7 Securities lending and repurchase agreements

Securities sold subject to a repurchase agreement (repos) and those lent (securities lending) remain on the balance sheet as trading or investment securities, provided that the Group continues to be the beneficial owner. Cash amounts received for the sale of these securities or as collateral for these loans are included under "Other customer accounts" or "Due to banks."

Securities acquired under commitments to sell back (reverse repos) and those borrowed (securities borrowing) are not recognized on the balance sheet as debt securities unless the ownership rights pass to the Group. Cash amounts paid for the purchase of these securities or as collateral for these borrowings are entered under "Loans and advances to customers" or "Due from banks."

Interest income and expense relating to these assets and liabilities are recorded in the income statement using the accrual method.

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

#### 9.8.8 Tangible fixed assets

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

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

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

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

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

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

#### **9.8.9 Intangible assets**

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

#### **9.8.10 Accrued and deferred items**

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

#### **9.8.11 Other assets and other liabilities**

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

#### **9.8.12 Customer savings and investment accounts**

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

#### **9.8.13 Other customer accounts**

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

#### **9.8.14 Pension-fund liabilities**

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

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

An economic benefit arises if there is a potential positive effect on future cash flows as a result of pension fund surpluses. Moreover, in the case of a surplus, an economic benefit arises where there is a lawful intention to use this surplus to reduce the employer’s contributions, to refund the contributions to the employer by virtue of local legislation, or to use them for any economic purpose of the employer other than regulatory benefits.

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

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

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

#### **9.8.15 Own-debt securities**

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

**9.8.16 Value adjustments and provisions**

In keeping with prudential accounting, value adjustments and provisions are established for all actual and potential risks of loss. See section 10.2.7 of the risk-assessment and risk-management principles sub-chapter below.

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

**9.8.17 Taxation**

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

**9.8.18 Reserves for general banking risks**

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

**9.8.19 Equity capital**

This item consists of share capital.

**9.8.20 Capital reserve**

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

**9.8.21 Own-equity securities**

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

**9.8.22 Retained earnings**

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

**9.8.23 Derivative financial instruments and hedging operations**

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

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

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

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

### **9.9 Customer assets (assets under management)**

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

#### **Net new money**

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

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

### 10.1 Introduction

The Board of Directors undertakes regular analyses of the Bank's main risks. These analyses address risk-management processes and methods, and contain a forward-looking evaluation of the risks to which BCV is exposed. In these analyses, the Board of Directors takes into account the existing control system to manage and mitigate risks.

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

### 10.2 Credit risk

#### 10.2.1 Exposure to credit risk

Credit risk arises from the possibility that a counterparty might default on its financial obligations to the Bank. Credit risk includes settlement risk. All forms of credit commitments to bank and non-bank counterparties, whether on or off the balance sheet, represent a credit risk for the Bank.

The Bank distinguishes four types of exposure to credit risk:

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

Every position that entails credit risk is clearly assigned to one of these exposure categories. The Bank uses clearly defined methods for determining exposure levels by exposure category. Overall or specific limits are set for financial, off-balance-sheet commercial and OTC derivatives exposures.

Limits are likewise set for settlement exposures to bank counterparties. When positions are unwound through a simultaneous settlement system, such as CLS (Continuous Linked Settlement), settlement risk is not considered.

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

#### 10.2.2 Categories of default risk

The Bank considers a counterparty to be "in default" whenever any of its debts to the Bank become "non-performing" (see definition of non-performing loans in section 10.2.5). Each counterparty is assigned to a default-risk category on the basis of a pre-defined model. Each default-risk category is defined by an interval of default probabilities. Seven main risk categories and 17 sub-categories are used to classify counterparties according to their risk of default.

#### 10.2.3 Loss given default and expected loss

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

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

#### 10.2.4 Market value of collateral

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

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

#### 10.2.5 Impaired loans

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

A counterparty is "in default" and all its debts to the Bank are considered "non-performing" when the counterparty is more than 90 days late in meeting one of its payment obligations to the Bank or when the Bank expects that part of its exposure to credit risk on the counterparty will not be recovered.

A counterparty is classified as "reputed to be in financial difficulty" when the criteria for "in default" are not met, but when the Bank considers there to be a high risk that part of its exposure to credit risk on the counterparty will not be recovered, or when a significant breach of the contract on any of the forms of credit extended to the counterparty by the Bank has occurred and has not been remedied without a temporary or definitive exemption being granted.

#### 10.2.6 Overdue-interest loans

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

- advances and mortgage loans: interest and fees are more than 90 days overdue;

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

#### 10.2.7 Provisions for credit risk

The purpose of provisions for credit risk is to recognize the expected loss on impaired loans at the balance-sheet date. Provisions for credit risk include provisions for risks related directly to the counterparty as well as provisions for country risk.

Provisions for counterparty risk are determined individually for each counterparty. The analysis specifically takes into account total credit exposures to the counterparty on and off the balance sheet, the liquidation value of the collateral, market conditions, the quality of the counterparty's management, and the counterparty's ability and willingness to honor its commitments.

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

Provisions for country risk are intended to cover potential losses from financial or non-financial exposures – relating to the unwinding of transactions – in emerging countries.

#### 10.2.8 Regulatory capital requirements for credit risks

After obtaining approval from the Swiss Federal Banking Commission (now FINMA) in December 2008, BCV began to apply the Basel II Foundation Internal Ratings-Based (FIRB) approach to determine the regulatory capital requirements for a large part of its credit risk exposure in 2009. The scope of this approach is detailed in the Bank's "Basel II – Pillar 3" report. The international standard approach (SA-BIS) is used for the remaining credit risk exposure.



### 10.3 Market risk on the trading book

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

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

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

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

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

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

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

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

### 10.4 Market risk on the banking book

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

#### 10.4.1 Interest-rate risk on the banking book

Interest-rate risk arises from mismatches between the size and terms (dates on which interest rates are fixed) of asset and liability positions. For variable-rate positions (adjustable-rate mortgages, traditional savings deposits with no fixed term), models are used to reproduce as faithfully as possible the pace and magnitude of changes in customer interest rates according to the market rate. The interest-rate risk on the banking book is attributable to movements in the yield curve and changes in customer behavior. These variations directly affect the Bank's interest income or the economic value of its equity 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; and
- loss of economic value of equity capital, which by definition is not reflected in the accounts.

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

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

#### 10.4.2 Liquidity risk

Liquidity risk arises from the possibility that the Bank does not have the resources on hand to deal with the potential outflow of funds that could occur at any time in view of the liabilities that it holds. 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, and by modelling the future structure of the balance sheet using dynamic simulations. These simulations enable the Bank to determine its long-term approach to refinancing, particularly as regards raising funds from the Central Mortgage Bond Institution of the Swiss Cantonal Banks and the bond market. The Bank also stress-tests its regulatory liquidity ratio.

#### 10.5 Operational risks

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

- inappropriate or malicious behavior on the part of employees, suppliers, bank counterparties, customers or other parties external to the Bank;
- inappropriate characteristics of information systems (applications, interfaces and hardware) or communication systems (telephone, fax, etc.);
- inappropriate infrastructure;
- an inadequate organization in terms of both conceptual framework (methods, processes, corporate structure, etc.) and organizational framework (rules, policies, directives, manuals, etc.).

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

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

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

## 11. Scope of consolidation

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

### 11.1 Fully consolidated Group companies

		<b>31 / 12 / 09</b>	<b>31 / 12 / 08</b>
		<b>Capital</b> in millions of units	<b>Holding</b> as %
			<b>Holding</b> as %
<b>Banking interests held by:</b>			
<b>Banque Cantonale Vaudoise</b>			
Banque Piquet & Cie SA, Yverdon-les-Bains (Switzerland)	CHF	20.0	85.00
<b>Finance and service companies held by:</b>			
<b>Banque Cantonale Vaudoise</b>			
Gérifonds SA, Lausanne	CHF	2.9	100.00
Initiative Capital SA, Lausanne	CHF	1.7	100.00
Société pour la gestion de placements collectifs GEP SA, Lausanne	CHF	1.5	100.00
Unicile SA, Prilly (Switzerland)	CHF	20.0	100.00
<b>Banque Cantonale Vaudoise and Gérifonds SA</b>			
Gérifonds (Luxembourg) SA, Luxembourg	EUR	0.1	100.00

There was no change in the scope of consolidation in 2009.

## 12. Other holdings

### 12.1 Companies accounted for using the equity method

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

### 12.2 Other non-consolidated holdings

		31 / 12 / 09		31 / 12 / 08
		Capital	Holding	Holding
		in millions of units	as %	as %
<b>Finance and service companies jointly owned by the cantonal banks</b>				
Aduno Holding Ltd, Opfikon (Switzerland)	CHF	20.0	4.29	4.29
Caleas AG, Zurich	CHF	6.0	4.72	4.72
Central mortgage-bond institution of Swiss cantonal banks, Zurich <sup>1</sup>	CHF	825.0	13.64	13.64
Finarbit AG, Küsnacht ZH (Switzerland)	CHF	1.5	8.33	8.33
Swisscanto Holding Ltd, Bern	CHF	24.2	7.31	7.39
<sup>1)</sup> of which CHF 660.0 million unpaid				
<b>Finance and service companies jointly owned by the Swiss banks</b>				
SIX Group Ltd, Zurich	CHF	19.5	2.49	2.49
Swiss Bankers Prepaid Services Ltd, Grosshöchstetten (Switzerland)	CHF	10.0	2.73	0
<b>Other holdings</b>				
Argant SA, Lausanne	CHF	2.0	100.00	100.00
BCV Italia SRL in liquidazione, Milan (Italy)	EUR	0.01	100.00	100.00
Coopérative vaudoise de cautionnement hypothécaire CVCH, Pully (Switzerland)	CHF	1.1	–	–
Dynagest SA, Geneva	CHF	1.0	15.00	15.00
Office Vaudois de Cautionnement Agricole (OVCA), Lausanne	CHF	1.3	–	–
Saparges SA de participations et de gestion en liquidation, Lausanne	CHF	0.5	100.00	100.00
Société vaudoise pour la création de logements à loyers modérés (SVLM) SA, Lausanne	CHF	2.0	45.00	45.00
VDCapital Private Equity Partners LTD, St Helier (Jersey)	CHF	0.1	25.00	25.00

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

#### Companies listed on the SIX Swiss Exchange

Banque Cantonale du Jura SA, Porrentruy (Switzerland)	CHF	42.0	4.84	4.84
Romande Energie Holding SA, Morges (Switzerland)	CHF	28.5	3.60	3.60

### 13. Notes to the consolidated balance sheet

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

	31 / 12 / 09	31 / 12 / 08
Book claims	64.2	64.2
Bills of exchange and checks	23.5	31.0
<b>Money-market instruments</b>	<b>87.7</b>	<b>95.2</b>

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

		Secured by mortgage	Other risk mitigants	Unsecured	Total
Loans and advances to customers		417.2	1 385.1	3 739.3	5 541.6
Mortgages		18 770.2			18 770.2
<i>Residential real estate</i>		14 784.0			14 784.0
<i>Office and business premises</i>		2 802.9			2 802.9
<i>Commercial and industrial property</i>		1 162.8			1 162.8
<i>Other</i>		20.5			20.5
<b>Loans</b>	31 / 12 / 09	<b>19 187.4</b>	<b>1 385.1</b>	<b>3 739.3</b>	<b>24 311.8</b>
	31 / 12 / 08	<b>17 854.5</b>	<b>1 501.2</b>	<b>3 477.8</b>	<b>22 833.5</b>
Contingent liabilities		17.5	301.1	997.5	1 316.1
Irrevocable commitments		2.0	44.2	756.1	802.3
Commitments relating to calls on shares and other equity securities				97.7	97.7
Confirmed credits			82.7		82.7
<b>Off-balance-sheet transactions</b>	31 / 12 / 09	<b>19.5</b>	<b>428.0</b>	<b>1 851.3</b>	<b>2 298.8</b>
	31 / 12 / 08	<b>15.1</b>	<b>375.2</b>	<b>1 721.7</b>	<b>2 112.0</b>

		Gross receivables	Realization value of risk mitigants	Net receivables	Individual value adjustments
<b>Impaired loans</b>	31 / 12 / 09	<b>588.5</b>	<b>- 203.8</b>	<b>384.7</b>	<b>288.2</b>
	31 / 12 / 08	<b>663.4</b>	<b>- 229.6</b>	<b>433.8</b>	<b>372.2</b>
Change (absolute)		- 74.9	- 25.8	- 49.1	- 84.0
Change (as %)		- 11	- 11	- 11	- 23
<b>Non-performing loans</b>	31 / 12 / 09	<b>451.3</b>	<b>- 139.9</b>	<b>311.4</b>	<b>264.7</b>
	31 / 12 / 08	<b>572.5</b>	<b>- 162.0</b>	<b>410.5</b>	<b>358.4</b>
Change (absolute)		- 121.2	- 22.1	- 99.1	- 93.7
Change (as %)		- 21	- 14	- 24	- 26

Impaired and non-performing loans are defined in section 10.2.5 of the risk-assessment and risk-management principles sub-chapter.

### 13.3 Trading portfolio assets (in CHF millions)

#### Financial investments and holdings

	31 / 12 / 09	31 / 12 / 08
Debt securities	93.1	45.0
<i>of which listed on a recognized stock exchange</i>	92.8	44.5
<i>of which unlisted</i>	0.3	0.5
Equity securities	278.9	531.8
Precious metals	25.2	30.2
<b>Trading portfolio assets</b>	<b>397.2</b>	<b>607.0</b>
<i>including securities eligible for repurchase agreements in accordance with liquidity regulations</i>	15.7	32.2

	31 / 12 / 09		31 / 12 / 08	
	Book value	Fair value	Book value	Fair value
Debt securities	2 728.8	2 792.0	1 409.3	1 451.4
<i>of which securities intended to be held until maturity</i>	2 700.7	2 763.3	1 389.2	1 431.0
<i>of which securities carried at lower of cost or market</i>	28.1	28.7	20.1	20.4
Equity securities	85.6	172.6	63.0	177.0
<i>of which significant holdings (minimum of 10% of capital or voting rights)</i>	13.7	14.8	16.5	20.9
Available-for-sale real estate	51.6	51.6	74.9	74.9
Related-party loans for real-estate companies	4.3	4.3	4.8	4.8
<b>Financial investments</b>	<b>2 870.3</b>	<b>3 020.5</b>	<b>1 552.0</b>	<b>1 708.1</b>
<i>including securities eligible for repurchase agreements in accordance with liquidity regulations</i>	1 911.4	-	1 162.9	-

	31 / 12 / 09	31 / 12 / 08
Holdings without market value	80.8	81.8
<b>Holdings</b>	<b>80.8</b>	<b>81.8</b>

### 13.4 Fixed assets (in CHF millions)

	Cost	Accumulated depreciation and write-offs	Book value at year-end	Changes in allocation or scope	Additions	Disposals	Depreciation and write-offs	Book value at year-end
			<b>2008</b>					<b>2009</b>
Holdings accounted for using the equity method	-	-	-					-
Other holdings	176.4	-94.6	81.8		2.4	-0.4	-3.0	80.8
<b>Holdings</b>	<b>176.4</b>	<b>-94.6</b>	<b>81.8</b>	<b>0</b>	<b>2.4</b>	<b>-0.4</b>	<b>-3.0</b>	<b>80.8</b>
Group premises	370.2	-87.2	283.0	1.0			-7.5	276.5
Other real estate	303.1	-97.8	205.3	-1.0	3.8	-4.3	-5.5	198.3
Other tangible fixed assets	254.8	-209.8	45.0	0.2	12.0		-14.7	42.5
Computer programs	178.9	-105.0	73.9	-0.2	53.7		-47.4	80.0
<b>Tangible fixed assets</b>	<b>1 107.0</b>	<b>-499.8</b>	<b>607.2</b>	<b>0</b>	<b>69.5</b>	<b>-4.3</b>	<b>-75.1</b>	<b>597.3</b>
Goodwill	9.4	-3.9	5.5				-0.9	4.6
<b>Intangible assets</b>	<b>9.4</b>	<b>-3.9</b>	<b>5.5</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-0.9</b>	<b>4.6</b>
Fire-insurance value of real estate			624.5					632.9
Fire-insurance value of other tangible fixed assets			147.4					145.9

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

	31 / 12 / 09		31 / 12 / 08	
	Other assets	Other liabilities	Other assets	Other liabilities
Replacement values of derivative financial instruments (positive / negative)	218.7	192.1	816.7	658.4
Offset accounts	0	43.9	0	93.8
Indirect taxes	5.0	45.5	11.6	73.0
Coupons / coupons and securities due	24.2	1.8	88.0	2.1
Settlement accounts	30.4	89.0	32.3	87.8
Miscellaneous assets and liabilities	12.5	30.4	6.2	26.3
<b>Other assets and other liabilities</b>	<b>290.8</b>	<b>402.7</b>	<b>954.8</b>	<b>941.4</b>

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

	31 / 12 / 09		31 / 12 / 08	
	Amount or book value of pledge	Real liabilities	Amount or book value of pledge	Real liabilities
Assets pledged or assigned to Swiss National Bank	188.3	0	188.4	0
Mortgages pledged or assigned to central mortgage-bond institution of Swiss cantonal banks	5 540.8	4 456.0	5 553.2	4 482.0
Other	597.3	514.7	882.0	801.5
<b>Assets pledged or assigned</b>	<b>6 326.4</b>	<b>4 970.7</b>	<b>6 623.6</b>	<b>5 283.5</b>

**13.6.2 Securities-lending and repurchase agreements** (in CHF millions)

	31 / 12 / 09	31 / 12 / 08
Book value of claims arising from cash collateral pledged in connection with securities borrowing or reverse repurchase agreements	700.0	3 850.6
Book value of liabilities arising from cash collateral received in connection with securities lending or repurchase agreements	38.0	372.5
Book value of securities held for own account, lent or transferred as collateral in connection with securities borrowing or repurchase agreements	37.3	226.1
<i>of which those that can be sold or repledged without restriction</i>	37.3	132.0
Fair value of securities received as collateral in connection with securities lending and those received in connection with securities borrowing and under reverse repurchase agreements, which can be sold or repledged without restriction	1 689.1	4 597.3
<i>of which fair value of above securities sold or transferred as collateral to a third party</i>	971.6	276.1

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

### 13.7.1 Balance sheet liabilities

	31 / 12 / 09	31 / 12 / 08
Due to customers, other	24.5	36.9
Bonds	5.0	5.6
<b>Total</b>	<b>29.5</b>	<b>42.5</b>

### 13.7.2 Pension plans

Economic benefit / liability and pension expenses	Surplus / deficit		Economic benefit / liability		Contributions adjusted for the period	Pension expenses included in "Personnel Costs"	
	31 / 12 / 09	31 / 12 / 09	31 / 12 / 08	Change		2009	2009
Employer-financed pension funds: "Fonds de prévoyance en faveur du personnel de la BCV" <sup>1)</sup>	34.3	0	0	0	0	0	0
Pension funds with sur- pluses: "Fonds de prévoy- ance complémentaire en faveur de l'encadrement supérieur de la BCV" <sup>1)</sup>	0.6	0	0	0	2.0	2.0	1.9
Pension funds with defi- cits: "Caisse de pensions de la BCV" <sup>2)</sup>	- 26.3	0	0	0	29.2	29.2	28.6
<b>Total</b>	<b>8.6</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>31.2</b>	<b>31.2</b>	<b>30.5</b>

<sup>1)</sup> Since there is no intention to apply the surpluses to reduce the employer's contributions, to refund the contributions to the employer, or to use them for any economic purpose of the employer other than regulatory benefits, there is no identifiable economic benefit to be capitalized on the balance sheet.

<sup>2)</sup> The Pension Board has drawn up a series of measures to eliminate the deficit of the "Caisse de pensions de la BCV". As the measures do not involve any contribution from the employer, there is no economic liability to be recorded on the balance-sheet date.

The surplus or deficit of a pension fund is based on its unaudited interim accounts at 30 September 2009.

#### 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 Law on Occupational Retirement, Survivors' and Disability Pension Plans (LPP) and satisfies at least the minimum requirements of that law.

