

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 2002¹ 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 Governance² whenever they are compatible with its status as a corporation organized under public law;
- carry out regular reviews of its organization with regard to the Bank's present needs and future growth, and ensure that all members of management are involved in its operational procedures;
- materially and continuously improve the information it publishes, in particular by means of its annual report 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.³

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

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

³ www.bcv.ch/en (some website pages are only available in French)

1. Group structure and shareholders

1.1 Group structure

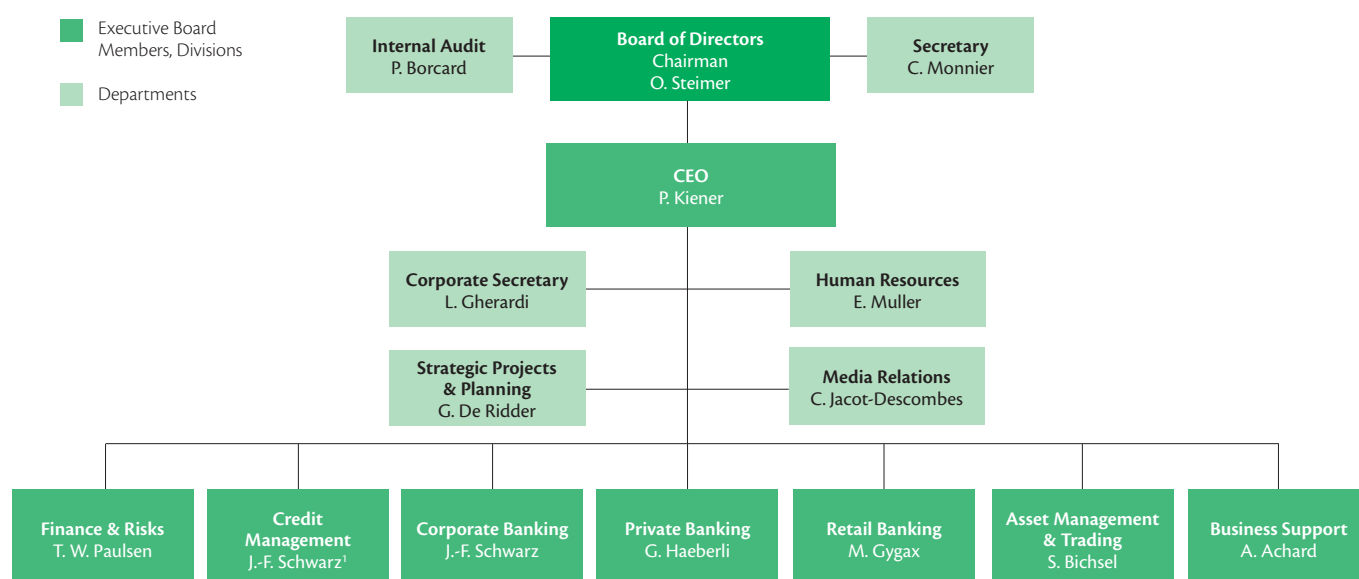
1.1.1 Group operational structure (at 31 December 2009)

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)



¹⁾ 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 Unicile 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.

Pierre Lamunière, 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.
Luc Recordon, 1955, Swiss citizen	Doctorate in law from Lausanne University and member of the Bar of Vaud Canton Degree in physics and a certificate in business management, both from the 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.
Paul-André Sanglard, 1950, Swiss citizen	PhD in economics with a specialization in political economy from the University of Geneva	After working as an assistant in the Department of Political Economy at 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

Olivier Steimer	<ul style="list-style-type: none">• Member of the Board of Directors of Swiss Federal Railways, Bern; Ace Limited, Zurich; and Renault Finance SA, Lausanne• Chairman of the Board of Directors of Banque Piguet & Cie SA, Yverdon-les-Bains• Member of the Bank Council of the Swiss National Bank, Bern and Zurich• Chairman of the Foundation Board of the Swiss Finance Institute, Zurich• Member of the Committee of the Board of Directors of economiesuisse, Zurich• Chairman of the Committee of the Lausanne University construction office, Lausanne• Board member of the following foundations: BCV Foundation, Lausanne; Table Suisse, Murten; Centre for Humanitarian Dialogue, Geneva
Jean-Luc Strohm	<ul style="list-style-type: none">• Member of the Board of Directors and Chairman of the Audit Committee of Bondpartners SA, Lausanne• Chairman of the Félix Vallotton Foundation, Lausanne• Member of the Polyval Committee, Le Mont-sur-Lausanne• Member of the Board of Directors of Creapole SA, Delémont
Stephan A. J. Bachmann	<ul style="list-style-type: none">• 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• Chairman of the Ethics Committee of the Chambre Fiduciaire• Member of the Board of La Longeraie Foundation, Morges
Beth Krasna	<ul style="list-style-type: none">• Member of the Board of Governors and Chair of the Audit Committee of Switzerland's Federal Institutes of Technology• Member of the Board of Directors and Chair of the Audit Committee of Bonnard & Gardel Holding SA, Lausanne• Member of the Board of Directors of Coop, Basel and Raymond Weil SA, Geneva• President of the Board of Trustees of the Fondation en Faveur de l'Art Chorégraphique (Prix de Lausanne)• Member of the Swiss Academy of Technical Sciences, the Strategy Board of Geneva Canton, and the Nouveau Mouvement Européen Suisse
Pierre Lamunière	<ul style="list-style-type: none">• Chairman of the Board and Managing Director of Edipresse Group, Lausanne• Member of the Board of Directors of Tamedia SA, Zurich• Chairman of the Board of Directors of Lamunière SA and its subsidiary undertakings, Lausanne• Member of the Management Board of the International Federation of the Periodical Press (FIPP)
Luc Recordon	<ul style="list-style-type: none">• 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• Local councilor for Jouxten-Mézery• Member of the upper house of the Swiss Parliament and the Vaud Green Party Committee• 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• Member of the Foundation Board of the Swiss Federation of Private Schools, Bern; and of IPT (Fondation intégration pour tous), Lausanne• Chairman of the Joint Labor-Management Commission of the Fondation Pour l'Animation Socioculturelle Lausannoise, Lausanne

- 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 ¹
Jean-Luc Strohm (Vice Chairman)	1941	30 October 2002	2011	Shareholders' Meeting ²
Stephan A. J. Bachmann	1946	1 January 2008	2016	Vaud Government
Beth Krasna	1953	30 October 2002	2018	Shareholders' Meeting ²
Pierre Lamunière	1950	24 April 2008	2020	Shareholders' Meeting
Luc Recordon	1955	1 February 2002	2018	Vaud Government ¹
Paul-André Sanglard	1950	30 October 2002	2018	Vaud Government ¹

¹ Term of office renewed until end-2013

² 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.