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

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



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

								31 / 12 / 09	31 / 12 / 08
	Rate	2010	2011	2012	2013	2014	2015 – 2017		
	Up to 1.875%	26.8	34.8	22.2	10.6	6.7	1.2	102.3	49.0
	2 – 2.875%	191.6	45.4	29.0	12.2	4.1	7.1	289.4	414.9
	3 – 3.875%	68.3	15.6	10.8	12.7	1.8	5.9	115.1	143.8
	4 – 4.625%							0	2.1
<b>Total</b>		<b>286.7</b>	<b>95.8</b>	<b>62.0</b>	<b>35.5</b>	<b>12.6</b>	<b>14.2</b>	<b>506.8</b>	<b>609.8</b>

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

Rate	Year of issue	Nominal value	Maturity	Group-held	31 / 12 / 09 Amount outstanding	31 / 12 / 08
4.000%	1998	175.0	05 / 02 / 10	33.6	141.4	
4.250%	2000	140.0	10 / 02 / 10	46.9	93.1	
5.000%	2000	200.0	05 / 05 / 10	60.8	139.2	
4.500% subordinated	2001	135.0	22 / 03 / 11	14.0	121.0	
4.000%	2001	150.0	26 / 09 / 11	21.2	128.8	
<b>Bond issues<sup>1</sup></b>		<b>800.0</b>		<b>176.5</b>	<b>623.5</b>	<b>774.7</b>
Central mortgage-bond institution of Swiss cantonal banks					4 456.0	4 482.0
Structured products					525.6	666.7
<b>Long-term borrowings</b>					<b>5 605.1</b>	<b>5 923.4</b>
<i>of which subordinated bonds</i>		135.0		14.0	121.0	132.3

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

#### Long-term borrowings by maturity

	2010	2011	2012	2013	2014	2015 – 2026	31 / 12 / 09 Total	Average rate
Bond issues	373.7	249.8					623.5	4.4%
Central mortgage-bond institution of Swiss cantonal banks	431.0	455.0	272.0	744.0	510.0	2 044.0	4 456.0	3.0%
Structured products	441.9	47.1	36.6				525.6	1.6%
<b>Total</b>	<b>1 246.6</b>	<b>751.9</b>	<b>308.6</b>	<b>744.0</b>	<b>510.0</b>	<b>2 044.0</b>	<b>5 605.1</b>	<b>3.0%</b>

	Status at year-end <b>2008</b>	New issues	Redemptions	Net change in own securities	Status at year-end <b>2009</b>
Bond issues	774.7		– 50.0	– 101.2	623.5
Central mortgage-bond institution of Swiss cantonal banks	4 482.0	622.0	– 648.0		4 456.0
Structured products	666.7	1 103.3	– 1 379.9	135.5	525.6
<b>Total</b>	<b>5 923.4</b>	<b>1 725.3</b>	<b>– 2 077.9</b>	<b>34.3</b>	<b>5 605.1</b>

13.10 Value adjustments and provisions

Reserves for general banking risks (in CHF millions)

	Status at year-end	Used as allocated	Changes in scope of consolidation	Recoveries, overdue interest, currency differences	New provisions charged to income statement	Releases credited to income statement	Net change in provisions	Status at year-end
	<b>2008</b>							<b>2009</b>
<b>Provisions for deferred taxes</b>	<b>0.6</b>						<b>0</b>	<b>0.6</b>
Counterparty risk	372.3	- 118.1		24.3	64.9	- 55.2	9.7	288.2
Country risk	2.1					- 0.3	- 0.3	1.8
<b>Value adjustments and provisions for credit risk</b>	<b>374.4</b>	<b>- 118.1</b>		<b>24.3</b>	<b>64.9</b>	<b>- 55.5</b>	<b>9.4</b>	<b>290.0</b>
<b>Other provisions</b>	<b>26.5</b>	<b>- 7.0</b>		<b>0.1</b>	<b>0.3</b>	<b>- 4.2</b>	<b>- 3.9</b>	<b>15.7</b>
<b>Total value adjustments and provisions</b>	<b>401.5</b>	<b>- 125.1</b>	<b>0</b>	<b>24.4</b>	<b>65.2</b>	<b>- 59.7</b>	<b>5.5</b>	<b>306.3</b>
Value adjustments directly netted with assets	- 8.4							- 9.0
<b>Value adjustments and provisions shown on the balance sheet</b>	<b>393.1</b>							<b>297.3</b>
<b>Reserves for general banking risks</b>	<b>704.0</b>							<b>704.0</b>

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

		Maturity						Fixed assets	Total
		Sight	Callable	up to 3 months	3 to 12 months	12 months to 5 years	over 5 years		
Cash and cash equivalents	1 404.4								1 404.4
Money-market instruments	64.4		22.2	1.1					87.7
Due from banks	1 502.4	101.5	2 939.1	825.5	100.1				5 468.6
Loans and advances to customers	96.2	2 256.7	1 763.1	555.5	615.1	255.0			5 541.6
Mortgage loans	136.4	1 823.9	1 592.9	1 793.1	9 583.0	3 840.9			18 770.2
Trading portfolio assets	304.1	0.5	0.1	12.5	68.8	11.2			397.2
Financial investments	111.3	0.2	248.6	169.9	1 694.6	589.8	55.9		2 870.3
<b>Current assets</b>	31 / 12 / 09	<b>3 619.2</b>	<b>4 182.8</b>	<b>6 566.0</b>	<b>3 357.6</b>	<b>12 061.6</b>	<b>4 696.9</b>	<b>55.9</b>	<b>34 540.0</b>
	31 / 12 / 08	<b>2 543.8</b>	<b>7 640.4</b>	<b>8 695.2</b>	<b>2 716.1</b>	<b>7 855.8</b>	<b>3 817.9</b>	<b>79.7</b>	<b>33 348.9</b>
Money-market paper issued	3.6		0.1						3.7
Due to banks	1 256.6		376.7	81.5	200.0	150.0			2 064.8
Customer savings and investment accounts		9 841.8							9 841.8
Other customer accounts	11 574.8	38.1	1 057.4	443.9	195.4	253.9			13 563.5
Medium-term notes			49.6	237.1	205.9	14.2			506.8
Bonds and mortgage-backed bonds			474.9	771.7	2 314.5	2 044.0			5 605.1
<b>Borrowed funds</b>	31 / 12 / 09	<b>12 835.0</b>	<b>9 879.9</b>	<b>1 958.7</b>	<b>1 534.2</b>	<b>2 915.8</b>	<b>2 462.1</b>		<b>31 585.7</b>
	31 / 12 / 08	<b>10 538.8</b>	<b>8 587.4</b>	<b>3 870.0</b>	<b>1 256.8</b>	<b>3 761.2</b>	<b>2 455.6</b>		<b>30 469.8</b>

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

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

##### Compensation breakdown

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

For 2009, the seven members of the Board of Directors in office at 31 December 2009 received gross compensation of CHF 1,952,601, including performance-based variable compensation of CHF 700,351 for the Chairman. The variable compensation was paid in two parts: CHF 490,000 in cash in March 2010, and the remaining CHF 210,351 in the form of 453 locked-up shares in April 2010. Benefit expense (social security, unemployment insurance, accident insurance, income replacement and occupational pension) resulting from compensation to the Board of Directors totaled CHF 314,452.

Compensation comprises remuneration, attendance fees and expenses.

The average compensation of Board members, excluding the Chairman, amounted to CHF 133,708.

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 2009, the seven members of the Executive Board in office at 31 December 2009 received gross compensation of CHF 7,399,956, including performance-based variable compensation for an aggregate amount of CHF 3,841,910. The variable compensation was paid in two parts: CHF 2,688,000 in cash in March 2010, and the remaining CHF 1,153,910 in the form of 2,485 locked-up shares in April 2010. The figure for gross compensation includes CHF 196,664, which corresponds to 416 shares received as long-term variable salary under the 2007-2009 plan. Benefit expense (social security, unemployment insurance, accident insurance, income replacement and occupational pension) resulting from compensation to the Executive Board totaled CHF 1,296,727.

**Allocation of shares during 2009**

No shares were allocated to close relations (closely-linked parties, i.e., persons living under the same roof) of members of the Board of Directors or the Executive Board during the 2009 financial year.

*Members of the Board of Directors*

For 2009, the Chairman of the Board received 453 locked-up BCV shares as part of his performance-based variable compensation. No other member of the Board of Directors is eligible for any type of share allocation.

*Members of the Executive Board*

For 2009, Executive Board members in office at 31 December 2009 received 2,485 locked-up BCV shares as part of their performance-based variable compensation. They also subscribed to 480 locked-up shares under the employee share-ownership program. They paid a subscription price of CHF 180, while the share price at the time of the purchase was CHF 391. Every year the Board of Directors determines the subscription price based on the current share price and defines the number of shares for which the Executive Board may subscribe.

Three in five of the objectives set out in the 2007-2009 long-term variable salary plan were achieved, and Executive Board members received 50% of the number of shares initially set aside – i.e., 416 shares – in March 2010.

**Other fees and compensation**

Members of the Board of Directors and Executive Board received no fees or gratuities from BCV which are not included in the above compensation. Moreover, all fees and other amounts received by Executive Board members representing BCV on boards of directors must be remitted to the Bank. In 2009, such payments to the Bank amounted to CHF 196,818.

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

Serving members of the Board of Directors are not accorded preferential terms on loans granted to them. For members of the Executive Board, as well as for all employees, the interest on variable-rate first mortgages was 2.15% at 31 December 2009. The interest charged on fixed-rate loans was 0.3% above the base rate.

**Share ownership**

*Members of the Board of Directors*

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

At 31 December 2009, directors and their close relations held a total of 8,569 BCV shares.

*Members of the Executive Board*

At 31 December 2009, Executive Board members and their close relations held 8,920 BCV shares.

## Compensation of members of the Board of Directors for the 2009 financial year (in CHF)

	Olivier Steimer	Jean-Luc Strohm	Stephan A.J. Bachmann	Beth Krasna	Pierre Lamunière	Luc Recordon	Paul-André Sanglard	Total	Average compensation Excluding Chairman
	Chairman	Vice Chairman	Member	Member	Member	Member	Member		
Remuneration	420 000	125 000	125 000	95 000	95 000	95 000	95 000	1 050 000	105 000
Attendance fees		20 250	21 750	20 250	14 250	16 750	19 000	112 250	18 708
Variable cash compensation	490 000							490 000	0
Variable compensation paid in shares:									
453 shares at CHF 464.35 <sup>1</sup>	210 351							210 351	0
Other	30 000	10 000	10 000	10 000	10 000	10 000	10 000	90 000	10 000
<b>Total</b>	<b>1 150 351</b>	<b>155 250</b>	<b>156 750</b>	<b>125 250</b>	<b>119 250</b>	<b>121 750</b>	<b>124 000</b>	<b>1 952 601</b>	<b>133 708</b>
Previous year								1 940 545	132 542
<b>Benefits</b>	<b>221 358</b>	<b>15 386</b>	<b>20 291</b>	<b>13 013</b>	<b>15 621</b>	<b>15 952</b>	<b>12 831</b>	<b>314 452</b>	<b>15 516</b>
Previous year								316 228	14 341

<sup>1)</sup> Average market price between 22 and 26 February 2010.

## Compensation of members of the Executive Board for the 2009 financial year (in CHF)

	Shares (in units)	Total	Shares (in units)	Pascal Kiener CEO
Fixed salary		3 241 702		675 006
Variable cash compensation		2 688 000		840 000
Variable compensation paid in shares: CHF 464.35 <sup>1</sup> per share	2 485	1 153 910	776	360 336
Shares acquired under employee share-ownership program: subscription price CHF 211 below market value <sup>2</sup>	480	101 280	150	31 650
Stock options (BCV has no employee stock-option plan)	0	0	0	0
Other		18 400		6 000
<b>Sub-total</b>	<b>2 965</b>	<b>7 203 292</b>	<b>926</b>	<b>1 912 992</b>
Previous year	2 703	4 963 864		
Shares received under 2007 – 2009 long-term variable salary plan: CHF 472.75 <sup>3</sup> per share	416	196 664	125	59 094
Previous year	0	0		
<b>Total</b>	<b>3 381</b>	<b>7 399 956</b>	<b>1 051</b>	<b>1 972 086</b>
Previous year	2 703	4 963 864		
<b>Benefits</b>		<b>1 296 727</b>		<b>293 563</b>
Previous year		984 996		

<sup>1)</sup> Average market price between 22 and 26 February 2010.

<sup>2)</sup> Difference between the subscription price (CHF 180) and the market price on 30 April 2009 (CHF 391).

<sup>3)</sup> Market price on 5 March 2010.

## Loans to members of governing bodies (in CHF)

	Position	Nominal	Secured	Unsecured	31 / 12 / 09 Drawn down
<b>Board of Directors</b>					
Olivier Steimer	Chairman	3 200 000	3 200 000	0	3 200 000
Jean-Luc Strohm	Vice Chairman	675 000	675 000	0	680 000
Stephan A.J. Bachmann	Member	0			0
Beth Krasna	Member	0			0
Pierre Lamunière	Member	0			0
Luc Recordon	Member	0			0
Paul-André Sanglard	Member	0			0
<b>Total</b>		<b>3 875 000</b>	<b>3 875 000</b>	<b>0</b>	<b>3 880 000</b>
Previous year		<b>2 855 000</b>	<b>2 855 000</b>	<b>0</b>	<b>2 855 000</b>
<b>Executive Board</b>					
<b>Total</b>		<b>6 776 000</b>	<b>6 776 000</b>	<b>0</b>	<b>6 680 000</b>
Previous year <sup>1</sup>		<b>3 973 000</b>	<b>3 973 000</b>	<b>0</b>	<b>3 973 000</b>
Gérard Haerberli <sup>2</sup>	Member	1 880 000	1 880 000	0	1 880 000

<sup>1)</sup> The previous year's total includes loans to members no longer in office at 31 December 2009.

<sup>2)</sup> Largest individual loan granted to an Executive Board member.

No loans were granted to close relations (i.e., persons living under the same roof) on terms not in keeping with market practice.

## Loans to companies with links to members of governing bodies (in CHF)

	Nominal	Secured	Unsecured	31 / 12 / 09 Drawn down
<b>Total</b>	<b>73 725 000</b>	<b>33 400 000</b>	<b>40 325 000</b>	<b>46 887 000</b>

## Share and option ownership at 31 December 2009

		31 / 12 / 09	31 / 12 / 08
<b>Board of Directors</b>			
Olivier Steimer	Chairman	7 419	6 739
Jean-Luc Strohm	Vice Chairman	150	150
Stephan A.J. Bachmann	Member	600	600
Beth Krasna	Member	100	100
Pierre Lamunière	Member	100	0
Luc Recordon	Member	100	100
Paul-André Sanglard	Member	100	100
<b>Total</b>		<b>8 569</b>	<b>7 789</b>
<b>Executive Board</b>			
Pascal Kiener	CEO	5 109	3 988
Thomas W. Paulsen <sup>1)</sup>	CFO	921	
Jean-François Schwarz	Corporate Banking	1 614	2 852
Gérard Haeberli <sup>1)</sup>	Private Banking	0	
Markus Gygax	Retail Banking	205	0
Stefan Bichsel <sup>1)</sup>	Asset Management & Trading	100	
Aimé Achard	Business Support	971	521
<b>Total</b>		<b>8 920</b>	<b>7 361</b>

<sup>1)</sup> Not members of the Executive Board in 2008.

Members of the Board of Directors and Executive Board held no options at 31 December 2009.

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

#### Compensation of former members of the Board of Directors for the 2009 financial year

No compensation was paid to former members of the Board of Directors for the 2009 financial year.



Compensation of former members of the Executive Board for the 2009 financial year (in CHF)

	Shares (in units)	Total
Fixed salary		800 010
Variable cash compensation		120 000
Variable compensation paid in shares: CHF 464.35 per share		
Shares acquired under employee share-ownership program: subscription price CHF 211 below market value	300	63 300
Stock options (BCV has no employee stock-option plan)		0
Other		5 400
<b>Total</b>	<b>300</b>	<b>988 710</b>
Shares received under 2007 – 2009 long-term variable salary plan	0	0
<b>Benefits</b>		<b>292 598</b>

Loans granted to former members of the Board of Directors and Executive Board

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

At 31 December 2009, a total of CHF 2,736,000 in loans was held by former members of the Executive Board on the same preferential terms accorded to employees.

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

	31 / 12 / 09	31 / 12 / 08
Loans and advances to customers	31.2	30.5
Mortgage loans	12.0	16.6
Financial investments	0.4	5.9
<b>Receivables</b>	<b>43.6</b>	<b>53.0</b>
Customer savings and investment accounts	3.2	1.0
Other customer accounts	126.4	200.3
<b>Commitments</b>	<b>129.6</b>	<b>201.3</b>

Corporations organized under public law in Vaud Canton and mixed enterprises in which Vaud Canton has a qualified holding are considered affiliated companies. Transactions with these companies are conducted on market terms.

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

	31 / 12 / 09		31 / 12 / 08	
	Swiss	Foreign	Swiss	Foreign
Cash and cash equivalents	1 394.9	9.5	545.0	0.7
Money-market instruments	23.5	64.2	29.0	66.2
Due from banks	2 437.4	3 031.2	3 827.1	3 888.4
Loans and advances to customers	4 549.9	991.7	4 544.6	1 005.9
Mortgage loans	18 764.4	5.8	17 276.3	6.7
Trading portfolio assets	226.0	171.2	418.8	188.2
Financial investments	2 243.4	626.9	1 421.6	130.4
Non-consolidated holdings	80.8		81.8	
Tangible fixed assets	597.3		607.2	
Intangible assets	4.6		5.5	
Accrued income and prepaid expenses	218.2	1.3	238.2	2.1
Other assets	290.8		954.8	
<b>Assets</b>	<b>30 831.2</b>	<b>4 901.8</b>	<b>29 949.9</b>	<b>5 288.6</b>
<b>Total as %</b>	<b>86.3</b>	<b>13.7</b>	<b>85.0</b>	<b>15.0</b>
Money-market paper issued	3.7		0.4	
Due to banks	1 093.3	971.5	1 730.5	604.6
Customer savings and investment accounts	9 281.4	560.4	8 028.8	510.3
Other customer accounts	11 549.2	2 014.3	11 645.7	1 416.3
Medium-term notes	506.8		609.8	
Bonds and mortgage-backed bonds	5 080.4	524.7	5 257.6	665.8
Accrued expenses and deferred income	224.7	0.8	256.6	0.7
Other liabilities	402.6	0.1	941.4	
Value adjustments and provisions	297.3		393.1	
Reserves for general banking risks	704.0		704.0	
Equity capital	172.1		258.2	
Capital reserve	356.9		354.7	
Own equity securities	-7.2		-7.3	
Retained earnings	1 681.0		1 497.0	
Minority interests - equity	13.6		12.6	
Net profit before minority interests	301.4		357.7	
<b>Total liabilities and shareholders' equity</b>	<b>31 661.2</b>	<b>4 071.8</b>	<b>32 040.8</b>	<b>3 197.7</b>
<b>Total as %</b>	<b>88.6</b>	<b>11.4</b>	<b>90.9</b>	<b>9.1</b>

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

	31 / 12 / 09		31 / 12 / 08	
	Absolute value	as % of total	Absolute value	as % of total
Europe	4 362.6	12.2	4 721.6	13.4
United Kingdom	1 007.4	2.8	763.8	2.2
France	652.4	1.8	742.6	2.1
Germany	625.3	1.8	1 041.1	3.0
Netherlands	414.7	1.2	229.6	0.7
Italy	383.3	1.1	49.9	0.1
Belgium	268.6	0.8	287.5	0.8
Luxembourg	233.6	0.7	666.5	1.9
Other	777.3	2.2	940.6	2.7
United States, Canada	176.0	0.5	101.0	0.3
Latin America, the Caribbean	168.0	0.5	172.4	0.5
Asia	135.7	0.4	182.7	0.5
Other	59.5	0.2	110.9	0.3
<b>Foreign assets</b>	<b>4 901.8</b>	<b>13.7</b>	<b>5 288.6</b>	<b>15.0</b>
Switzerland	30 831.2	86.3	29 949.9	85.0
<b>Assets</b>	<b>35 733.0</b>	<b>100.0</b>	<b>35 238.5</b>	<b>100.0</b>

**13.16 Currency structure of the balance sheet** (in CHF millions)

		CHF	EUR	USD	Other	Total
Cash and cash equivalents		1 340.3	56.3	5.5	2.3	1 404.4
Money-market instruments		85.7	2.0			87.7
Due from banks		2 667.3	1 990.9	474.6	335.8	5 468.6
Loans and advances to customers		3 690.5	274.0	1 535.9	41.2	5 541.6
Mortgage loans		18 768.8	1.4			18 770.2
Trading portfolio assets		160.8	146.0	89.4	1.0	397.2
Financial investments		2 745.6	96.9	27.5	0.3	2 870.3
Non-consolidated holdings		80.8				80.8
Tangible fixed assets		597.3				597.3
Intangible assets		4.6				4.6
Accrued income and prepaid expenses		218.8	0.6	0.1		219.5
Other assets		290.8				290.8
<b>Positions carried as assets</b>		<b>30 651.3</b>	<b>2 568.1</b>	<b>2 133.0</b>	<b>380.6</b>	<b>35 733.0</b>
Delivery claims arising from spot and forward transactions and options		5 750.0	4 433.6	5 377.9	909.8	16 471.3
<b>Assets</b>	31 / 12 / 09	<b>36 401.3</b>	<b>7 001.7</b>	<b>7 510.9</b>	<b>1 290.4</b>	<b>52 204.3</b>
	31 / 12 / 08	<b>40 450.1</b>	<b>8 495.4</b>	<b>10 560.5</b>	<b>1 306.1</b>	<b>60 812.1</b>
Money-market paper issued		3.5			0.2	3.7
Due to banks		621.8	763.2	604.2	75.6	2 064.8
Customer savings and investment accounts		9 776.2	65.6			9 841.8
Other customer accounts		9 936.3	1 786.4	1 506.8	334.0	13 563.5
Medium-term notes		506.8				506.8
Bonds and mortgage-backed bonds		5 479.4	98.4	24.8	2.5	5 605.1
Accrued expenses and deferred income		222.6	2.4	0.5		225.5
Other liabilities		402.7				402.7
Value adjustments and provisions		297.3				297.3
Reserves for general banking risks		704.0				704.0
Equity capital		172.1				172.1
Capital reserve		356.9				356.9
Own equity securities		- 7.2				- 7.2
Retained earnings		1 681.0				1 681.0
Minority interests - equity		13.6				13.6
Net profit before minority interests		301.4				301.4
<b>Positions carried as liabilities</b>		<b>30 468.4</b>	<b>2 716.0</b>	<b>2 136.3</b>	<b>412.3</b>	<b>35 733.0</b>
Delivery commitments arising from spot and forward transactions and options		6 042.2	4 193.7	5 381.9	855.3	16 473.1
<b>Total liabilities and shareholders' equity</b>	31 / 12 / 09	<b>36 510.6</b>	<b>6 909.7</b>	<b>7 518.2</b>	<b>1 267.6</b>	<b>52 206.1</b>
	31 / 12 / 08	<b>40 326.0</b>	<b>8 546.5</b>	<b>10 700.3</b>	<b>1 305.2</b>	<b>60 878.0</b>
<b>Net position by currency</b>	31 / 12 / 09	<b>- 109.3</b>	<b>92.0</b>	<b>- 7.3</b>	<b>22.8</b>	<b>- 1.8</b>
	31 / 12 / 08	<b>124.1</b>	<b>- 51.1</b>	<b>- 139.8</b>	<b>0.9</b>	<b>- 65.9</b>

## 14. Notes to off-balance-sheet transactions

### 14.1 Open positions in derivative financial instruments (in CHF millions)

	Trading instruments			Hedging instruments			
	Positive replacement values	Negative replacement values	Values of underlyings	Positive replacement values	Negative replacement values	Values of underlyings	
Swaps	91.4	65.6	3 659.9	54.2	53.1	3 100.1	
Futures			175.0				
Options (OTC)	0.2	0.2	47.6	0.1		190.4	
<b>Interest-rate instruments</b>	<b>91.6</b>	<b>65.8</b>	<b>3 882.5</b>	<b>54.3</b>	<b>53.1</b>	<b>3 290.5</b>	
Forward contracts	150.5	155.7	15 314.6				
Combined interest-rate and currency swaps	0.2	0.4	35.9				
Options (OTC)	16.5	16.6	3 007.7				
<b>Foreign currencies and precious metals</b>	<b>167.2</b>	<b>172.7</b>	<b>18 358.2</b>	<b>0</b>	<b>0</b>	<b>0</b>	
Futures			0.6				
Options (OTC)	35.9	32.7	1 007.7				
Options (exchange traded)	1.9		74.7				
<b>Equity securities / indices</b>	<b>37.8</b>	<b>32.7</b>	<b>1 083.0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Total</b>							
	31 / 12 / 09	<b>296.6</b>	<b>271.2</b>	<b>23 323.7</b>	<b>54.3</b>	<b>53.1</b>	<b>3 290.5</b>
	31 / 12 / 08	<b>3 134.1</b>	<b>3 074.3</b>	<b>58 967.1</b>	<b>120.5</b>	<b>22.0</b>	<b>3 013.4</b>

		Positive replacement values	Negative replacement values	Values of underlyings
<b>Recapitulation</b>				
Trading instruments		296.6	271.2	23 323.7
Hedging instruments		54.3	53.1	3 290.5
<b>Total before netting agreements</b>	31 / 12 / 09	<b>350.9</b>	<b>324.3</b>	<b>26 614.2</b>
	31 / 12 / 08	<b>3 254.6</b>	<b>3 096.3</b>	<b>61 980.5</b>
<b>Total after netting agreements</b>	31 / 12 / 09	<b>218.7</b>	<b>192.1</b>	<b>26 614.2</b>
	31 / 12 / 08	<b>816.7</b>	<b>658.4</b>	<b>61 980.5</b>
Change	absolute	- 598.0	- 466.3	- 35 366.3
	as %	- 73	- 71	- 57

15. Notes to the consolidated income statement

15.1 Interest income (in CHF millions)

	2009	2008	absolute	Change as %
Money-market paper	4.3	10.8	-6.5	-60
Banks	35.5	146.3	-110.8	-76
Customers	711.7	825.3	-113.6	-14
Interest and dividends on financial investments	51.2	43.1	8.1	19
Other interest income	31.8	40.8	-9.0	-22
<b>Total</b>	<b>834.5</b>	<b>1 066.3</b>	<b>-231.8</b>	<b>-22</b>

15.2 Interest expense (in CHF millions)

Banks	12.3	37.7	-25.4	-67
Customers	111.5	289.8	-178.3	-62
Medium-term notes and bonds	203.2	234.7	-31.5	-13
<b>Total</b>	<b>327.0</b>	<b>562.2</b>	<b>-235.2</b>	<b>-42</b>

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

Securities administration	39.1	44.9	-5.8	-13
Brokerage	71.7	65.8	5.9	9
Income from new issues	14.3	11.4	2.9	25
Management fees	36.3	42.8	-6.5	-15
Investment-fund operations	106.9	117.6	-10.7	-9
Other	8.3	16.4	-8.1	-49
<b>Total</b>	<b>276.6</b>	<b>298.9</b>	<b>-22.3</b>	<b>-7</b>

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

Payment transactions	23.2	22.0	1.2	5
Rental of safes	2.2	2.3	-0.1	-4
Other	39.2	38.1	1.1	3
<b>Total<sup>1</sup></b>	<b>64.6</b>	<b>62.4</b>	<b>2.2</b>	<b>4</b>

<sup>1)</sup> To facilitate like-for-like comparisons, 2008 figures were adjusted following the reclassification of certain fees and commissions.

### 15.5 Net trading income (in CHF millions)

	2009	2008	absolute	Change as %
Foreign currency and precious metals	66.0	61.8	4.2	7
Banknotes	10.4	7.7	2.7	35
Securities (less refinancing costs) and derivatives	24.5	-27.5	52.0	-
Trading fee and commission expense	-2.3	-5.0	-2.7	-54
<b>Total</b>	<b>98.6</b>	<b>37.0</b>	<b>61.6</b>	<b>166</b>

### 15.6 Personnel costs (in CHF millions)

Fixed and variable compensation	244.1	239.4	4.7	2
Employee benefits	22.1	21.1	1.0	5
Contributions to staff pension funds	31.2	30.5	0.7	2
Other personnel expenses	19.0	19.3	-0.3	-2
<b>Total</b>	<b>316.4</b>	<b>310.3</b>	<b>6.1</b>	<b>2</b>

### 15.7 Other operating expenses (in CHF millions)

Premises	21.4	20.5	0.9	4
IT	77.8	79.7	-1.9	-2
Machinery, furniture, vehicles, etc.	3.9	3.8	0.1	3
Telecommunications and shipping	9.9	10.3	-0.4	-4
Marketing and communications	13.7	13.6	0.1	1
Service fees	9.1	12.4	-3.3	-27
Miscellaneous operating expenses	53.4	54.0	-0.6	-1
<b>Total</b>	<b>189.2</b>	<b>194.3</b>	<b>-5.1</b>	<b>-3</b>

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

Real estate	13.0	13.2	-0.2	-2
Computer programs	47.4	47.0	0.4	1
Other investments	14.7	15.7	-1.0	-6
Holdings	3.0	0	3.0	-
Goodwill	0.9	0.9	0	0
<b>Total</b>	<b>79.0</b>	<b>76.8</b>	<b>2.2</b>	<b>3</b>

**15.9 Value adjustments, provisions and losses** (in CHF millions)

	2009	2008	absolute	Change as %
Provisions for credit risk <sup>1</sup>	15.3	0	15.3	
Credit losses	0.2	0	0.2	
Miscellaneous provisions	0.3	8.5	-8.2	-96
Other losses	2.2	7.6	-5.4	-71
<b>Total</b>	<b>18.0</b>	<b>16.1</b>	<b>1.9</b>	<b>12</b>

**15.10 Extraordinary income** (in CHF millions)

Release of provisions for credit risk <sup>1</sup>	5.9	57.3	-51.4	-90
Release of miscellaneous provisions	4.2	11.3	-7.1	-63
Other extraordinary income	6.8	60.9	-54.1	-89
<b>Total</b>	<b>16.9</b>	<b>129.5</b>	<b>-112.6</b>	<b>-87</b>

<sup>1)</sup> Net provisioning needs for credit risk amounted to CHF 9.4m in 2009; this figure corresponds to the net change in value adjustments and provisions for credit risk given in table 13.10.

**15.11 Extraordinary expenses** (in CHF millions)

Other extraordinary expenses	0.3	0.8	-0.5	-63
<b>Total</b>	<b>0.3</b>	<b>0.8</b>	<b>-0.5</b>	<b>-63</b>

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

	2009		2008	
	Swiss	Foreign	Swiss	Foreign
Net interest income	506.7	0.8	498.7	5.4
Net fee and commission income	318.4	10.2	328.9	11.1
Net trading income	89.6	9.0	27.1	9.9
Other ordinary income	40.9		46.8	
<b>Income</b>	<b>955.6</b>	<b>20.0</b>	<b>901.5</b>	<b>26.4</b>
Personnel costs	316.4		310.3	
Other operating expenses	187.8	1.4	193.4	0.9
<b>Expenses</b>	<b>504.2</b>	<b>1.4</b>	<b>503.7</b>	<b>0.9</b>

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

## 16. Other information

### 16.1 Basel II regulatory capital requirements (in CHF millions)

	31 / 12 / 09 under Basel II	31 / 12 / 08 under Basel I
<b>Gross core capital</b>	<b>3 040.3</b>	
<i>of which equity capital</i>	172.1	
<i>of which disclosed reserves</i>	2 854.6	
<i>of which minority interests</i>	13.6	
<i>of which innovative capital instruments</i>	0	
<b>Components to be deducted from core capital</b>		
regulatory deduction	– 44.4	
other components (goodwill, holdings)	– 45.0	
<b>Eligible Tier 1 capital</b>	<b>2 950.9</b>	<b>2 997.9</b>
Additional and supplementary capital	64.2	
Other deductions from additional, supplementary and total capital	– 64.2	
<b>Total eligible capital</b>	<b>2 950.9</b>	<b>2 969.0</b>
<b>Regulatory capital</b>		
Credit risk	1 100.5	
Non-counterparty-related assets	62.2	
Market risk	28.0	
Operational risk	137.7	
<b>BIS required capital</b>	<b>1 328.4</b>	<b>1 463.7</b>
<b>Additional FINMA capital buffer</b>		
Credit risk	224.4	
Non-counterparty-related assets	124.3	
Market risk	0	
Operational risk	0	
<b>FINMA required capital</b>	<b>1 677.1</b>	<b>1 649.8</b>
<b>BIS ratios</b>		
BIS Tier 1 capital ratio	17.8%	16.4%
BIS Total capital ratio	17.8%	16.2%
<b>FINMA ratios</b>		
FINMA capital adequacy ratio	176%	180%
FINMA Tier 1 capital ratio	14.1%	–
FINMA Total capital ratio	14.1%	–

In December 2008, the Bank obtained approval from FINMA to use the Basel II Foundation Internal Ratings-Based approach to determine regulatory capital requirements for credit risk. The Bank began applying this approach in 2009.

In accordance with Basel II Pillar 3 disclosure requirements, the Bank now publishes a report containing information on its capital adequacy, risk-assessment methods and the level of risk taken. This report is available in the investor relations section of the BCV website.



## 16.2 Business sector information

### 16.2.1 Methodology

Results by business sector are presented at BCV Group level and are broken down according to the Bank's activities.

**Retail Banking** covers operations with retail customers with assets of up to CHF 250,000 or mortgage loans of up to CHF 1.2m.

**Corporate Banking** handles SMEs (including micro-businesses), large corporations, public-sector enterprises and trade finance.

**Wealth Management** addresses the needs of private and institutional clients. This sector also includes custody activities and the subsidiaries Banque Piguët & Cie SA, Gérifonds SA and GEP SA.

**Trading** encompasses financial market transactions (forex, equities, interest-rate instruments, metals, options, derivatives and structured products) conducted by the Bank for its own account and on behalf of customers, as well as custody activities.

The **Corporate Center** comprises Executive Management, Human Resources, the Finance and 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 (Information Systems Management, Process and Organization, Facility Management & General Services, Back Office and Communications), as well as certain proprietary activities and the subsidiaries Unicable SA and Initiative Capital SA.

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

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

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

Income from securities trading is broken down by portfolio and allocated to the sector to which the portfolio manager is attached. Income from forex trading is allocated to Trading, which reallocates part of this income to the business sector to which the client is attached.

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

Operating expenses are allocated in two stages. The first of these involves charging direct expenses to the sector that uses the resources (personnel, premises, IT, etc.). In the second stage, indirect or central expenses are allocated on the basis of services provided to other sectors.

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

Taxes are calculated per sector according to the tax rates in effect.

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

The definition of customer assets (assets under management) can be found in section 9.9 of the accounting principles sub-chapter.

Shareholders' equity is allocated to the various types of business within each sector in accordance with FINMA regulatory requirements, including FINMA's additional buffer of 20%. Surplus equity is booked to the Corporate Center.

	Retail Banking		Corporate Banking	
	2009	2008	2009	2008
<b>16.2.2 Customer assets by business sector</b>				
(in CHF millions)				
<b>Balance sheet</b>				
Loans and advances to customers	102	130	4 336	4 414
Mortgage loans	6 183	5 928	7 810	7 132
<b>Advances to customers</b>	<b>6 285</b>	<b>6 058</b>	<b>12 146</b>	<b>11 546</b>
Savings and investments	6 021	5 441	732	586
Other liabilities	561	611	5 840	5 412
Medium-term notes	222	249	28	48
<b>Customer deposits</b>	<b>6 804</b>	<b>6 301</b>	<b>6 600</b>	<b>6 046</b>
<b>Off-balance-sheet commitments</b>	<b>2</b>	<b>1</b>	<b>2 007</b>	<b>1 788</b>
<b>Customer assets (assets under management)</b>				
(including double-counted)	<b>7 660</b>	<b>7 135</b>	<b>9 779</b>	<b>8 671</b>
<b>16.2.3 Results by business sector</b>				
(in CHF millions)				
Net interest income	146.4	148.7	227.0	207.7
Net fee and commission income	51.2	45.3	62.7	62.4
Net trading income	14.2	10.2	6.8	6.3
Other income	2.8	2.7	5.5	5.5
<b>Operating income</b>	<b>214.6</b>	<b>206.9</b>	<b>302.0</b>	<b>281.9</b>
Personnel costs	-49.8	-48.7	-32.1	-31.3
Operating expenses	-54.2	-53.8	-21.3	-21.6
<b>Operating profit</b>	<b>110.6</b>	<b>104.4</b>	<b>248.6</b>	<b>229.0</b>
Depreciation and write-offs	-22.0	-22.6	-5.0	-4.8
Interdivisional billing	-24.8	-24.6	-39.9	-39.8
<b>Operating profit after depreciation and write-offs and interdivisional billing</b>	<b>63.8</b>	<b>57.2</b>	<b>203.7</b>	<b>184.4</b>
Loan losses <sup>1</sup>	-4.2	-4.3	-42.1	-43.9
Other losses and provisions	-1.2	-2.3	-0.1	-0.2
Extraordinary income and expenses	0	0	0	0
Taxes <sup>2</sup> and minority interests	-12.8	-11.1	-35.5	-30.9
<b>Net profit</b>	<b>45.6</b>	<b>39.5</b>	<b>126.0</b>	<b>109.4</b>
<b>16.2.4 Indicators</b>				
<b>Average shareholders' equity at 120%<sup>3</sup></b> (in CHF millions)	<b>137</b>	<b>309</b>	<b>1 041</b>	<b>853</b>
<b>Profitability ratios (%)</b>				
ROE (based on operating profit after depreciation and write-offs and interdivisional billing)	46.7	18.5	19.6	21.6
ROE (based on net profit)	33.4	12.8	12.1	12.8
Cost / income <sup>4</sup>	70.2	72.3	32.5	34.6
<b>Average headcount</b>	<b>405</b>	<b>411</b>	<b>194</b>	<b>192</b>

To facilitate life-for-like comparisons, 2008 figures were adjusted following a market resegmentation and the resulting transfer of clients between Wealth Management and Retail Banking.

<sup>1)</sup> Expected loan losses are allocated to the business sectors. The difference between new provisioning needs and expected loan losses is booked to the Corporate Center.

Wealth Management		Trading		Corporate Center		BCV Group	
2009	2008	2009	2008	2009	2008	2009	2008
449	626	0	0	655	381	5 542	5 551
4 524	3 987	0	0	253	236	18 770	17 283
<b>4 973</b>	<b>4 613</b>	<b>0</b>	<b>0</b>	<b>908</b>	<b>617</b>	<b>24 312</b>	<b>22 834</b>
3 084	2 507	0	0	5	5	9 842	8 539
6 454	6 082	330	507	378	450	13 563	13 062
256	311	1	0	0	2	507	610
<b>9 794</b>	<b>8 900</b>	<b>331</b>	<b>507</b>	<b>383</b>	<b>457</b>	<b>23 912</b>	<b>22 211</b>
<b>63</b>	<b>51</b>	<b>0</b>	<b>0</b>	<b>227</b>	<b>272</b>	<b>2 299</b>	<b>2 112</b>
<b>58 377</b>	<b>50 530</b>	<b>0</b>	<b>0</b>	<b>393</b>	<b>430</b>	<b>76 209</b>	<b>66 766</b>
150.6	136.5	-0.1	0.6	-16.4	10.6	507.5	504.1
209.8	234.0	0.9	-0.6	4.0	-1.1	328.6	340.0
13.5	15.1	53.8	37.2	10.3	-31.8	98.6	37.0
3.4	1.3	0	0	29.2	37.3	40.9	46.8
<b>377.3</b>	<b>386.9</b>	<b>54.6</b>	<b>37.2</b>	<b>27.1</b>	<b>15.0</b>	<b>975.6</b>	<b>927.9</b>
-98.6	-96.9	-15.1	-13.8	-120.8	-119.6	-316.4	-310.3
-47.8	-49.4	-13.8	-14.5	-52.1	-55.0	-189.2	-194.3
<b>230.9</b>	<b>240.6</b>	<b>25.7</b>	<b>8.9</b>	<b>-145.8</b>	<b>-159.6</b>	<b>470.0</b>	<b>423.3</b>
-11.2	-12.2	-3.1	-2.9	-37.7	-34.3	-79.0	-76.8
-31.1	-30.9	-0.6	-0.4	96.4	95.7	0	0
<b>188.6</b>	<b>197.5</b>	<b>22.0</b>	<b>5.6</b>	<b>-87.1</b>	<b>-98.2</b>	<b>391.0</b>	<b>346.5</b>
-4.0	-3.7	0	0	-12.3	-6.3	-62.6	-58.2
-0.5	-4.4	0	0	-0.9	-9.2	-2.7	-16.1
0.6	0.8	2.5	11.1	60.8	175.0	63.9	186.9
-41.3	-44.1	-5.4	-3.7	6.0	-13.0	-89.0	-102.8
<b>143.4</b>	<b>146.1</b>	<b>19.1</b>	<b>13.0</b>	<b>-33.5</b>	<b>48.3</b>	<b>300.6</b>	<b>356.3</b>
<b>204</b>	<b>275</b>	<b>67</b>	<b>168</b>	<b>1 715</b>	<b>1 585</b>	<b>3 164</b>	<b>3 190</b>
92.4	71.8	32.7	3.3			12.4	10.9
70.3	53.1	28.3	7.8			9.5	11.2
49.8	48.7	59.7	85.0			59.8	62.6
<b>535</b>	<b>527</b>	<b>64</b>	<b>67</b>	<b>725</b>	<b>752</b>	<b>1 923</b>	<b>1 949</b>

<sup>2)</sup> Taxes are calculated per business sector according to the tax rates in effect.

<sup>3)</sup> As of 2009, regulatory capital requirements are calculated according to the Basel II IRB approach (determined according to Basel I in 2008).

<sup>4)</sup> Costs used for calculating the cost/income ratio per sector comprise personnel costs, operating expenses, write-downs and amortization, and internal billing.

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

	2005	2006	2007	2008	2009
Interest and discount income	805.4	855.5	1 024.1	1 023.2	783.3
Interest and dividend income from financial investments	40.1	39.6	40.3	43.1	51.2
Interest expense	- 384.8	- 414.4	- 559.4	- 562.2	- 327.0
<b>Net interest income</b>	<b>460.7</b>	<b>480.7</b>	<b>505.0</b>	<b>504.1</b>	<b>507.5</b>
Fees and commissions on lending operations <sup>2</sup>	33.3	34.2	39.5	51.5	58.9
Fees and commissions on securities and investment transactions <sup>1</sup>	291.6	336.7	356.0	298.9	276.6
Fees and commissions on other services <sup>2</sup>	66.8	75.2	73.6	62.4	64.6
Fee and commission expense <sup>1</sup>	- 62.4	- 79.3	- 84.3	- 72.8	- 71.5
<b>Net fee and commission income</b>	<b>329.3</b>	<b>366.8</b>	<b>384.8</b>	<b>340.0</b>	<b>328.6</b>
<b>Net trading income<sup>1</sup></b>	<b>97.0</b>	<b>94.4</b>	<b>73.5</b>	<b>37.0</b>	<b>98.6</b>
Profit on disposal of financial investments	18.4	26.5	54.4	24.9	14.9
Total income from holdings	3.5	4.6	5.5	5.0	7.8
<i>of which holdings accounted for using the equity method</i>	0.8	0.9	0	0	0
<i>of which other non-consolidated holdings</i>	2.7	3.7	5.5	5.0	7.8
Real-estate income	9.7	6.8	8.6	12.5	11.2
Miscellaneous ordinary income	119.1	121.4	56.9	12.2	11.9
Miscellaneous ordinary expenses	0	0	- 1.2	- 7.8	- 4.9
<b>Other ordinary income</b>	<b>150.7</b>	<b>159.3</b>	<b>124.2</b>	<b>46.8</b>	<b>40.9</b>
<b>Total income from ordinary banking operations</b>	<b>1 037.7</b>	<b>1 101.2</b>	<b>1 087.5</b>	<b>927.9</b>	<b>975.6</b>
Personnel costs	- 364.3	- 378.5	- 347.8	- 310.3	- 316.4
Other operating expenses	- 187.7	- 186.6	- 210.7	- 194.3	- 189.2
<b>Operating expenses</b>	<b>- 552.0</b>	<b>- 565.1</b>	<b>- 558.5</b>	<b>- 504.6</b>	<b>- 505.6</b>
<b>Operating profit</b>	<b>485.7</b>	<b>536.1</b>	<b>529.0</b>	<b>423.3</b>	<b>470.0</b>
Depreciation and write-offs on fixed assets	- 91.1	- 91.1	- 85.2	- 76.8	- 79.0
Value adjustments, provisions and losses	- 16.0	- 7.7	- 9.6	- 16.1	- 18.0
<b>Profit on ordinary banking operations before extraordinary items and taxes</b>	<b>378.6</b>	<b>437.3</b>	<b>434.2</b>	<b>330.4</b>	<b>373.0</b>
Extraordinary income	211.0	244.2	282.8	129.5	16.9
Extraordinary expenses	- 112.5	- 123.8	- 141.2	- 0.8	- 0.3
Taxes	- 20.3	- 23.3	- 98.5	- 101.4	- 88.2
<b>Net profit before minority interests</b>	<b>456.8</b>	<b>534.4</b>	<b>477.3</b>	<b>357.7</b>	<b>301.4</b>
Minority interests	- 2.6	- 4.2	- 3.9	- 1.4	- 0.8
<b>Net profit</b>	<b>454.2</b>	<b>530.2</b>	<b>473.4</b>	<b>356.3</b>	<b>300.6</b>

<sup>1</sup> Following changes to accounting principles applied in preparing the 2007 financial statements, the corresponding line items from 2005 and 2006 were reclassified.

<sup>2</sup> To facilitate like-for-like comparisons, 2008 figures were adjusted following the reclassification of certain fees and commissions.

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

	31 / 12 / 05	31 / 12 / 06	31 / 12 / 07	31 / 12 / 08	31 / 12 / 09
Cash and cash equivalents	282.3	320.5	353.1	545.7	1 404.4
Money-market instruments	535.9	711.7	100.1	95.2	87.7
Due from banks	4 780.2	4 644.2	6 364.2	7 715.5	5 468.6
Loans and advances to customers	5 830.7	5 574.0	5 691.1	5 550.5	5 541.6
Mortgage loans	15 854.3	16 485.1	16 788.2	17 283.0	18 770.2
Trading portfolio assets	1 270.1	1 404.6	2 046.0	607.0	397.2
Financial investments	1 612.2	1 586.1	1 589.1	1 552.0	2 870.3
Non-consolidated holdings	85.0	83.5	81.8	81.8	80.8
Tangible fixed assets <sup>1</sup>	680.9	653.9	634.8	607.2	597.3
Intangible assets <sup>1</sup>	17.2	16.6	11.7	5.5	4.6
Accrued income and prepaid expenses	210.8	249.6	272.5	240.3	219.5
Other assets <sup>2</sup>	1 073.7	1 300.8	1 404.3	954.8	290.8
<b>Assets<sup>2</sup></b>	<b>32 233.3</b>	<b>33 030.6</b>	<b>35 336.9</b>	<b>35 238.5</b>	<b>35 733.0</b>
Money-market paper issued	1.0	3.3	5.0	0.4	3.7
Due to banks	2 039.9	2 088.0	2 472.3	2 335.1	2 064.8
Customer savings and investment accounts	8 818.2	8 472.7	8 120.1	8 539.1	9 841.8
Other customer accounts	8 831.9	9 963.8	12 432.1	13 062.0	13 563.5
Medium-term notes	263.1	288.9	404.7	609.8	506.8
Bonds and mortgage-backed bonds	6 725.0	6 394.6	6 533.2	5 923.4	5 605.1
Accrued expenses and deferred income	220.3	260.4	368.5	257.3	225.5
Other liabilities <sup>2</sup>	660.5	1 091.7	1 205.4	941.4	402.7
Value adjustments and provisions	1 444.3	1 048.6	570.5	393.1	297.3
<b>Liabilities</b>	<b>29 004.2</b>	<b>29 612.0</b>	<b>32 111.8</b>	<b>32 061.6</b>	<b>32 511.2</b>
Reserves for general banking risks	442.0	564.1	704.0	704.0	704.0
Equity capital	1 251.9	997.4	537.9	258.2	172.1
Capital reserve	344.1	347.9	352.8	354.7	356.9
Own equity securities	-5.3	-7.2	-7.6	-7.3	-7.2
Retained earnings	727.1	968.2	1 145.4	1 497.0	1 681.0
Minority interests - equity	12.5	13.8	15.3	12.6	13.6
Net profit before minority interests	456.8	534.4	477.3	357.7	301.4
<b>Shareholders' equity</b>	<b>3 229.1</b>	<b>3 418.6</b>	<b>3 225.1</b>	<b>3 176.9</b>	<b>3 221.8</b>
<b>Total liabilities and shareholders' equity<sup>2</sup></b>	<b>32 233.3</b>	<b>33 030.6</b>	<b>35 336.9</b>	<b>35 238.5</b>	<b>35 733.0</b>

<sup>1</sup> Following changes to FINMA directives on financial statement presentation standards, which took effect on 1 January 2007, the corresponding line items from 2005 and 2006 were reclassified.

<sup>2</sup> Following changes to accounting principles applied in preparing the 2007 financial statements, the corresponding line items from 2005 and 2006 were adjusted.

## 17. Report of the statutory auditor on the consolidated financial statements to the general meeting of Banque Cantonale Vaudoise, Lausanne

As statutory auditor, we have audited the consolidated financial statements of Banque Cantonale Vaudoise, which comprise the balance sheet, income statement, statement of cash flows and notes (pages 57 to 93), for the year ended 31 December 2009. Comparative figures presented in the consolidated financial statements were audited by another auditor.

### *Board of Directors' Responsibility*

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting rules for banks and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements for the year ended 31 December 2009 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with accounting rules for banks and comply with Swiss law.

### **Report on other legal requirements**

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

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

### **PricewaterhouseCoopers SA**

Alex Astolfi                      Beresford Caloia

*Audit expert*                      *Audit expert*

*Auditor in charge*

Lausanne, 9 March 2010



# Parent Company Financial Statements

## 1. Balance sheet (in CHF millions)

	Notes <sup>1)</sup>	31 / 12 / 09	31 / 12 / 08	absolute	Change as %
Cash and cash equivalents		1 393.5	538.0	855.5	159
Money-market instruments		87.7	95.2	-7.5	-8
Due from banks		5 363.8	7 729.9	-2 366.1	-31
Loans and advances to customers	5.7/5.8	5 426.9	5 370.7	56.2	1
Mortgage loans	5.2/5.7/5.8	18 644.1	17 178.5	1 465.6	9
Trading portfolio assets		396.8	606.3	-209.5	-35
Financial investments	5.2/5.8	2 822.0	1 509.3	1 312.7	87
Holdings		156.0	156.6	-0.6	-0
Tangible fixed assets		505.7	517.4	-11.7	-2
Accrued income and prepaid expenses		217.8	238.9	-21.1	-9
Other assets	5.1	291.3	952.9	-661.6	-69
<b>Assets</b>		<b>35 305.6</b>	<b>34 893.7</b>	<b>411.9</b>	<b>1</b>
Total subordinated assets		3.7	5.8	-2.1	-36
Total claims on Group companies and significant shareholders		75.0	140.6	-65.6	-47
<i>of which claims on the Canton of Vaud</i>		2.0	9.2	-7.2	-78
Money-market paper issued		3.6	0.4	3.2	800
Due to banks		2 637.5	2 571.3	66.2	3
Customer savings and investment accounts	5.8/5.9	9 831.8	8 532.9	1 298.9	15
Other customer accounts	5.3/5.8	12 747.2	12 689.9	57.3	0
Medium-term notes		506.8	609.8	-103.0	-17
Bonds and mortgage-backed bonds	5.3	5 605.3	5 923.6	-318.3	-5
Accrued expenses and deferred income		211.6	240.4	-28.8	-12
Other liabilities	5.1	389.7	938.7	-549.0	-58
Value adjustments and provisions	5.4	286.8	382.1	-95.3	-25
<b>Liabilities</b>		<b>32 220.3</b>	<b>31 889.1</b>	<b>331.2</b>	<b>1</b>
Reserves for general banking risks	5.4	693.9	693.7	0.2	0
Equity capital	5.5	172.1	258.2	-86.1	-33
General legal reserve		779.6	779.6	0	0
Reserve for own equity securities	5.4	7.1	7.3	-0.2	-3
Other reserves		1 093.7	908.5	185.2	20
Profit for the year	7	338.9	357.3	-18.4	-5
<b>Shareholders' equity</b>	5.6	<b>3 085.3</b>	<b>3 004.6</b>	<b>80.7</b>	<b>3</b>
<b>Total liabilities and shareholders' equity</b>		<b>35 305.6</b>	<b>34 893.7</b>	<b>411.9</b>	<b>1</b>
Total subordinated liabilities		121.2	132.5	-11.3	-9
Total liabilities to Group companies and significant shareholders		2 151.6	1 186.3	965.3	81
<i>of which liabilities to the Canton of Vaud</i>		1 595.3	950.2	645.1	68

<sup>1)</sup> The notes are on pages 105 – 110.



## 2. Income statement (in CHF millions)

	Notes <sup>1</sup>	2009	2008	absolute	Change as %
Interest and discount income		778.2	1 014.4	- 236.2	- 23
Interest and dividend income from financial investments		50.5	42.6	7.9	19
Interest expense		- 327.9	- 563.2	- 235.3	- 42
<b>Net interest income</b>		<b>500.8</b>	<b>493.8</b>	<b>7.0</b>	<b>1</b>
Fees and commissions on lending operations <sup>2</sup>		58.7	51.3	7.4	14
Fees and commissions on securities and investment transactions		210.5	222.8	- 12.3	- 6
Fees and commissions on other services <sup>2</sup>		63.6	61.6	2.0	3
Fee and commission expense		- 52.2	- 51.8	0.4	1
<b>Net fee and commission income</b>		<b>280.6</b>	<b>283.9</b>	<b>- 3.3</b>	<b>- 1</b>
<b>Net trading income</b>	6.1	<b>93.2</b>	<b>30.0</b>	<b>63.2</b>	<b>211</b>
Profit on disposal of financial investments		16.8	26.0	- 9.2	- 35
Income from holdings		14.6	22.6	- 8.0	- 35
Real-estate income		6.3	7.1	- 0.8	- 11
Miscellaneous ordinary income		12.1	12.3	- 0.2	- 2
Miscellaneous ordinary expenses		- 5.3	- 6.9	- 1.6	- 23
<b>Other ordinary income</b>		<b>44.5</b>	<b>61.1</b>	<b>- 16.6</b>	<b>- 27</b>
<b>Total income from ordinary banking operations</b>		<b>919.1</b>	<b>868.8</b>	<b>50.3</b>	<b>6</b>
Personnel costs		- 285.2	- 276.9	8.3	3
Other operating expenses		- 172.7	- 176.9	- 4.2	- 2
<b>Operating expenses</b>		<b>- 457.9</b>	<b>- 453.8</b>	<b>4.1</b>	<b>1</b>
<b>Operating profit</b>		<b>461.2</b>	<b>415.0</b>	<b>46.2</b>	<b>11</b>
Depreciation and write-offs on fixed assets		- 75.7	- 75.5	0.2	0
Value adjustments, provisions and losses	5.4	- 17.9	- 12.7	5.2	41
<b>Profit on ordinary banking operations before extraordinary items and taxes</b>		<b>367.6</b>	<b>326.8</b>	<b>40.8</b>	<b>12</b>
Extraordinary income <sup>3</sup>	5.4	56.1	126.7	- 70.6	- 56
Extraordinary expenses	5.4	- 0.2	- 0.7	- 0.5	- 71
Taxes		- 84.6	- 95.5	- 10.9	- 11
<b>Profit for the year</b>		<b>338.9</b>	<b>357.3</b>	<b>- 18.4</b>	<b>- 5</b>
<b>Appropriations</b>					
Profit for the year		338.9	357.3		
Profit shown on the balance sheet		338.9	357.3		
Appropriation of profit	7				
- Allocation to other reserves		158.2	185.2		
- Allocation to general legal reserve		0	0		
- Distribution of dividend on share capital		180.7	172.1		

<sup>1)</sup> The notes are on pages 105 – 110.

<sup>2)</sup> To facilitate like-for-like comparisons, 2008 figures were adjusted following the reclassification of certain fees and commissions.

<sup>3)</sup> Includes an extraordinary dividend of CHF 40.0m from a Group subsidiary. In accordance with consolidation principles, this amount is not included in the 2009 consolidated financial statements. This explains why Parent Company net profit exceeds Group net profit.

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

	31 / 12 / 09	31 / 12 / 08	absolute	Change as %
<b>Contingent liabilities</b>	<b>1 307.1</b>	<b>1 225.4</b>	<b>81.7</b>	<b>7</b>
<b>Irrevocable commitments</b>	<b>799.0</b>	<b>724.5</b>	<b>74.5</b>	<b>10</b>
<i>of which commitments to make payments into a depositor protection fund</i>	<i>146.6</i>	<i>151.3</i>	<i>- 4.7</i>	<i>- 3</i>
<b>Commitments relating to calls on shares and other equity securities</b>	<b>97.7</b>	<b>100.1</b>	<b>- 2.4</b>	<b>- 2</b>
<b>Confirmed credits</b>	<b>82.7</b>	<b>54.6</b>	<b>28.1</b>	<b>51</b>
<b>Derivative financial instruments</b>				
Positive replacement values	351.7	3 255.8	- 2 904.1	- 89
Negative replacement values	323.9	3 096.8	- 2 772.9	- 90
Values of underlyings	26 845.2	61 993.4	- 35 148.2	- 57
<b>Fiduciary deposits with other banks</b>	<b>534.2</b>	<b>993.3</b>	<b>- 459.1</b>	<b>- 46</b>

#### Other contingent liabilities

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

## 4. Overview and accounting principles

### 4.1 Overview of operations and headcount

See section 7 of the consolidated financial statements.

### 4.2 Basis of preparation of company financial statements

The company financial statements have been prepared in accordance with the provisions of the Swiss Code of Obligations, the Federal Act on Banks and Savings Institutions and its Implementing Ordinance, and the Directives of 20 November 2008 governing the preparation of financial statements.

#### Changes to accounting principles

No changes were made to the accounting principles in 2009.

### 4.3 Presentation principles for individual line items

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

#### 4.3.1 Trading portfolio assets

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

#### 4.3.2 Holdings

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

### 4.4 Risk-assessment and risk-management principles

See section 10 of the consolidated financial statements.

## 5. Notes to the balance sheet

### 5.1 Other assets and liabilities (in CHF millions)

	31 / 12 / 09		31 / 12 / 08	
	Other assets	Other liabilities	Other assets	Other liabilities
Replacement values of derivative financial instruments (positive / negative)	219.6	191.8	817.9	658.9
Offset accounts	0	45.3	0	94.7
Indirect taxes	4.6	43.3	11.0	70.9
Coupons / coupons and securities due	24.2	1.8	88.0	2.1
Settlement accounts	30.3	89.0	32.3	87.8
Miscellaneous assets and liabilities	12.6	18.5	3.7	24.3
<b>Other assets and other liabilities</b>	<b>291.3</b>	<b>389.7</b>	<b>952.9</b>	<b>938.7</b>

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

	31 / 12 / 09		31 / 12 / 08	
	Amount or book value of pledge	Real liabilities	Amount or book value of pledge	Real liabilities
Assets pledged or assigned to Swiss National Bank	188.3	0	188.4	0
Mortgages pledged or assigned to central mortgage-bond institution of Swiss cantonal banks	5 540.8	4 456.0	5 553.2	4 482.0
Other	514.7	514.7	801.5	801.5
<b>Assets pledged or assigned</b>	<b>6 243.8</b>	<b>4 970.7</b>	<b>6 543.1</b>	<b>5 283.5</b>

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

	31 / 12 / 09	31 / 12 / 08
Due to customers, other	24.5	36.9
Bonds	5.0	5.6
<b>Balance sheet liabilities</b>	<b>29.5</b>	<b>42.5</b>

## 5.4 Value adjustments and provisions

### Reserves for general banking risks

#### Reserve for own equity securities (in CHF millions)

	Status at year-end	Used as allocated	Change in allocation	Recoveries, overdue interest, currency differences	New provisions charged to income statement	Releases credited to income statement	Net change in provisions	Status at year-end
	<b>2008</b>							<b>2009</b>
Value adjustments and provisions for default risk (counterparty and country risks)	369.0	- 117.9	0	23.2	64.9	- 55.4	9.5	283.8
Other provisions	21.5	- 6.3	0	0.1	0.8	- 4.1	- 3.3	12.0
<b>Total value adjustments and provisions</b>	<b>390.5</b>	<b>- 124.2</b>		<b>23.3</b>	<b>65.7</b>	<b>- 59.5</b>	<b>6.2</b>	<b>295.8</b>
Value adjustments directly netted with assets	- 8.4							- 9.0
<b>Total value adjustments and provisions shown on the balance sheet</b>	<b>382.1</b>							<b>286.8</b>
<b>Reserves for general banking risks</b>	<b>693.7</b>		<b>0.2</b>					<b>693.9</b>
<b>Reserve for own equity securities</b>	<b>7.3</b>		<b>- 0.2</b>					<b>7.1</b>

## 5.5 Equity capital (in CHF millions)

	2009		2008	
	Number of shares (in units)	Total par value	Number of shares (in units)	Total par value
<b>Share capital</b>				
Registered share, fully paid-in		Par value		
		CHF 30.00, CHF 20.00 from 22 July 2009		CHF 62.50, CHF 30.00 from 16 July 2008
Status at 1 January	8 606 190	258.2	8 606 190	537.9
Share par-value reduction <sup>1)</sup>		- 86.1		- 279.7
<b>Status at 31 December</b>	<b>8 606 190</b>	<b>172.1</b>	<b>8 606 190</b>	<b>258.2</b>
<i>of which share capital qualifying for dividends</i>		172.1		258.2

<sup>1)</sup> This transaction is described in section 2.3 of the corporate governance chapter.

### Participation certificate capital

BCV does not have any participation certificate capital.

### Conditional capital

BCV does not have any conditional capital.

### Authorized capital

BCV does not have any authorized capital.

	31 / 12 / 09			31 / 12 / 08		
	Number of shares (in units)	Total par value	Stake	Number of shares (in units)	Total par value	Stake
<b>Major shareholders and shareholder groups with voting ties</b>						
Voting rights						
Vaud Canton, direct interest	5 762 252	115.2	66.95%	5 762 252	172.9	66.95%

## 5.6 Movements in shareholders' equity (in CHF millions)

	Share capital	PC capital	General legal reserve	Reserves for general banking risks	Reserve for own equity securities	Other reserves	Profit / loss for the year	Total equity capital
<b>Status at 1 January 2007</b>	<b>536.9</b>	<b>460.5</b>	<b>763.6</b>	<b>555.0</b>	<b>6.5</b>	<b>425.0</b>	<b>506.4</b>	<b>3 253.9</b>
Allocation to general legal reserve			3.0				-3.0	0
Allocation to other reserves						423.4	-423.4	0
2006 dividend							-80.0	-80.0
Capital increase (paying-in of conditional capital)	1.0		3.7					4.7
Partial buyback of participation certificates <sup>1</sup>		-460.5				-273.2		-733.7
Reserve for own equity securities				-0.7	0.8			0.1
Allocation to reserves for general banking risks				139.4				139.4
Profit / loss for the year							463.1	463.1
<b>Status at 31 December 2007</b>	<b>537.9</b>	<b>0</b>	<b>770.3</b>	<b>693.7</b>	<b>7.3</b>	<b>575.2</b>	<b>463.1</b>	<b>3 047.5</b>
Allocation to general legal reserve			9.3				-9.3	0
Allocation to other reserves						333.3	-333.3	0
2007 dividend							-120.5	-120.5
Share par-value reduction <sup>1</sup>	-279.7							-279.7
Reserve for own equity securities								0
Profit / loss for the year							357.3	357.3
<b>Status at 31 December 2008</b>	<b>258.2</b>	<b>0</b>	<b>779.6</b>	<b>693.7</b>	<b>7.3</b>	<b>908.5</b>	<b>357.3</b>	<b>3 004.6</b>
Allocation to other reserves						185.2	-185.2	0
2008 dividend							-172.1	-172.1
Share par-value reduction <sup>1</sup>	-86.1							-86.1
Reserve for own equity securities				0.2	-0.2			0
Profit / loss for the year							338.9	338.9
<b>Status at 31 December 2009</b>	<b>172.1</b>	<b>0</b>	<b>779.6</b>	<b>693.9</b>	<b>7.1</b>	<b>1 093.7</b>	<b>338.9</b>	<b>3 085.3</b>

<sup>1)</sup> This transaction is described in section 2.3 of the corporate governance chapter.

## 5.7 Compensation and loans to members of governing bodies

More information on compensation and loans to members of the governing bodies can be found in section 13.12 of the consolidated financial statements.

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

	31 / 12 / 09	31 / 12 / 08
Loans and advances to customers	31.2	30.5
Mortgage loans	12.0	16.6
Financial investments	0.4	5.9
<b>Receivables</b>	<b>43.6</b>	<b>53.0</b>
Customer savings and investment accounts	3.2	1.0
Other customer accounts	126.4	200.3
<b>Commitments</b>	<b>129.6</b>	<b>201.3</b>

Public-sector entities in the Canton of Vaud as well as mixed-economy companies in which the Vaud Cantonal Government is a major shareholder are considered to be affiliated companies. Transactions with these affiliated companies are conducted on market terms.

### 5.9 Special “Caisse d’Epargne Cantonale Vaudoise” account (in CHF millions)

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

	2009	2008
<b>Capital on deposit at 1 January</b>	<b>496.8</b>	<b>657.1</b>
Movements:		
Net payment surplus during the financial year	– 62.8	– 161.2
Capitalization of net interest at 31 December	0.6	0.9
Net change	– 62.2	– 160.3
<b>Total capital on deposit at 31 December</b>	<b>434.6</b>	<b>496.8</b>
<i>of which guaranteed by the Canton of Vaud</i>	<i>320.3</i>	<i>370.7</i>

	31 / 12 / 09	31 / 12 / 08	Change
<b>Breakdown by type of service</b>			
Registered savings books and accounts	233.6	249.6	– 16.0
Senior citizens’ savings books and accounts	109.6	123.7	– 14.1
Bearer savings books	81.7	109.3	– 27.6
Youth savings books and accounts	9.7	14.2	– 4.5
<b>Total</b>	<b>434.6</b>	<b>496.8</b>	<b>– 62.2</b>

## 6. Notes to the income statement

### 6.1 Net trading income (in CHF millions)

	2009	2008		Change
			absolute	as %
Foreign currency and precious metals	60.1	54.7	5.4	10
Banknotes	10.2	7.6	2.6	34
Securities (less refinancing costs) and derivatives	25.2	– 27.2	52.4	–
Fee and commission expense	– 2.3	– 5.1	– 2.8	– 55
<b>Total</b>	<b>93.2</b>	<b>30.0</b>	<b>63.2</b>	<b>211</b>

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

The Board of Directors will recommend to the General Meeting of Shareholders, to be held on 29 April 2010, appropriation of available earnings of CHF 338.9m as follows:

	Dividend in CHF per registered share	Number of shares (in units)	Appropriation (in CHF millions)
Payment of an ordinary dividend of	21.00	8 606 190	180.7
Allocation to the general legal reserve			0
Allocation to other reserves			158.2
			<b>338.9</b>

If this resolution is adopted, the dividend will be payable, after deduction of Swiss withholding tax, at the Bank's head office and branches from 10 May 2010 onwards.



## 8. Report of the statutory auditor on the financial statements to the general meeting of Banque Cantonale Vaudoise, Lausanne

As statutory auditor, we have audited the financial statements of Banque Cantonale Vaudoise, which comprise the balance sheet, income statement and notes (pages 102 to 110), for the year ended 31 December 2009. Comparative figures presented in the financial statements were audited by another auditor.

### *Board of Directors' Responsibility*

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements for the year ended 31 December 2009 comply with Swiss law and the company's articles of incorporation.

### **Report on other legal requirements**

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

### **PricewaterhouseCoopers SA**

Alex Astolfi                      Beresford Caloia

*Audit expert*                      *Audit expert*

*Auditor in charge*

Lausanne, 9 March 2010

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

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### General principles

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

- communicate transparently. The information provided in this chapter complies with the information-disclosure requirements contained in the Corporate Governance Directive issued by the SIX Swiss Exchange on 1 July 2002<sup>1</sup> and amended in 2003, 2004, 2006, 2007 and 2009;
- apply the principal standards of corporate governance. BCV follows the recommendations contained in the Swiss Code of Best Practice for Corporate Governance<sup>2</sup> whenever they are compatible with its status as a corporation organized under public law;
- carry out regular reviews of its organization with regard to the Bank's present needs and future growth, and ensure that all members of management are involved in its operational procedures;
- materially and continuously improve the information it publishes, in particular by means of its annual report and a separate report on corporate social responsibility, which is issued every two years.

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

<sup>1)</sup> See the English translation of this text on the SIX website: <http://www.six-exchange-regulation.com/index.html>

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

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

## 1. Group structure and shareholders

### 1.1 Group structure

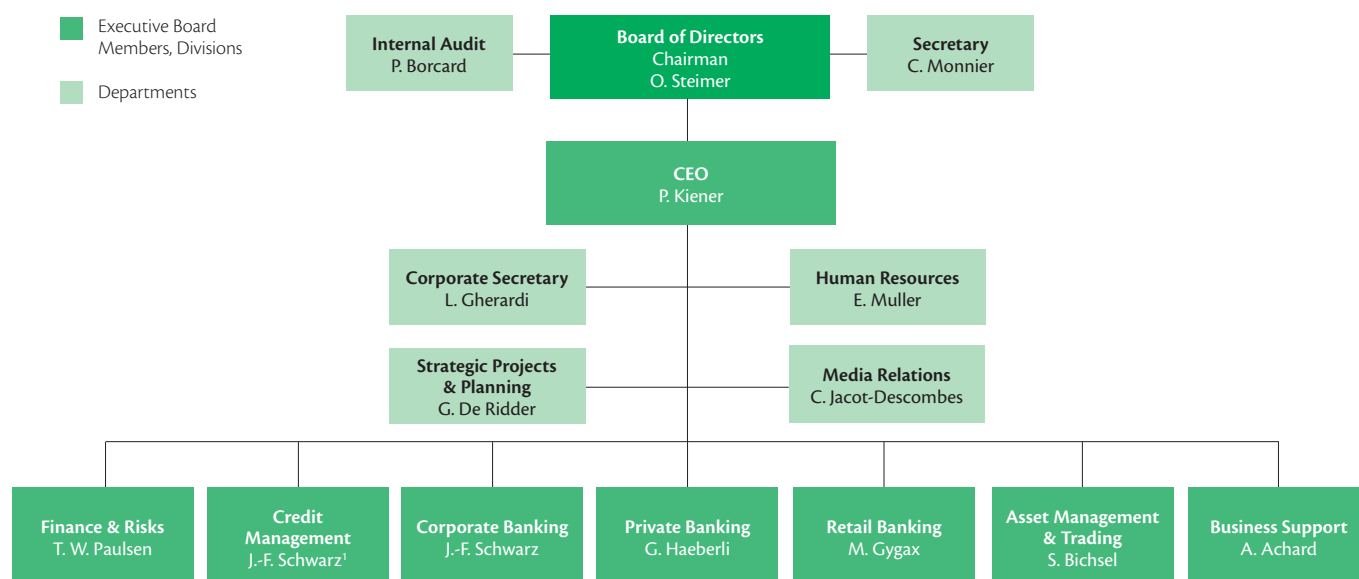
#### 1.1.1 Group operational structure (at 31 December 2009)

Details of all BCV Group companies are shown under “Scope of Consolidation” in the Consolidated Financial Statements (page 73). BCV is the only listed company included in the Group’s scope of consolidation.

#### 1.1.2 Listed companies included in the scope of consolidation

Company name	Banque Cantonale Vaudoise
Legal status	Corporation organized under public law, established on 19 December 1845 by Council Decree of the Vaud Cantonal Parliament (Grand Conseil vaudois) and governed by the Act of 20 June 1995, as amended on 25 June 2002 and 30 January 2007
Registered office	Place Saint-François 14, 1003 Lausanne, Switzerland
Stock exchange listing	BCV shares are listed on the SIX Swiss Exchange
Market capitalization	At 31 December 2009, the value of BCV’s listed shares with a par value of CHF 20 was CHF 3.537bn
Security number	1.525.171
ISIN code	CH 00015251710

#### Group operational structure (at 31 December 2009)



<sup>1)</sup> B. Sager was appointed on 15 February 2010

### 1.1.3 Unlisted companies included in the scope of consolidation (at 31 December 2009)

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 Group directives.

At the operational level, each of the subsidiaries reports to a BCV division according to the type of business in which it engages, with the exception of Banque Piguet & Cie SA. Initiative Capital SA therefore reports to the Corporate Banking Division, Gérifonds SA to Asset Management & Trading, and GEP SA and Unicable SA to the Business Support Division.

In principle, each head of division is also a member and/or chair of the board of directors of each subsidiary attached to his or her division. In the case of Banque Piguet & Cie SA, the Chairman of the parent company's Board of Directors also chairs the Board of Directors of this subsidiary.

The share capital of BCV's subsidiaries and the holdings of the parent company are shown under section 11 of the Consolidated Financial Statements (page 73). In addition to its operational subsidiaries, the Group has subsidiaries that are purely legal entities and have no staff of their own. They serve to separate operations which, from a legal point of view, are outside the sphere of BCV's core business areas. A case in point is Initiative Capital SA, whose business is acquiring holdings in start-up companies, mostly in the Lake Geneva area.

### 1.2 Major shareholders

At 1 January 2010, the Canton of Vaud held 66.95% of the Bank's share capital. No other shareholder is known to hold an interest of 5% or more in either the voting rights or capital. BCV Group is currently unaware of any shareholders' pacts. Registered shareholders other than the Canton of Vaud represented 15.74% of the Group's capital at 31 December 2009.

### 1.3 Cross-shareholdings

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

## 2. Capital structure

Equity capital (registered shares)	CHF 172,123,800
Authorized capital	None
Conditional capital	None
Employee stock options	None

### 2.1 Share capital

Information on the Bank's share capital and changes in 2007, 2008 and 2009 may be found in sections 5.5 and 5.6 of the Parent Company Financial Statements (pages 106 and 107). Additional information on the Group's capital is shown on page 61 of the Consolidated Financial Statements.

At 31 December 2009, the Bank's share capital stood at CHF 172,123,800 and consisted of 8,606,190 registered shares with a par value of CHF 20.

### 2.2 Conditional capital

There was no conditional capital at 31 December 2009.

## 2.3 Capital structure at the end of the 2007, 2008 and 2009 financial years

### Change in capital structure

#### Number of shares

Equity capital	31/12/2007	31/12/2008	31/12/2009
Share capital (fully paid-in registered shares)	8,606,190	8,606,190	8,606,190
Participation-certificate capital (fully paid-in participation certificates)	0	0	0
Conditional capital (shares)	0	0	0

### Equity – Group (CHF millions)

Equity	31/12/2007	31/12/2008	31/12/2009
Equity capital (fully paid-in)	537.9	258.2	172.1
Capital reserves and retained earnings	1964.0	2200.7	2331.3
Reserve for general banking risks	704.0	704.0	704.0
Minority interests in shareholders' equity	19.2	14.0	14.4

**Main changes in 2007**

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

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

**Main changes in 2008**

The Annual Shareholders' Meeting held on 24 April 2008 approved a resolution to reduce the par value of BCV's share by reimbursing shareholders CHF 32.50 per share at the end of the capital-reduction procedure. As a result, the share capital in the nominal amount of CHF 537,886,875, consisting of 8,606,190 fully paid-in registered shares with a par value of CHF 62.50, was reduced to CHF 258,185,700 through the reduction of the par value per share to CHF 30 and the repayment to shareholders of CHF 32.50 per share (8,606,190 shares). The par-value repayment took place on 16 July 2008.

**Main changes in 2009**

The Annual Shareholders' Meeting held on 30 April 2009 approved a resolution to reduce the par value of BCV's share by reimbursing shareholders CHF 10 per share at the end of the capital-reduction procedure. As a result, the share capital in the nominal amount of CHF 258,185,700, consisting of 8,606,190 fully paid-in registered shares with a par value of CHF 30, was reduced to CHF 172,123,800 through the reduction of the par value per share to CHF 20 and the repayment to shareholders of CHF 10 per share (8,606,190 shares). The par-value repayment took place on 22 July 2009.

## 2.4 Shares and participation certificates

### Registered shares at 31 December 2009

Number of shares	8,606,190
Proposed dividend	CHF 21
Par value	CHF 20
Stock-exchange listing	SIX Swiss Exchange
Voting rights	One voting right per share

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

### 2.5 Dividend-right certificates

BCV has not issued any dividend-right certificates.

### 2.6 Restrictions on transfers and registration of nominees

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

#### 2.6.1 Restrictions on transfers

##### *Excerpt from the Articles of Incorporation:*

##### *Article 13 - Transfers of registered shares*

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

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

- in respect of a shareholding exceeding 5% of the Bank's share capital held by a single shareholder or group of shareholders as defined by the Federal Act on Stock Exchanges and Securities Trading. (...) That limit shall not apply to the Canton of Vaud or any third party to which the Canton of Vaud sells part of its shareholding, or to the takeover of a company or part of a company;
- 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;
- if and so long as his/her recognition could prevent the Bank from furnishing proof of the shareholder base required under Swiss law.

*End of excerpt from the Articles of Incorporation.*

#### 2.6.2 Exemptions granted during the financial year

No exemptions were granted during the financial year.

#### 2.6.3 Registration of nominees

The Board of Directors may refuse the registration of an acquirer as a shareholder with voting rights unless he or she expressly states, when requested to do so, that he or she has purchased the shares in his or her name and for his or her account.

#### 2.6.4 Privileges under the articles and transfer restrictions

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



## 2.7 Convertible bonds and options

At 31 December 2009, 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 2009, the Board of Directors comprised only non-executive members. The Chairman and members of the Board perform no other functions within BCV Group, and have not done so during the past three years apart from Olivier Steimer's role as Chairman of the Board of Directors of Banque Piquet & Cie SA. They maintain normal business relations with BCV and Group companies.

In accordance with Article 12, paragraph 2bis of the Cantonal Act Governing BCV and Article 21, paragraph 3 of the Bank's Articles of Incorporation, the Vaud Cantonal Government (VCG) assigns a written mission to the members that it appoints to the Board of Directors. The VCG appoints four of the seven members of the Board; its current appointees are Olivier Steimer, Stephan A. J. Bachmann, Luc Recordon and Paul-André Sanglard. The purpose of this "mission letter" is to describe the general framework of the mission entrusted to these members as VCG appointees to the Board and to define the full extent of their relationship with the Canton of Vaud in this regard. It addresses, in particular, the issues of loyally safeguarding the interest of both BCV and the Canton, ensuring compliance with BCV's legal mandate and exercising the VCG's power to appoint certain members of the Bank's governing bodies. The letter sets out the various factors that must be considered with respect to the governing bodies' organization, operation and composition, as well as BCV's mission and strategy. Board members are called upon to ensure the implementation of a strategy that will allow the Bank to carry out its mandate under the best possible conditions, while generating a sufficient return to guarantee its financial soundness over the long term, and contribute to defining objectives that take into account both its mission and its profitability (see also Article 24, paragraph 2 of the Bank's Articles of Incorporation). It also states what the VCG expects in terms of communication with Vaud Canton, BCV's shareholders, the financial community and the public, bearing in mind the information-exchange agreement pursuant to the above Act and the Bank's Articles of Incorporation (see in particular Article 24, paragraph 2). The Audit & Risk

Committee includes two Board members appointed by the VCG (Mr. Bachmann, Chairman, and Mr. Sanglard) – who therefore hold such mission letters – and one elected by shareholders (Jean-Luc Strohm, Vice Chairman of the Board of Directors). The Board members are assigned to the Bank's various committees on the basis of their personal and professional abilities and their preferred fields, the aim being to protect the interests of the Bank, its shareholders and all of its partners.

Name, year of birth and nationality	Education	Career experience
Olivier Steimer, 1955, Swiss citizen	Law degree from Lausanne University	Chairman of the Board of Directors since 30 October 2002. After completing his university studies and a number of banking and finance internships, Mr. Steimer joined Credit Suisse where, from 1983 onwards, he was appointed to progressively increasing levels of responsibility as Head of the Nyon branch office and then Head of Investment Advisory Services in Lausanne. He held several positions in Los Angeles, New York and Zurich, and worked in the fields of wealth management and credit and financing services for both Swiss and foreign clients. In 1995, Mr. Steimer was given overall responsibility for Credit Suisse's Geneva region and was appointed member of the Executive Board of Credit Suisse Private Banking at Zurich headquarters in 1997. In 2001, he was named CEO of the Private Banking International Division and joined the Executive Board of Credit Suisse Financial Services. The following year, he was appointed member of the Credit Suisse Group Executive Board.
Jean-Luc Strohm, 1941, Swiss citizen	Degrees in law and economics from Lausanne University	Vice Chairman of the Board of Directors since 1 January 2008. After completing his studies, Mr. Strohm began a long and varied banking career with UBS. He worked as a financial and credit-risk analyst in Zurich from 1966 to 1970 and managed a portfolio of commercial loans in Lausanne from 1970 to 1977. In 1978, Mr. Strohm was sent to Los Angeles to set up the UBS branch there, which he headed until 1982. He was then called back to Lausanne to set up and head the International Banking Department of UBS Lausanne, where, in 1985, he was put in charge of the Corporate Banking Department. Mr. Strohm left UBS in 1993 to become Director of the Lausanne-based Vaud Chamber of Commerce and Industry, a position which he held until June 2005.
Stephan A.J. Bachmann, 1946, Swiss citizen	Certified accountant	Mr. Bachmann joined the Board of Directors on 1 January 2008 and has chaired the Audit & Risk Committee since that date. After his initial banking training and periods in French-speaking Switzerland, England and Italy, he continued his career with PricewaterhouseCoopers and its predecessor firms. In 1969, he joined the Schweizerische Treuhandgesellschaft (STG) in Basel. This position led him to New York in 1975 to work for Coopers & Lybrand SA before returning to the Lausanne and Geneva offices. He was the head of Audit and Advisory in Switzerland from 1991 to 2006, first as a member of the Management Board of STG-Coopers & Lybrand SA and then, beginning in 1998, as a member of the Board of Directors of PricewaterhouseCoopers. As a certified public accountant and former licensed bank auditor, Mr. Bachmann has extensive experience in auditing both financial and manufacturing companies.
Beth Krasna, 1953, Dual Swiss and US citizen	Degree in chemical engineering from the Swiss Federal Institute of Technology in Zurich (EPFZ)  Masters in Management from the Sloan School of the Massachusetts Institute of Technology	After five years at Philip Morris, Ms. Krasna spent ten years in the venture capital business, three years as a consultant and a further ten years in the corporate restructuring field as managing director of Valtronic in Les Charbonnières (1992-1996) and Symalit in Lenzburg. She served as CEO of Sécheron SA in Geneva (1998-2000) and of Lausanne-based software company Albert-Inc. SA (2001-2003). Since 2004, she has been an independent non-executive director for various companies.

<b>Pierre Lamunière,</b> 1950, Swiss citizen	Degree in economics and business administration from Lausanne University  MBA (specializing in finance and marketing) from the Wharton Business School of the University of Pennsylvania	Mr. Lamunière was elected by shareholders at the Annual Shareholders' Meeting held on 24 April 2008 and joined the Board of Directors on that date. After starting his career in 1971 as an auditor at Coopers & Lybrand in Basel and Milan, he occupied various posts at Edipresse Group beginning in 1977. Mr. Lamunière served as Vice Chairman of the Edipresse Board of Directors from 1982-2002 and has been Chairman of the Board since that time. He was also a member of the Board of Swiss Post from 1997 to 2002.
<b>Luc Recordon,</b> 1955, Swiss citizen	Doctorate in law from Lausanne University and member of the Bar of Vaud Canton  Degree in physics and a certificate in business management, both from the Swiss Federal Institute of Technology in Lausanne (EPFL)	Mr. Recordon worked as a lawyer for the Federal Office for Spatial Planning in 1980-1981 and spent the next two years as a sales engineer with Granit SA in Lausanne before setting up his own legal and technical consultancy. Mr. Recordon was admitted to the Bar in 1989 after two years as a trainee lawyer and was subsequently made a partner in a Lausanne law firm.
<b>Paul-André Sanglard,</b> 1950, Swiss citizen	PhD in economics with a specialization in political economy from the University of Geneva	After working as an assistant in the Department of Political Economy at the University of Geneva, Mr. Sanglard was employed as an economist in the Swiss Federal Office of External Economic Affairs. From 1978 to 1979, he was a research fellow at Stanford University and the Massachusetts Institute of Technology. In 1979, he was appointed Head of Jura Canton's public revenue office. He became a lecturer in public finance at the University of Geneva in 1982, and between 1984 and 1989 he was a member of the World Economic Forum Executive Committee. Mr. Sanglard has been a freelance economist since 1989.

### 3.2 Other activities and business relations

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<b>Olivier Steimer</b>	<ul style="list-style-type: none"><li>• Member of the Board of Directors of Swiss Federal Railways, Bern; Ace Limited, Zurich; and Renault Finance SA, Lausanne</li><li>• Chairman of the Board of Directors of Banque Piguet &amp; Cie SA, Yverdon-les-Bains</li><li>• Member of the Bank Council of the Swiss National Bank, Bern and Zurich</li><li>• Chairman of the Foundation Board of the Swiss Finance Institute, Zurich</li><li>• Member of the Committee of the Board of Directors of economiesuisse, Zurich</li><li>• Chairman of the Committee of the Lausanne University construction office, Lausanne</li><li>• Board member of the following foundations: BCV Foundation, Lausanne; Table Suisse, Murten; Centre for Humanitarian Dialogue, Geneva</li></ul>
<b>Jean-Luc Strohm</b>	<ul style="list-style-type: none"><li>• Member of the Board of Directors and Chairman of the Audit Committee of Bondpartners SA, Lausanne</li><li>• Chairman of the Félix Vallotton Foundation, Lausanne</li><li>• Member of the Polyval Committee, Le Mont-sur-Lausanne</li><li>• Member of the Board of Directors of Creapole SA, Delémont</li></ul>
<b>Stephan A. J. Bachmann</b>	<ul style="list-style-type: none"><li>• Member of the Board of Directors of Mitreva Treuhand und Revision AG, Zurich; and member of the Board of Directors and Chairman of the audit committee of La Nationale Assurances, Basel</li><li>• Chairman of the Ethics Committee of the Chambre Fiduciaire</li><li>• Member of the Board of La Longeraie Foundation, Morges</li></ul>
<b>Beth Krasna</b>	<ul style="list-style-type: none"><li>• Member of the Board of Governors and Chair of the Audit Committee of Switzerland's Federal Institutes of Technology</li><li>• Member of the Board of Directors and Chair of the Audit Committee of Bonnard &amp; Gardel Holding SA, Lausanne</li><li>• Member of the Board of Directors of Coop, Basel and Raymond Weil SA, Geneva</li><li>• President of the Board of Trustees of the Fondation en Faveur de l'Art Chorégraphique (Prix de Lausanne)</li><li>• Member of the Swiss Academy of Technical Sciences, the Strategy Board of Geneva Canton, and the Nouveau Mouvement Européen Suisse</li></ul>
<b>Pierre Lamunière</b>	<ul style="list-style-type: none"><li>• Chairman of the Board and Managing Director of Edipresse Group, Lausanne</li><li>• Member of the Board of Directors of Tamedia SA, Zurich</li><li>• Chairman of the Board of Directors of Lamunière SA and its subsidiary undertakings, Lausanne</li><li>• Member of the Management Board of the International Federation of the Periodical Press (FIPP)</li></ul>
<b>Luc Recordon</b>	<ul style="list-style-type: none"><li>• Committee member (and former Chairman) of the Lausanne Section of the Swiss Tenants' Association (ASLOCA) and the Vaud Section of the Swiss Transport and Environment Association (ATE - VD), and Chairman of the general meeting of AVDEMS, Pully, and of the Board of Directors of the Coopérative Tunnel-Riponne, Lausanne</li><li>• Local councilor for Jouxten-Mézery</li><li>• Member of the upper house of the Swiss Parliament and the Vaud Green Party Committee</li><li>• Member of the boards of directors of the following companies and foundations: SEG Swiss Education Group SA, Lausanne; Clavel SA, Bern; and Association E-Changer, Partenaire dans l'échange et pour le changement, Fribourg</li><li>• Member of the Foundation Board of the Swiss Federation of Private Schools, Bern; and of IPT (Fondation intégration pour tous), Lausanne</li><li>• Chairman of the Joint Labor-Management Commission of the Fondation Pour l'Animation Socioculturelle Lausannoise, Lausanne</li></ul>

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- Paul-André Sanglard**
- Chairman of the Board of Directors of Groupe Vaudoise Assurances, Lausanne
  - Chairman of the Board of Directors of Banque Cantonale du Jura, Porrentruy
  - Chairman of the Board of Ophthalmology Network Organization, Onex
  - Member of the Board of Directors of TSM Insurance Company, La Chaux-de-Fonds; the Compagnie Benjamin de Rothschild SA, Meyrin; Helvea SA, Geneva; and QNB Banque Privée (Suisse) SA, Geneva
  - Member of the Audit & Corporate Social Responsibility Committee of BAT, Italy
  - Member of the Foundation Board of FITEC, Délémont, and of the Investment Committee of Swiss Solidarity, Geneva

### 3.3 Interdependencies

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

### 3.4 Election and 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 Chairman and half of the other members are appointed by the Vaud Cantonal Government. The remaining members are elected individually by shareholders at the Annual Shareholders' Meeting, with the Cantonal Government abstaining from voting.

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

#### 3.4.2 First election and term of office

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

Members of the Board of Directors	Year of birth	Date of first election	Latest possible expiration of term of office	Appointed by
Olivier Steimer (Chairman)	1955	30 October 2002	2018	Vaud Government <sup>1</sup>
Jean-Luc Strohm (Vice Chairman)	1941	30 October 2002	2011	Shareholders' Meeting <sup>2</sup>
Stephan A. J. Bachmann	1946	1 January 2008	2016	Vaud Government
Beth Krasna	1953	30 October 2002	2018	Shareholders' Meeting <sup>2</sup>
Pierre Lamunière	1950	24 April 2008	2020	Shareholders' Meeting
Luc Recordon	1955	1 February 2002	2018	Vaud Government <sup>1</sup>
Paul-André Sanglard	1950	30 October 2002	2018	Vaud Government <sup>1</sup>

<sup>1</sup> Term of office renewed until end-2013

<sup>2</sup> Term of office renewed at 2006 Annual Shareholders' Meeting until 2010

### 3.5 Internal organization

#### 3.5.1 Allocation of tasks

The Chairman of the Board of Directors is Olivier Steimer. Board member Jean-Luc Strohm became Vice Chairman on 1 January 2008. The other Board members are Beth Krasna, Stephan A. J. Bachmann, Pierre Lamunière, Luc Recordon and Paul-André Sanglard.

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

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

### 3.5.2 Committees: composition and terms of reference

#### Audit Committee

##### (Audit & Risk Committee from 1 January 2010)

In 2009, the Audit Committee was made up of Stephan A. J. Bachmann (Chairman), Beth Krasna, Paul-André Sanglard and Jean-Luc Strohm.

Following an in-depth review, the Board of Directors decided to transform the Audit Committee into an Audit & Risk Committee with effect from 1 January 2010. The aim is to expand this Committee's role in matters of risk management and control. Specifically, the Audit & Risk Committee 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 periodic basis of the Group's main risks, the risk management policy and strategy, reports on risks and compliance with regulatory capital requirements. In its new form, the Audit & Risk Committee consists of three members, namely Stephan A. J. Bachmann (Chairman), Paul-André Sanglard and Jean-Luc Strohm.

The Committee reviews the Bank's financial data and the Chief Risk Officer's report every quarter, and the reports from the Head of Internal Audit, the Chief Compliance Officer and the Head of the Legal Department every six months. The Committee 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 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 an analysis of the main audit risks. 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 & Risk Committee Charter posted on the BCV internal website, and to review other matters related to its activities. An additional meeting is dedicated essentially to the closing of the annual accounts.

The Head of Internal Audit attends all Committee meetings, with exceptions for certain specific subjects. Depending on the agenda, the meetings are also attended by representatives of the external auditors, members of the Executive Board (including the Chief Financial Officer and other members of senior management), the Chief Risk Officer, the Chief Compliance Officer and the Head of the Legal Department.

In addition to its risk-related role described above, the main task of the Audit & Risk Committee is to assist the Board of Directors in carrying out its supervisory duties and ensuring the integrity of the consolidated financial statements and financial reports. Furthermore, the Committee is responsible for ensuring the quality and independence of the work performed by both the internal and external auditors. It discusses the contents of the parent company's audit reports, together with those of the subsidiaries, as part of a consolidated review. It oversees implementation of the auditors' recommendations by means of an itemized follow-up, and, beginning on 1 January 2010, agrees on the audit plans for both the internal and external auditors.

Apart from its regular duties, the Audit & Risk Committee attended a one-day training seminar in 2009 mainly about the expected loss and the concept of Value at Risk.

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

### Compensation, Promotions and Appointments Committee

In 2009, the Compensation, Promotions and Appointments Committee consisted of Olivier Steimer (Chairman), Pierre Lamunière and Luc Recordon. The CEO takes part but has no vote.

This Committee has also reviewed its operational procedures and duties in order to enhance its ability to assist the Board of Directors, particularly in HR strategy and employee transition management. It clarified its tasks in matters of defining profiles, selecting and proposing candidates for senior management and for board positions, setting and assessing objectives, and fixing compensation.

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

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

Finally, it makes recommendations on executive appointments and promotions.

### Other committees

The ad hoc committee formed in 2003 to handle all ongoing legal proceedings involving BCV's former governing bodies continued to sit in 2009. This committee is composed of Luc Recordon (Chairman), Beth Krasna and Olivier Steimer.

In 2009, the Board of Directors created an Innovation & Opportunities Committee whose primary missions are to initiate and explore certain issues of strategic importance and, in the interest of BCV's clientele, to monitor the latest developments and trends in the banking industry. It also oversees corporate social responsibility within the Bank. The Committee, which consists of Beth Krasna (Chairperson), Olivier Steimer, Luc Recordon and Pascal Kiener, met twice in 2009.

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

In 2009, the Board of Directors held 13 ordinary plenary meetings. Each meeting generally lasted a half day, with the exception of three full-day meetings. The Board of Directors went on two 2-day retreats, in part with the Executive Board, and had two conference-call meetings. The retreats provide the Board of Directors with the opportunity to address strategic topics in greater depth, including overall strategy, HR strategy, financial strategy, IT strategy and risk-management strategy. Finally, one meeting was held between all the members of the Board of Directors, the CEO and the Vaud Cantonal Government.

The Board committees meet whenever required by the business at hand. In 2009, the Audit Committee met seven times and took part in a one-day training seminar; the Compensation, Promotions and Appointments Committee met four times and had two conference-call meetings.

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

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

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

The Board of Directors has adopted an operational procedure between itself and the Executive Board with a subject-by-subject description and schedule of the tasks to be performed. This “modus operandi,” which was reviewed in 2009, establishes the frequency with which matters are handled by the two Boards, including their committees, and in which form. The objective is good governance with an integrated vision, i.e., to ensure that all pertinent issues are addressed at the right level, that the time available to the Boards and committees is allocated optimally and that their involvement is fully consistent with their responsibility (see also section 3.7). Following the review of its procedures in 2009, the Board of Directors decided to delegate more matters to the committees. In principle, 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 which are as concrete as possible. It carries out an analysis every six months to determine whether these objectives have been achieved, and also reviews and improves its procedures on a regular basis.

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

#### 3.6 Powers

The Board of Directors establishes the Bank’s general policy. It directs the Bank’s affairs at the highest level and issues the necessary instructions. It also supervises the 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 Cantonal Act Governing BCV.

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

It also has the following responsibilities:

The Board of Directors determines which companies belong to BCV Group, in accordance with the legal provisions applicable to the scope of consolidated supervision. Subject to the non-transferable and inalienable powers of the subsidiaries, it exercises the same powers relative to the Group, through the directives that BCV issues and the instructions that BCV gives its representatives within the Group. It decides on the creation, acquisition, sale and liquidation of subsidiaries and branch offices, and of representative offices abroad. It validates the Bank’s investment and growth policy, and reviews it periodically.

It ensures that systems for the preparation of financial statements and for financial planning are implemented and maintained, and that these systems meet regulatory requirements and those related to internal and external audits.

The Board of Directors, pursuant to SFBC circular 06/6 (FINMA 2008/24) on internal control systems, regulates, establishes, maintains, monitors and regularly reviews the internal control system (ICS). The relevant internal framework directive was implemented in 2008. It regularly discusses its assessment of the appropriateness and effectiveness of the ICS with the Executive Board.

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



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

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

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

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

The Executive Board is responsible for managing and directly monitoring the Bank's business. Its powers include drawing up the terms and procedures of operations listed in Article 4 of the Articles of Incorporation, as defined in Article 4 of the Cantonal Act Governing BCV. It has the power to institute legal proceedings and represent the Bank in a court of law; it keeps the Board of Directors informed of any such situation.

Furthermore, the Executive Board implements the decisions made by the Board of Directors. It ensures that the organization and internal audit procedure in place at BCV meet the requirements of SFBC circular 06/6 (FINMA 2008/24) on internal control systems and the 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. In 2008, it 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 credit policy through its Credit Committee. It is responsible for preparing periodic risk-assessment reports in accordance with the instructions of the Board of Directors and prepares all documents that will be used in the decision-making and monitoring processes relative to operations and business dealings that involve special risks. It is responsible for overall risk management within the framework set by the Board of Directors, regularly verifies compliance with disclosure and reporting requirements defined by the regulatory authorities, and monitors compliance with risk exposure limits set by the Board of Directors.

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

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

### **3.7 Monitoring the Executive Board**

The Board of Directors supervises the Executive Board with the support of the Internal Audit Department, which regularly monitors all the operations of the Bank and the Group. It is also assisted in this task by the external auditors. In addition to approving the financial statements, the Executive Board sends (and in some cases presents) quarterly reports on the following issues to the Board of Directors: risks, asset and liability management (ALM), the Bank's equity capital, investor relations and investment policy. It also provides half-yearly reports (quarterly until the end of 2009) on compliance, legal matters and human resources. These activities take place within the scope of the "modus operandi" described in section 3.5.3. The Board of Directors is also provided with budget reports and regular updates on business trends.

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 issues. In principle, Executive Board members attend whenever issues relating to their division are under discussion. Executive Board members in charge of front-office divisions give the Board of Directors a business review twice a year.

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

### **Internal Audit Department**

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

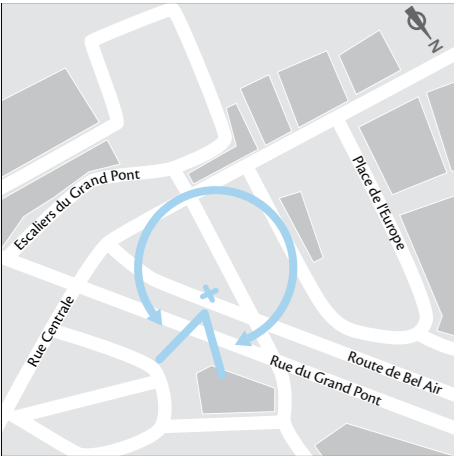
The Internal Audit Department performs regular audits and submits detailed post-audit reports as well as half-yearly reports (quarterly until the end of 2009) to the Executive Board, the Audit & Risk Committee and the Board of Directors. The Head of Internal Audit attends all Audit & Risk Committee meetings (see section 3.5.2).

## **4. Executive Board**

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

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





Place de l'Europe, Lausanne, November 2009

Name, year of birth and 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.
Aimé Achard, 1954, French citizen	Member of the Executive Board with responsibility for the Business Support Division since 1 April 2006	Degree in computer science from the Institut d'Informatique d'Entreprises (IIE), Paris, in 1978	In 1979 Mr. Achard joined BNP Paribas Group and worked in London, Oslo, Basel and Geneva, where he occupied key posts in the management, design and operation of IT systems and back offices. Before joining BCV, he was responsible for the operational integration of acquisitions in the private banking business of BNP Paribas Group.
Stefan Bichsel, 1955, Swiss citizen	Member of the Executive Board with responsibility for the Asset Management & Trading Division since 1 May 2009	Admitted to the bar of Bern Canton in 1982 Master of Laws (LL.M) from Georgetown University in Washington DC in 1986  Admitted to the bars of New York and Connecticut in 1987 Advanced Management Program at the Wharton Business School, Philadelphia in 1994	Stefan Bichsel trained as a lawyer and has more than 25 years of experience in banking. Following law studies in Lausanne and Bern, Mr. Bichsel started his career at UBS. He was admitted to the bars of New York and Connecticut, before working for Pictet & Cie. in Geneva. In 1994, he was appointed as the first CEO of Swissca Holding AG (now Swisscanto). Under his leadership this company became a major Swiss investment fund promoter, institutional asset manager and pension-fund specialist. From 1998 to 2001, he served as Chairman of the Board of the Swiss Funds Association (SFA). In 2002, Mr. Bichsel was named to the Management Board of Robeco Group (Rotterdam), where he was put in charge of the company's operations outside the Netherlands. From 2003 to 2005, he was Chairman of the Board of the European Fund and Asset Management Association (EFAMA). He joined Lombard Odier Darier Hentsch Group (LODH) in 2006 as a partner in the holding group and member of Group Management, with responsibility for developing the bank's international institutional asset management operations.

<b>Markus Gygax,</b> 1962, Swiss citizen	Member of the Executive Board with responsibility for the Retail Banking Division since 1 October 2008	Degree in business administration from the Zurich School of Business Administration in 1987  MBA-FSI from the University of St. Gallen in 2004	After working at Zurich Cantonal Bank from 1978 to 1986, Mr. Gygax moved to the Swiss Banking Corporation and then Helsana, where he was in charge of retail products and distribution for private clients. He joined Postfinance in 2002 as a member of Executive Management and head of Distribution. Mr. Gygax was responsible for all systems and distribution channels targeting both businesses and individuals throughout Switzerland.
<b>Gérard Haeberli,</b> 1961, Swiss citizen	Member of the Executive Board with responsibility for the Private Banking Division since 1 July 2009	Degree in economics (with a specialization in business administration) from the Business and Economics Faculty of Lausanne University in 1983  Certificates from the International Bankers School in New York, Harvard Business School in Boston and IMD in Lausanne	Mr. Haeberli joined Credit Suisse in 1985, where he spent his career until 30 June 2009. From 1987, he held responsibilities in private banking in Yverdon 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.
<b>Thomas W. Paulsen,</b> 1965, Swiss citizen	CFO, member of the Executive Board with responsibility for the Finance & Risks Division since 1 January 2009	Degree in economics from Lausanne University in 1988  MSc in economics from the London School of Economics (LSE) in 1989  PhD in economics from Lausanne University in 1992	Mr. Paulsen started his career in 1992 at EGL/Elektrowatt, a Swiss company engaged in generating, transmitting and trading electricity. He spent three years there as head of energy controlling. In 1995, Mr. Paulsen joined McKinsey & Company (Geneva) as a strategic consultant. He was made a member of the steering committee of the European risk management practice and elected Principal Associate in 2000. During his time at McKinsey, he managed a large number of projects for financial institutions in Switzerland and other European countries, as well as for major electricity companies. Mr. Paulsen joined BCV in July 2002 as Chief Risk Officer (CRO), and in this capacity created the Risk Management Department. He was named CFO and Head of the Finance & Risks Division on 1 January 2009.
<b>Jean-François Schwarz,</b> 1955, Swiss citizen	Member of the Executive Board with responsibility for the Corporate Banking Division since 1 March 2003	Degree in economics (with a specialization in business administration) from the Business and Economics Faculty of Lausanne University in 1976	Mr. Schwarz joined BCV's Commercial Division in 1976. He subsequently became assistant to the Head of Division and, later on, client advisor for business loans, trade finance and export credits. From 1986 onwards, he worked for Credit Suisse in Lausanne, New York, Zurich, Geneva and Sion. He was in charge of five regions for Credit Suisse as Head of Corporate Clients for French-speaking Switzerland before returning to BCV in 2003.

Change in the composition of the Executive Board in 2010:

Bertrand Sager was appointed to the Executive Board with effect from 15 February 2010.

<b>Bertrand Sager, 1966, Swiss citizen</b>	CCO, member of the Executive Board with responsibility for the Credit Management Division since 15 February 2010	Master of Law from Lausanne University in 1990  Advanced Management Certificate from INSEAD in Fontainebleau in 2007	Mr. Sager began his career at Credit Suisse in 1991, where he was involved in various lending activities. He joined BCV in 1998 and was appointed to lead BCV's Credit Recovery 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.
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The following Executive Board members left BCV Group in 2009: Olivier Cavaleri (Head of the Trading Division until 31 January 2009) and Serge Meyer (Head of the Credit Management Division until 19 June 2009). Christopher E. Preston (Head of the Wealth Management Division until 31 March 2009) left his position at BCV to become CEO of Banque Piguet & Cie SA.

<b>Olivier Cavaleri, 1962, Swiss citizen</b>	Member of the Executive Board with responsibility for the Trading Division from 1 July 2001 until 31 January 2009	MSc in electrical engineering from the Swiss Federal Institute of Technology in Lausanne (EPFL) in 1985  MBA from Lausanne University in 1989  Executive Program diploma from the Swiss Finance Institute in 1999	Mr. Cavaleri was in charge of IT and economic evaluation at Bernische Kraftwerke AG (an electric utility) from 1986 to 1990. In 1990, he joined UBS in Zurich to work on new financial derivative instruments. From 1992 to 1997, he was head of fixed-income derivatives and was then put in charge of Swiss trading in foreign currency bonds. He joined BCV in 1998 as Head of the Fixed-Income Department. He took over the Trading Division as a joint member of the Executive Board on 1 July 2001 and was appointed a full member of the Board on 1 July 2003. Mr. Cavaleri left BCV on 31 January 2009.
<b>Serge Meyer, 1954, Swiss citizen</b>	CCO, member of the Executive Board with responsibility for the Credit Management Division from 1 January 2009 to 19 June 2009	Degree in economics (with a specialization in business administration) from the Business and Economics Faculty of Lausanne University in 1981  Banking for Professionals certificate from the American Institute of Banking, New York in 1983  International Executive Program at INSEAD in Fontainebleau in 1994	Serge Meyer joined SBC (subsequently UBS) in 1975 where he stayed until 2005. He started out in Switzerland, working in various departments in Zurich and Lausanne. He was then given responsibility for Large Corporates business acquisition and relationship management, an assignment for which he was based successively in New York and San Francisco. Mr. Meyer returned to Switzerland in 1986 and was Head of Multinationals/International Organizations and Financial Services until 1994. From 1994 until 1998 he held various posts in UBS's Credit Risk Management unit, and in 1998 he was named head of the Western Switzerland Region. Mr. Meyer joined BCV in 2005 as Chief Credit Officer (CCO). He was a member of the Executive Board with responsibility for the Credit Management Division from 1 January 2009 to 19 June 2009.

<b>Christopher E. Preston, 1954, Dual Swiss and British citizen</b>	Member of the Executive Board with responsibility for the Wealth Management Division from 1 January 2004 until 31 March 2009	Law degree from the University of Southampton (UK) in 1975  MBA from Cranfield School of Management and INSEAD in 1980	Mr. Preston began his career in 1976 at Camper & Nicholson Ltd, working in the UK and Monaco, before joining Bank of America in 1980. From 1980 to 1987, he worked in London in the areas of lending, capital markets and trading. In 1988, he was appointed General Manager of BA Finance (Suisse) SA before becoming Country Manager for Switzerland in 1989. He was Manager and Country Treasurer for Germany between 1992 and 1993. In 1994, he joined the Executive Board of Rothschild Bank AG, Zurich, initially as Chief Financial Officer and subsequently as Head of the Private Banking Division. He moved to Citigroup Private Bank in 2001, where he held the posts of Chairman of Citigroup Suisse SA and Head of the Wealth Management Division for Europe and the Middle East. Mr. Preston left the parent company on 31 March 2009 to become CEO of Banque Piquet & Cie SA.
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#### 4.2 Other activities and business relations

Executive Board members also perform the following functions:

<b>Pascal Kiener</b>	<ul style="list-style-type: none"> <li>• Member of the Board of Directors and the Board Committee of the Swiss Bankers Association</li> <li>• Member of the Board of Directors and the Board Committee of the Union of Swiss Cantonal Banks</li> <li>• Member of the Board of Directors and the Steering Committee of the Vaud Chamber of Commerce and Industry</li> <li>• Chairman of the "Fonds de prévoyance en faveur du personnel de la BCV"</li> <li>• Member of the Board of the BCV Foundation</li> <li>• Member of the Board of the Geneva Financial Center Foundation</li> <li>• Member of the Strategic Advisory Board of the Swiss Federal Institute of Technology in Lausanne (EPFL) and member of the Foundation Board of EPFL Plus</li> <li>• Member of the Foundation Board of Foot Avenir, Paudex</li> <li>• Member of the Board of Directors of Unicible</li> </ul>
<b>Aimé Achard</b>	<ul style="list-style-type: none"> <li>• Chairman of the Board of Directors of GEP SA</li> <li>• Member of the Board of Directors of Unicible</li> </ul>
<b>Stefan Bichsel</b>	<ul style="list-style-type: none"> <li>• Chairman of the Board of Directors of Gérifonds, Lausanne</li> <li>• Member of the Board of Directors of Banque Cantonale du Jura, Porrentruy</li> <li>• Member of the Board of Directors of Swisssanto Holding SA, Bern</li> <li>• Member of the International Orientation Committee of EDHEC</li> <li>• Member of the Executive Board for Europe, Middle East and Africa, Wharton Business School, Philadelphia</li> <li>• Member of the Foundation Board of pro Aventico, Avenches</li> </ul>
<b>Markus Gygax</b>	<ul style="list-style-type: none"> <li>• Member of the Board of Directors of Aduno Holding AG</li> <li>• Member of the Board of Directors of Viseca Card Services SA</li> <li>• Treasurer of the "Association Vaudoise des Banques (AVB)" and of the "Fondation vaudoise pour la formation bancaire (FVFB)"</li> <li>• Member of the Board of the "Fondation complémentaire en faveur de l'encadrement supérieur de la BCV"</li> <li>• Member of the Board of the "Fonds de prévoyance en faveur du personnel de la BCV"</li> </ul>



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<b>Gérard Haeberli</b>	<ul style="list-style-type: none"><li>• Member of the Liaison Committee of the Business and Economics Faculty of Lausanne University</li></ul>
<b>Thomas W. Paulsen</b>	<ul style="list-style-type: none"><li>• Chairman of the Swiss Cantonal Bank Issuing Committee</li><li>• Member of the Board of Directors of the Swiss Cantonal Banks' Central Mortgage Bond Institution</li><li>• Member of the Foundation Board of the "Caisse de Pensions de la Banque Cantonale Vaudoise"</li><li>• Member of the Foundation Board of the "Fonds de prévoyance en faveur du personnel de la BCV"</li><li>• Member of the commission on market regulation and accounting of the Swiss Bankers Association (SBA)</li><li>• Member of the commission on market regulation and accounting of the Union of Swiss Cantonal Banks</li></ul>
<b>Bertrand Sager</b>	<ul style="list-style-type: none"><li>• Member of the Foundation Board of the "Caisse de Pensions de la Banque Cantonale Vaudoise"</li><li>• Judge for property disputes at the Eastern Vaud District Court</li></ul>
<b>Jean-François Schwarz</b>	<ul style="list-style-type: none"><li>• Member of the Board of Directors of Défi Développement-Finance Holding SA, Lausanne</li><li>• Member of the Executive Committee of the Vaud Canton economic development agency (DEWS)</li><li>• Member of the Vaud Canton economic council</li></ul>

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### Internal organization of the Executive Board

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

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

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

<b>Committee name, composition (at 1 March 2010)</b>	<b>Main roles</b>
<b>Credit Committee</b> Bertrand Sager (Chairman) Pascal Kiener Gérard Haerberli Jean-François Schwarz Eric Schneider Laurent Michel	<ul style="list-style-type: none"><li>• Submits proposals concerning the Bank's lending policy, technical standards and regulations governing lending authority to the Executive Board for approval by the Board of Directors</li><li>• Makes decisions on the granting of lending authority</li><li>• Makes decisions regarding the granting and renewing of major lending facilities, within the limits of its powers</li><li>• Monitors the Bank's loan portfolio, particularly the sector breakdown</li><li>• Oversees credit-limit and overdraft management</li></ul>
<b>Risk Management Committee</b> Thomas W. Paulsen (Chairman) Pascal Kiener Stefan Bichsel Jean-François Schwarz Bertrand Sager Nasir Ahmad	<ul style="list-style-type: none"><li>• Submits risk management policy and strategy proposals to the Executive Board for approval by the Board of Directors</li><li>• Ensures risk management and control processes are implemented and updated for the entire Bank and for all risk categories</li><li>• Monitors the Bank's overall risk profile</li><li>• Steers all the Bank's risk management projects</li></ul>
<b>Asset and Liabilities Management Committee (ALCO)</b> Pascal Kiener (Chairman) Thomas W. Paulsen Markus Gyax Gérard Haerberli Christopher Cherdel Eric Allemann Michel Aubry Fernando Martins da Silva	<ul style="list-style-type: none"><li>• Examines the exposure of the banking book to interest-rate risk and forex risk, as well as the Bank's exposure to liquidity risk</li><li>• Manages interest-rate risk exposure on the balance sheet</li><li>• Manages the Bank's liquidity and funding</li></ul>
<b>Information Technology Committee</b> Aimé Achard (Chairman) Pascal Kiener Markus Gyax Thomas W. Paulsen Frédéric Le Hellard	<ul style="list-style-type: none"><li>• Submits IT strategy proposals to the Executive Board for approval by the Board of Directors</li><li>• Submits proposals on the budgetary framework and the medium-term plan for high priority projects</li><li>• Monitors the implementation of IT projects</li><li>• Obtains information on major IT incidents and corrective measures taken</li></ul>

### 4.3 Management contracts

The Bank has not entered into any management contracts.

## 5. Compensation, shareholdings and loans

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

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

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

Detailed compensation figures can be found in the tables on page 84.

#### Board of Directors

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

The Chairman's compensation encompasses all activities as Chairman of the Board of Directors of BCV and Chairman of the Board of Directors of Banque Piguet & Cie SA.

Compensation of Board members is reviewed annually.

#### Executive Board

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

For the Executive Board as a whole, the ratio of base salary to annual performance-based variable compensation was 84% in 2009.

Compensation of the Executive Board comprises all of the components described below.

#### Base salary

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

#### Variable compensation

Each employee is eligible for variable compensation, which is awarded depending on the extent to which the employee has achieved quantitative and qualitative performance objectives. It is also influenced by the Bank's results and the overall performance of the division and department to which the employee is attached. Part of it may be taken in BCV shares, which are subject to a lock-up period. For the 2009 financial year, these shares have a par value of CHF 20 and are allocated at the average market price observed during the last week of February 2010. Members of the Executive Board must take part of their variable compensation in shares.

#### Employee share ownership

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

### Long-term variable salary

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

The system is built around plans which start every year and three-year strategic objectives.

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

All proceeds of par-value reductions and dividends on BCV shares set aside for the long-term variable salary are paid to the Bank. These proceeds are booked as net interest income and carried under "Interest and dividend income from financial investments."

A supply of 5,669 shares was created for the 2009-2011 plan. Since the full cost of this operation was charged to the 2009 financial year, there will be no further impact on the income statement until the end of the plan. At that time, any difference between the number of shares actually distributed to participants and the number originally set aside for this purpose will be paid in and treated as income to be carried under "Profit on disposal of financial investments."

The plan is based on the following five internal objectives:

- Return on equity
- Interest margin
- Cost/income ratio
- Cost of credit risk
- Net new money and net new mortgages.

Share allocation will be governed by the following criteria:

- 5 objectives achieved: 100% of shares awarded
- 4 objectives achieved: 75% of shares awarded
- 3 objectives achieved: 50% of shares awarded
- 2 objectives achieved: 25% of shares awarded
- 0-1 objective achieved: no shares awarded.

The 2007-2009 plan, which ended on 31 December 2009, was based on the following five internal objectives:

- Return on equity
- Interest margin
- Cost/income ratio
- Cost of credit risk
- Net new money and net new mortgages.

Share allocation was governed by the following criteria:

- 5 objectives achieved: 100% of shares awarded
- 4 objectives achieved: 75% of shares awarded
- 3 objectives achieved: 50% of shares awarded
- 2 objectives achieved: 25% of shares awarded
- 0-1 objective achieved: no shares awarded.

At the end of 2009, three of the five objectives had been achieved. As a result, the number of shares allocated to participants in March 2010 was 50% of the total number set aside for this purpose, or 1,608 shares. In accordance with the by-laws, the remaining shares that had been set aside were paid in, treated as income in 2010 and carried under "Profit on disposal of financial investments."

### Other compensation

Compensation also includes taxable entertainment expenses.

### Contracts

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

### Assessment of the compensation system

FINMA published the final version of its Circular on Remuneration Schemes in November 2009 following consultations with the Swiss financial sector. BCV is not among the financial institutions required to apply the circular. FINMA nevertheless recommends that institutions apply the principles set forth in the circular to their compensation systems. BCV analyzed its compensation system in conjunction with a recognized external consultant. The results of this analysis clearly demonstrated that BCV's systems conform largely to the FINMA requirements. Two key points should be mentioned in this respect: for many years the amount of variable compensation has taken into account the risks incurred by the Bank; and part of this compensation is a deferred payment in the form of

shares subject to a three-year lock-up period. In addition, compensation levels at BCV are reasonable and do not encourage irrational risk-taking. Compensation levels within the Executive Board, for example, are equivalent to or below those at companies of comparable size in the financial and manufacturing sectors.

For 2010, BCV has made a number of changes to its compensation system, including the introduction of compensation regulations.

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

This point does not apply to BCV.

## 6. Shareholders' rights

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

### 6.1 Restrictions on voting rights and shareholder proxies

#### 6.1.1 Restrictions on voting rights

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

#### *Article 12 - Shareholder register*

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

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

#### *Article 13 - Transfers of registered shares*

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

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

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

Under Article 16 of the Articles of Incorporation (convening a Shareholders' Meeting – see 6.4 below for the text of the article), one or more shareholders together representing no less than one tenth of the share capital may also request the convening of a Shareholders' Meeting. Shareholders representing shares with an aggregate par value of one hundred thousand<sup>1)</sup> Swiss francs may request that an item of business be entered on the agenda. The calling of a Shareholders' Meeting and the inclusion of an item of business on the agenda must be requested in writing, stating the business to be discussed and motions to be submitted.

Any individual motion requiring a vote must be submitted to the Chairman of the Board of Directors in writing at least 45 days before the Shareholders' Meeting.

At any Shareholders' Meeting convened to vote on the removal of a clause relating to restrictions on the transfer of registered shares, such removal shall be decided by an absolute majority of votes attached to the shares

<sup>1)</sup> Upon the recommendation of the Board of Directors, the Annual Shareholders' Meeting held on 24 April 2008 agreed to lower this level from one million to one hundred thousand francs, in order to remain in line with best practices among listed companies.

represented, where each share shall entitle the holder to one vote (Article 11, paragraphs 3 and 4 of the Cantonal Act of 20 June 1995 Governing BCV), in compliance with the rules applicable to any resolution of the Shareholders' Meeting.

### 6.1.2 Exemptions granted during the financial year

During the 2009 financial year, no departure from the above restrictions was made.

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

### 6.2 Quorum provisions

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

#### *Article 19 - Quorum provisions; Resolutions*

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

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

### 6.3 Convening shareholders' meetings

#### *Article 16 - Meetings*

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

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

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

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

### 6.4 Agenda

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

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

Any individual motion requiring a vote shall be submitted to the Chairman of the Board of Directors in writing at least 45 days prior to the Meeting.

### 6.5 Shareholder registration

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

Pursuant to paragraph 1 of the same Article, the right to vote at the Meeting shall be exercised by the shareholder registered in the share register or by his or her proxy, who may not necessarily be a shareholder. BCV will provide shareholders with an independent proxy for the Shareholders' Meeting of 29 April 2010.

## 7. Takeovers and defense measures

### 7.1 Obligation to make a bid

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

### 7.2 Takeover clauses

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

## 8. Auditors

### 8.1 Term of audit and length of service of lead auditor

In 2002, KPMG SA became the external auditor as defined in the Swiss Code of Obligations and in compliance with Article 24 (e) of the Articles of Incorporation, as well as the group auditor and parent company regulatory auditor pursuant to the Federal Act on Banks and Savings Institutions. Olivier Gauderon, an audit expert licensed by the Federal Audit Oversight Authority and FINMA, was appointed lead auditor in April 2006.

In accordance with Article 20, paragraph 2 of the Cantonal Act of 20 June 1995 Governing BCV, as amended on 30 January 2007, and Article 33, paragraph 2 of the Articles of Incorporation, the independence of the auditors must be ensured through periodic changes in the lead auditors as well as in the auditing firm itself. The Board of Directors therefore issued a request for bids in 2008. After thoroughly examining the proposals, it selected PricewaterhouseCoopers SA, which has its registered office in Zurich, to serve as the Bank's new external auditor within the meaning of the FINMA law that took effect on 1 January 2009. Alex Astolfi, a partner at PricewaterhouseCoopers, is the lead auditor. Upon the recommendation of the Board of Directors, the appointment of PricewaterhouseCoopers SA as the Bank's auditor for 2009 was also approved at the Shareholders' Meeting of 30 April 2009.

### 8.2 Audit fees

Fees invoiced by PricewaterhouseCoopers SA for its audits of the parent company and consolidated financial statements, the statutory audit pursuant to the provisions of the Federal Act on Banks and Savings Institutions and the Federal Act on Stock Exchanges and Securities Trading (including audit-related work required by FINMA) and the audit of BCV as a custodian bank for investment funds, amounted to CHF 1,772,640 for the 2009 financial year.

Fees invoiced by PricewaterhouseCoopers SA in Switzerland and abroad for financial and statutory audits of other BCV Group companies were CHF 348,173.

Total fees invoiced by PricewaterhouseCoopers SA for audit services supplied to all the companies which make up BCV Group therefore amounted to CHF 2,120,813 in the reporting year.

### 8.3 Additional fees

Fees invoiced by companies within the PricewaterhouseCoopers SA group for services related to audits, in particular fees for certificates required contractually or by local law, totaled CHF 21,466 for the parent company. Consulting fees, including but not limited to fees for IT-related projects and tax advice, amounted to CHF 15,620 for the parent company.

Total additional fees for the 2009 reporting period invoiced by PricewaterhouseCoopers SA in Switzerland and abroad for all BCV Group companies therefore amounted to CHF 37,086.

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

#### 8.4 Monitoring of external auditors

The Audit & 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 (quarterly until the end of 2009) to the Audit & Risk Committee, which reviews the report at a meeting in the presence of representatives of the external auditors. Furthermore, the Audit & Risk Committee conducts a detailed evaluation of the external auditors once a year.

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

The Chairman of the Board of Directors and the Chairman of the Audit & 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 & 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 & 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 2009, representatives of the external auditors partially attended three meetings of the Board of Directors and all meetings of the Audit Committee.

The Chairman of the Board of Directors meets with the auditor in charge of the audit approximately once per quarter to see whether the work is proceeding as planned; the Chairman of the Audit & Risk Committee attends this meeting once per year. The Chairman of the Audit & 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 & Risk Committee and the Executive Board.

## 9. Disclosure policy

### 9.1 Transparency

At their meeting on 28 April 2004, BCV shareholders decided to add the following paragraph to Article 24 of the Bank's Articles of Incorporation concerning the duties of the Board of Directors: "The Board of Directors shall see that it is kept informed. It shall also see that shareholders are properly and fairly informed about the Bank's situation to the greatest extent possible consistent with legitimate compliance with business and banking secrecy and securities laws. In particular, it shall reach an agreement governing disclosure of information to the Canton of Vaud."

### 9.2 Information-exchange agreement

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

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

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



### 9.3 Other information

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

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

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

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

Half-yearly Basel II Pillar 3 reports and other data of particular interest to investors may also be consulted in the "Investor Relations" section of the BCV website ([www.bcv.ch](http://www.bcv.ch)).

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

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

## 10. Contacts

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### 2010 corporate calendar

25 February	Full-year results press conference
29 April	Annual Shareholders' Meeting
29 April	First-quarter results press release
10 May	Dividend payment <sup>1</sup>
21 July	Payment of par-value reduction <sup>1,2</sup>
19 August	First-half results press conference
11 November	Nine-month results press release

<sup>1</sup> Subject to approval at the Annual Shareholders' Meeting

<sup>2</sup> Indicative date, depending on the results of the capital-reduction procedure

## Definition and mission

The Compliance Department not only assists with prevention, advice and support for the implementation of BCV's internal guidelines, but also monitors the Bank's activities to ensure that they comply with legal and regulatory requirements and abide by the ethical rules and standards customary on the market. Independent of BCV's operations and reporting directly to the CFO, the Department aims to preserve the Bank's compliance and reputation, particularly with regard to the fight against money laundering and the financing of terrorism, as well as with regard to rules of conduct in dealings with clients or the market, and taking investor profiles into consideration. It has no decision-making powers; these are entrusted solely to line management and the governing bodies.

The Compliance Department proposes policies to the governing bodies with a view to ensuring that the objectives of adhering to both banking supervision laws and BCV's fundamental ethical values are taken into account when strategic decisions are made and internal guidelines are put in place. In this context, it provides advice for the approval of internal guidelines.

## Organization

The Compliance Department at BCV is organized around two areas of activity. One team primarily provides advice to employees in all divisions and trains them to understand and enforce BCV's internal guidelines and learn from prior experiences that have arisen in its daily work in order to continuously improve the regulatory environment. The other team's primary tasks are to implement measures and changes in the area of compliance monitoring at the Bank level, to independently perform recurring or targeted checks on the basis of its risk evaluation, and to help the front office and the units that verify compliance with formalities to improve their monitoring procedures.

As part of its regular duties, the Compliance Department works closely with the Risk Management Department, the Legal Department, the Human Resources Department, the Security Unit, and Internal Audit.

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

## 2009 highlights

The main events for the Compliance Department in 2009 included implementing the requirements of FINMA Circular 2008/38 on market conduct rules, establishing a formal system to monitor new regulations, and taking an active role in the work to provide more detailed client profiles and computerize them.

Following the introduction of new requirements imposed by the rules of conduct in securities trading, we undertook a thorough analysis that allowed us to find an effective approach to meeting them. This approach involved both organizational measures and a monitoring process, which we established after defining the conflict-of-interest situations that can result from knowledge of confidential information and determining which positions at the Bank are sensitive. We ensured that we had met all the requirements by adapting our internal guidelines, training our employees and providing them with thorough information, and by implementing a software solution for internal control.

In order to track new regulatory requirements for management, the Compliance Department analyzed all current and proposed changes in the field of banking and financial legislation and made quarterly updates to a dashboard whose parameters include the level of risk to the Bank, the principal actions to be taken, the persons responsible for monitoring the actions and the deadlines for implementation.

During the year, the Compliance Department was also involved in implementing an operational risk management tool and putting another tool in place to monitor the match between the composition of asset portfolios and investor profiles.

An evaluation of the non-compliance risk associated with the Bank's various areas of business was submitted to the governing bodies, along with an action plan. The compliance risk report was prepared by systematically collecting information on potentially non-compliant procedures and specifically monitoring certain areas.

## Outlook for 2010

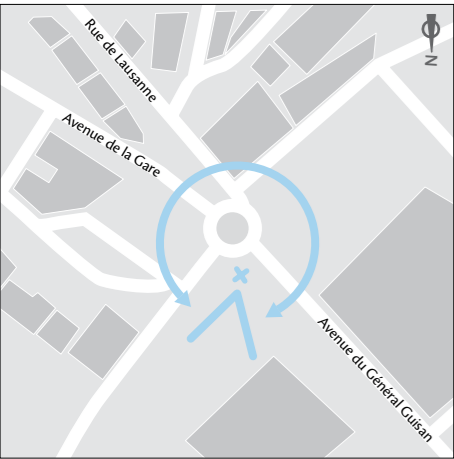
This year, we will be able to make full use of the new software implemented in 2009, enabling us to detect share-price manipulation, computerize our client profiles (KYC) and manage non-compliance risk.

The Compliance Department will also be involved in studies on the internal changes necessary to implement FINMA Circular 2009/1 on framework rules for asset management, which sets a new mandatory minimum standard for self-regulation in this area.

Another highlight of 2010 will be the implementation of an enhanced system for monitoring foreign law in the context of relationships with our international private clients. In addition, we plan to improve internal training on rules of conduct in dealings with clients.

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





Avenue Général-Guisan, Vevey, December 2009

## 1. Global risk management

### 1.1 Objectives

The business of banking is to take on strategic/business risk, credit risk and market risk in order to create added value. 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;
- ensure that BCV's risk-taking capacity is in line with its risk profile;
- ensure that 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/business risk, credit risk and market risk with the aim of generating added value.
2. BCV seeks to minimize its exposure to operational risk.
3. Every risk that BCV takes must fall clearly within the purview of the Group's businesses.
4. BCV ensures transparency in all the risks that it takes and enters into a transaction only when it knows how to manage the resulting risks.
5. BCV's risk management process looks at all sources of risk in a consistent way and monitors their potential impact.
6. BCV applies uniform definitions, methodological approaches and organizational principles in managing risk.
7. BCV continually improves its risk management organization, processes and methods.
8. The maximum level of risk taken by BCV is in line with its risk tolerance with respect to net profit fluctuations and with its available capital.
9. BCV works constantly to foster a culture of risk management and to develop its skills in this field. In particular, the Bank follows industry best practices and the recommendations of the Basel Committee.
10. BCV is committed to having full in-house expertise in all the risk management techniques that it uses.

### 1.3 Classification of risks

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

- strategic/business risk, which arises from economic or regulatory changes that have an adverse effect on the Bank's strategic choices in the case of strategic risk, or from competitive changes that have an adverse effect on business decisions for a given strategy in the case of business risk.
- credit risk, which arises from the possibility that a counterparty may default. Credit risk exists before and during settlement of a transaction;
- market risk, which arises from potential adverse changes in market parameters, particularly prices, implied volatility and other base effects on the markets (e.g., correlation between assets, market liquidity). Liquidity risk in terms of the Bank's refinancing capacity is also deemed to be a component of market risk. Market risk exists on the trading book and the banking book.
- operational risk, which arises from a possible inadequacy or failure relating to processes, people and/or information systems within and outside the Bank. Operational risk includes the risk of non-compliance, i.e., the risk of the Bank breaching legal requirements, standards and regulations.

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

- the financial impact, that is, a decrease in the Bank's net profit and/or the value of its capital;
- the regulatory impact, that is, inquiries, sanctions, increased monitoring or a restriction on banking activities;
- the reputational impact on the image the Bank projects to the outside world.

### 1.4 Governance

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

- The Board of Directors establishes BCV's policy for managing risk and decides the strategy it will pursue in taking on risk.
- The Audit & Risk Committee ensures that the risk management policy set by the Board of Directors is implemented and applied.
- The Executive Board is responsible for the implementation and application of risk management procedures and for monitoring the Bank's risk profile. The Executive Board Risk Committee is responsible for proposing a risk policy and strategy (RPS), closely monitoring the Bank's risk profile, and steering all developments and enhancements in risk management at BCV. The committee is chaired by the Chief Financial Officer (CFO), and includes the CEO, other division heads, and the Chief Risk Officer (CRO).
- 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 CRO is in charge of the Risk Management Department and develops the methods and models used for the management of credit risk, market risk and operational risk. He monitors the Bank's overall exposure to the four risk categories and is responsible for the Bank's risk reporting.
- For all credit risk exposures taken by the Bank, the Credit Management Division, under the Chief Credit Officer (CCO), is responsible for risk analysis and, up to the limit of its approval authority (see below), for the granting of credit as well as the monitoring of risk exposures on a counterparty basis.



## 1.5 Risk Management Department

The Risk Management Department is the central pillar of the Bank's credit-, market- and operational-risk management. Its mission is to develop and continually improve the Bank's methods and guidelines for managing risk; to foster a culture of risk management among staff in all the Bank's divisions; to monitor the Bank's risk profile and risk-taking strategy; and to oversee and execute risk reporting. The Risk Management Department is also responsible for the overnight monitoring of market risk for BCV's trading floor.

The Risk Management Department has a staff of around twenty people that combine highly developed technical skills with extensive experience in managing banking risks. The risk management staff works in close collaboration with the Bank's various divisions to implement and maintain controls commensurate with the risks that are taken.

## 1.6 BCV risk profile - key indicators

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

## 2. Managing credit risk

### 2.1 Customer credit risk

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

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

The three phases of customer credit activities are described in more detail on the next page.

### BCV risk profile

		31/12/06	31/12/07	31/12/08	31/12/09
<b>BCV Group capital adequacy</b> (determined according to Basel II since 2009)	• FINMA capital requirements (CHF millions)	1692	1726	1650	1677
	• FINMA capital adequacy ratio	199%	179%	180%	176%
	• BIS capital requirements (CHF millions)	1451	1517	1464	1328
	• BIS Tier 1 capital ratio	18.3%	16.3%	16.4%	17.8%
	• BIS Total capital ratio	18.5%	16.3%	16.2%	17.8%
<b>Non-impaired loans (parent company)</b>	• Customer loans, on- and off-balance-sheet <sup>1</sup> (CHF bn)	21.5	22.7	23.2	25.2
	• Expected loss ratio	28 bps	23 bps	22 bps	22 bps
<b>Impaired loans (parent company)</b>	• Impaired loans (CHF bn)	1.3	0.8	0.6	0.6
	• As a % of total customer loans and due from banks	4.6%	2.6%	2.2%	1.9%
	• Specific provisioning ratio	65%	61%	57%	49%
<b>Market risk on the trading book</b> (parent company)	• Trading: VaR (CHF m, 1-day, 99%)	1.6 <sup>2</sup>	2.4	1.9	0.3
	• Nostros: VaR (CHF m, 180-day, 99%)	16.3 <sup>3</sup>	5.8 <sup>3</sup>	13.4	6.1
<b>Market risk on the banking book</b> (parent company)	• VaR (% of economic value of equity capital, 90-day, 99%)	3.4%	3.9%	4.4%	3.3%
<b>Operational risk (parent company)</b>	• New provisions and direct losses (CHF m)	2.7	3.5	6.6	2.2

<sup>1</sup> Including OTC derivatives since 31 December 2009, but excluding financial investments (bonds)

<sup>2</sup> Former VaR model transposed to 1-day horizon

<sup>3</sup> Former method (180-day, 97.5%)

## 2.1.1 The lending decision

### Risk strategy and credit policy

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

### Separation of powers and lending authority

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

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

### Analysis of default risk

The counterparty's credit rating is the centerpiece of default risk analysis. BCV assigns each counterparty to a risk category reflecting a certain probability of default. The Bank's risk scale comprises seven main risk categories that are further divided into 17 clearly defined sub-categories. A credit rating is obtained by applying a rating model and supplementing this evaluation with analysts' assessments, which are based on established guidelines and criteria. Different rating models are used to rate counterparties with different characteristics, but the choice of rating model for a particular counterparty is governed by strictly defined considerations. The main rating models are those for individuals, businesses borrowing small amounts, SMEs, real-estate investors, large corporations, public-law entities and banks. The models are of the type known as "scoring" models and use both financial and qualitative variables. They are based on statistical techniques and have been developed to meet the requirements of the Basel II agreement for Internal Ratings-Based (IRB) approaches. The Risk Management Department is responsible for the ongoing validation and improvement of the rating models.

### Reconciliation of BCV's default-risk categories with agency credit ratings

BCV	S&P	Moody's	Fitch
B1	AAA	Aaa	AAA
B2	AA	Aa	AA
B3	A	A	A
B4	BBB	Baa	BBB
B5	BB	Ba	BB
B6	B	B	B
B7	CCC	Caa	CCC
	CC	Ca	CC
	C	C	C
	D		D

### Analysis of collateral

For any loan, the calculated loan-to-value ratio and expected loss given default (LGD) depend directly on the valuation of the risk mitigants pledged by the borrower. Collateral is valued 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 (SBA). Individual housing units are valued by a method that takes into account the characteristics of the building, its age, state of upkeep and local market conditions. Multi-unit residential and commercial properties are valued on the basis of their revenue yield. When a loan is granted, the loan-to-value ratio and expected loss given default are established on the basis of the current value of the collateral. The Bank applies loan-to-value criteria that are in line with common practice in the Swiss banking industry.

### Expected loss and risk-adjusted pricing

For all 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 refinancing cost, the administrative cost and the expected loss. Expected loss is determined as a function of the counterparty's probability of default (i.e., credit rating) and the loss that would be incurred in the event of default. The loss given default depends in turn on the limit and the value of the collateral.

In trade finance, expected loss is calculated for each transaction in accordance with a model based on the Basel II slotting criteria. With this approach, the Bank is able to price all loans in a way that best reflects the quality of each transaction.

### 2.1.2 Credit monitoring

#### Monitoring

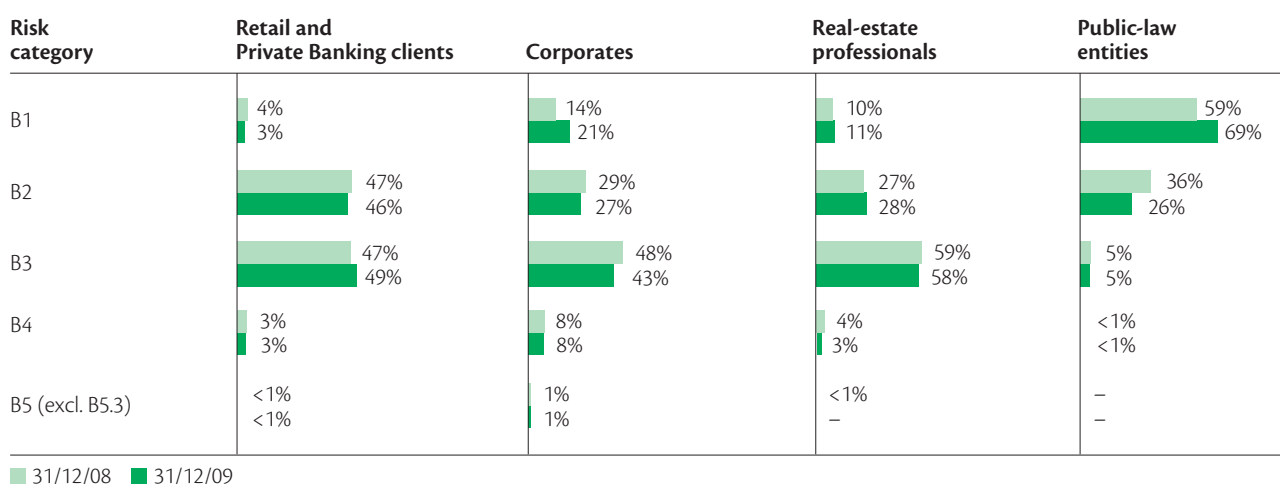
A system of early warnings and internal renewal reviews is used to detect individual situations on which risk has increased. The warning system is based on close monitoring of limits being exceeded and of other factors (including automatic re-ratings) that may indicate situations of increased risk or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

#### Analyzing the credit portfolio

The risk profile of the loan portfolio is reviewed quarterly. Credit risk exposures, distribution by risk class, distribution by loss given default, distribution by expected loss, and regulatory capital requirements are analyzed for each customer segment and reported to management.

### Exposure by main risk category

As a % of total non-impaired loans for each customer segment, excluding trade finance, for the parent company



### 2.1.3 Managing impaired loans

#### Credit recovery management policies

Impaired loans are managed by the Credit Recovery Department within the Credit Management Division. Each case is handled according to one of five possible strategies. The choice of strategy is based on established criteria that, for business borrowers, take into account the possibility of successful turnaround as well as the borrower's willingness to collaborate actively with the Bank. For the impaired loan portfolio as a whole, the Credit Recovery Department has been given specific objectives targeting impaired loan ratios that are comparable to those of large banks as well as other Swiss cantonal banks.

#### Provisioning

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

## 2.2 Interbank credit risk

### 2.2.1 Risk strategy and credit policy

Credit risk exposure on other banks arises mainly from BCV's trading activities in over-the-counter derivatives, from treasury management, from payment transactions (unwinding), and from bank guarantees on trade-finance operations. In general, the Bank reviews bank-counterparty limits at least once a year.

### 2.2.2 Lending authority and monitoring

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

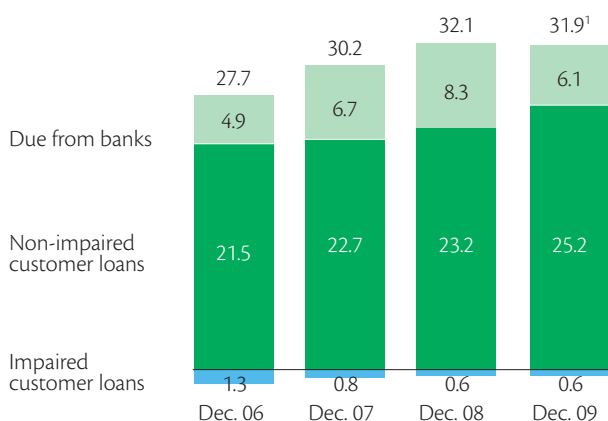
The Corporate, Trade Finance and Bank Credit Analysis Department, which reports to the CCO, is responsible for analyzing interbank credit risk and monitoring the utilization of the interbank credit limits.

### 2.2.3 Collateral management

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

### Customer loans and amounts due from banks

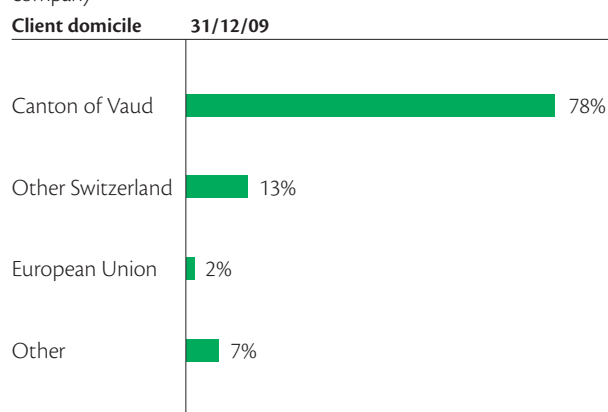
CHF billions, on- and off-balance sheet, for the parent company



<sup>1)</sup> Including OTC derivatives since 31 December 2009 but excluding financial investments

### Customer loans by geographical zone

As a % of on-balance-sheet customer loan exposure, for the parent company



### 2.3 Exposure to credit risk

The Bank's credit risk profile has continued to improve over the past three years. From the end of 2006 to the end of 2009, the reduction in impaired loans (–CHF 0.7bn) was more than offset by the increase in non-impaired loans (+CHF 3.7bn).

The Bank's credit business is largely with customers located in Vaud Canton and primarily reflects the economic structure of the Canton.

Individuals account for approximately 45% of credit exposure, underscoring the importance of retail banking and private banking at BCV. For corporates, credit exposure is relatively well diversified by sector.

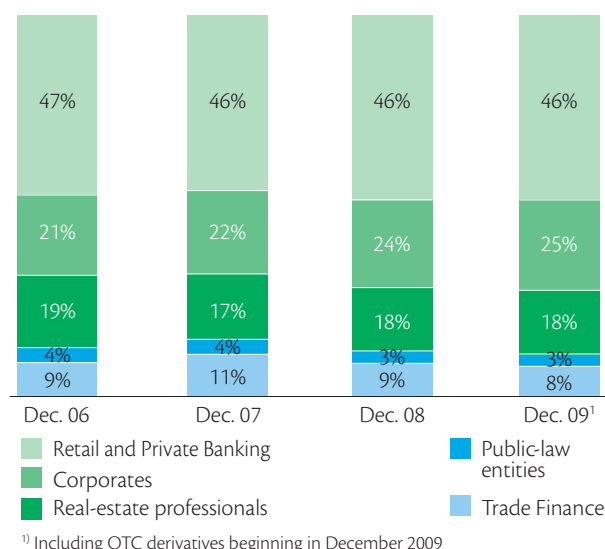
BCV's non-impaired loan portfolio (i.e., the overall loan portfolio excluding impaired loans) shows growth in commercial lending and stable trade-finance volumes.

The expected loss ratio relative to the use of credits reflects counterparty quality, the degree of credit coverage and the amount of unused limits. For non-impaired customer loans as a whole, the expected loss ratio is 22 basis points, or 14 basis points excluding trade finance.

The distribution of credit exposure (excluding trade finance) to non-impaired borrowers across the main risk categories also shows that BCV has a solid loan book (see p.149).

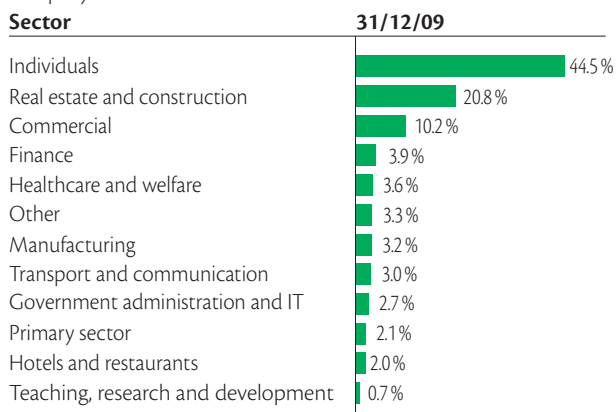
### Customer loans by segment

As a % of total non-impaired customer loans, for the parent company



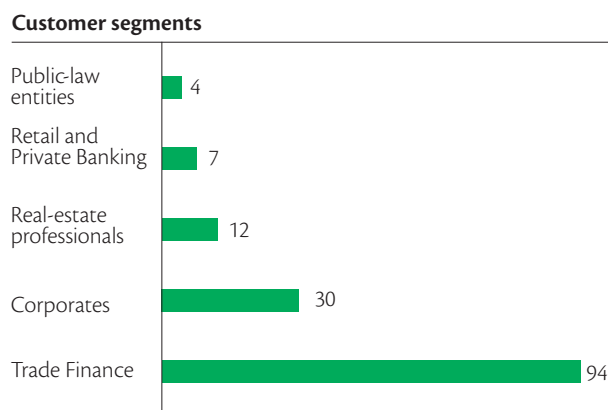
### Customer loans by economic sector

As a % of on-balance-sheet customer loan exposure, for the parent company



### Expected loss rate

Expressed in basis points of customer loans, including OTC derivatives, at 31 December 2009



### 3. Market risk

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

#### 3.1 Market risk on the trading book

##### 3.1.1 Risk strategy and trading policy

All trading activities are within the Asset Management & Trading Division. A distinction is made between the trading portfolio, which includes all the trading departments' positions, and the financial management nostro portfolio, which is composed of the nostro positions managed by the Asset Management Department.

The trading departments carry out market operations for internal and external counterparties. They also engage in issuing, market-making, arbitrage and directional trading strategies, with a specialization in structured products. Trading positions are limited to underlyings in equities, fixed-income, forex and precious metals. The trading departments do not trade in proprietary trading in instruments with commodity underlyings. As part of its new strategy, which was announced in November 2008, BCV completely withdrew from its proprietary equity-derivative trading business line at the end of 2009.

The Asset Management Department manages the financial management nostro portfolio, which may be invested in equities, bonds, simple derivatives, structured products, funds and funds of funds. All of these positions (apart from those in funds and funds of funds) are on recognized exchanges or representative markets. While this portfolio used to focus on providing a return, it was significantly reduced and given a new role in 2009 under the new strategy. It is now used to assist in the creation of new Asset Management funds, while keeping risk-taking at a minimum.

##### 3.1.2 Organization

All new products and instruments from the trading departments have to be validated by the New Trading Product Committee (NTPC). This committee is chaired by the head of the Risk Management Department and includes the heads of the Asset Management & Trading Division, the Foreign Exchange Department, the Equities, Fixed Income & Structured Products Department and the Back Office Department. The process ensures that before a product is launched, all requirements have been met in the areas of risk management, ALM, treasury management, back offices, legal, compliance and IT.

Market risk on trading positions is monitored overnight by the Market Risk Unit, which is part of the Risk Management Department headed by the CRO. This ensures that control of market risk is performed independently of the Asset Management & Trading Division. The Market Risk Unit also defines the risk control measures and validates the appropriateness of risk control for new trading products.

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

Various techniques are used to measure exposure to market risk on the trading departments' trading portfolio:

- historical overnight Value-at-risk (VaR) with a 1-day time horizon and a confidence interval of 99%;
- analysis on potential losses using static stress tests and dynamic 6-month stress tests;
- sensitivity measures such as delta, gamma, vega, theta and rho.

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

VaR for the trading portfolio fell continuously in 2008 and 2009, and was affected by market turbulence in the spring and autumn of 2008 (see graph on page 153). Throughout 2009, the gradual withdrawal from the proprietary equity-derivative trading business line led to a reduction in VaR, which fell from CHF 2m to CHF 0.3m at year-end.

### 3.2 Market risk on the banking book

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

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

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

The Asset and Liability Management Committee of the Executive Board (ALCO) sets the strategy and the limits for interest-rate risk in line with BCV's financial strategy. The ALM and Financial Management (ALM-FM) Department of the Finance and Risks Division is responsible for operational management of interest-rate risk.

The goal of managing the banking book's interest-rate risk is to optimize the interest margin and raise the present value of future cash flows. In pursuit of this goal, BCV seeks a moderate level of interest-rate risk on the banking book, thereby limiting the risk of fluctuations in interest income.

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

#### 3.2.2 Liquidity risk on the banking book

Exposure to liquidity risk arises from the Bank's obligation to be able to deal with the potential outflow of funds that might occur on any day as a result of the liabilities that it holds. BCV's strategy is to minimize liquidity risk in order to meet regulatory requirements while having an additional safety margin relative to these requirements.

The framework for liquidity management is set by the ALCO. The ALM-FM Department is responsible for operational management of liquidity risk and short-term funding. The Bank's treasury management team has a functional reporting line to ALM-FM.

#### Value-at-risk on the trading portfolio (1-day, 99%)

CHF millions



#### 4. Operational risk

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

- inappropriate or malicious actions taken by employees, external service providers, banking counterparties, customers or other parties external to the Bank;
- inadequacies of information systems, infrastructure and/or the Bank's organization.

Potential improvements in terms of processes, IT systems, infrastructure and organization are sought through self-assessments, which involve the Bank's upper management and are managed by the Risk Management Department.

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

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

#### 5. Main developments in risk management

Beginning with the formation of the Risk Management Department in 2002, BCV has followed an ambitious development program in this area. This program is based on our conviction that keeping risk under control is a strategic skill at BCV. As in past annual reports, a brief overview of past-year achievements and work planned for the current year is provided below.

In 2009, improvements in all areas of risk management were achieved, the most important of which are summarized below:

- Since the start of 2009, BCV has calculated its Pillar 1 regulatory capital requirements for credit risk using the Basel II Foundation Internal Ratings-Based (FIRB) approach. This was after FINMA formally approved the Bank's internal rating models at the end of 2008 and granted BCV authorization to apply this approach from the beginning of 2009.
- As part of Basel II Pillar 2, BCV adopted an integrated approach for analyzing stress scenarios, including an in-depth process for stress tests relating to credit risk. These analyses have improved the transparency of the Bank's risk profile and demonstrated that BCV is capable of absorbing major shocks without difficulty.
- The half-yearly reports on Basel II Pillar 3 were published on the BCV website. These reports provide in-depth information on risk management at BCV for investors, analysts, ratings agencies and other interested parties, in accordance with Basel II requirements. The information on credit risk relates to the FIRB approach and is particularly detailed.
- In terms of market risk, the Risk Management Department closely monitored the Bank's full withdrawal from its proprietary equity-derivative trading business line. In addition, new overnight monitoring reports containing new risk indicators were introduced for the trading activities in which BCV still remains active.



- At the end of 2009, BCV completed the first round of its self-assessment of the operational risks in each of its business lines that it began in 2007. The final step was the self-assessment of the Retail Banking Division's front-to-back activities. The managers of the functions concerned were actively involved in these assessments, which meant that potential improvements to processes and systems could be more easily identified and then implemented gradually. In addition, a new IT application for operational risk management, which also combines the needs of the Bank's Compliance Department and Security Unit, was put in place in 2009.

After seven years of major investment, BCV is now applying high quality risk management methods, models and applications. This is demonstrated by FINMA's authorization to use the FIRB approach. BCV will continue to invest in risk management in 2010, while at the same time ensuring that all business lines take full advantage of current risk management tools. The Bank has the following main targets:

- The monitoring of strategic and business risk will be improved, with increased monitoring of economic and regulatory changes.
- In terms of credit risk, the economic analysis and proactive monitoring of the credit portfolio will be improved. As is the case each year, all rating models will be back-tested. The Bank will continue to improve its rating models for default probability and loss given default. In addition, a new application to enable collateral management agreements to be managed more efficiently will be put in place.
- In terms of the market risk of trading activities, the Bank will continue to improve and simplify risk measures and reports so that they are better adapted to the new composition of the Asset Management & Trading Division's portfolios.
- The Bank will put in place leading indicators for operational risk through the new application for operational risk management.

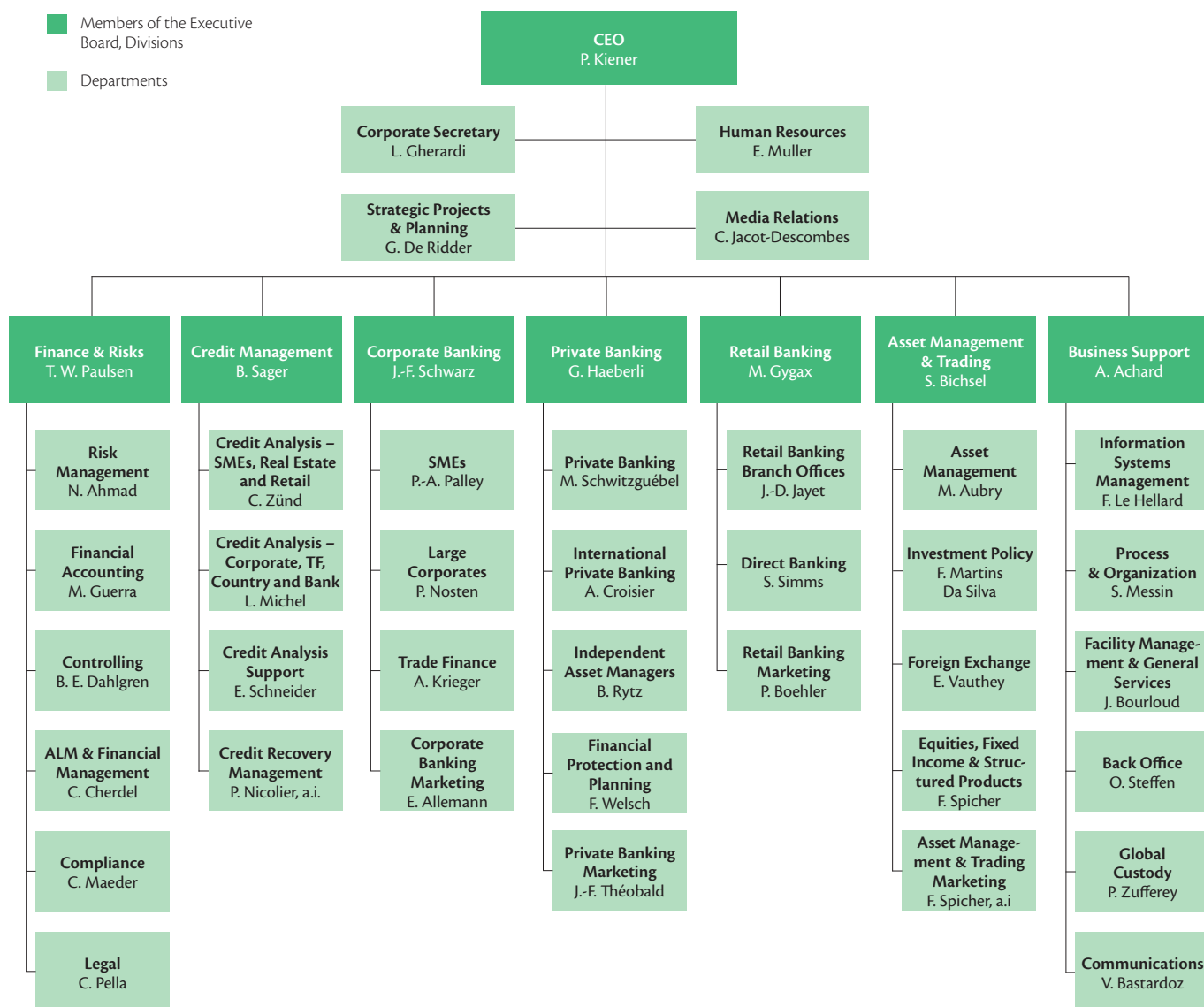


# Organization Chart

As of 1 March 2010

■ Members of the Executive Board, Divisions

■ Departments



# Retail Network

As of 1 March 2010



# Regional Managers

As of 1 March 2010

## Broye region

Retail banking	Francis Collaud
Private banking	André Cherbuin
SME	Alexandre Berthoud, a.i.

## Morges region

Retail banking	Philippe Diserens
Private banking	Daniel Vuffray
SME	Patrick Blanc

## Chablais/Alpes Vaudoises region

Retail banking	Eric Barroud
Private banking	Vincent Mottier
SME	Sébastien Roduit

## Nord Vaudois region

Retail banking	Steve Magnenat
Private banking	Yves Marguerat
SME	Bernard Mettraux

## Gros-de-Vaud region

Retail banking	Pascal Udry
Private banking	Pierre-Yves Zimmermann
SME	Alexandre Berthoud

## Nyon region

Retail banking	Grégory Gay
Private banking	Jean-Michel Isoz
SME	Jean-Daniel Gebhard

## Lausanne region

Retail banking	Thierry Magnin
Private banking	Pascal Aubry
SME	Frédéric Morard

## Riviera region

Retail banking	Pierre-Alain Favre
Private banking	Christophe Millius
SME	Didier Muller

## Lavaux region

Retail banking	Sébastien Rod
Private banking	Olivier Engler
SME	Cédric Ottet



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Finance & Risks Division

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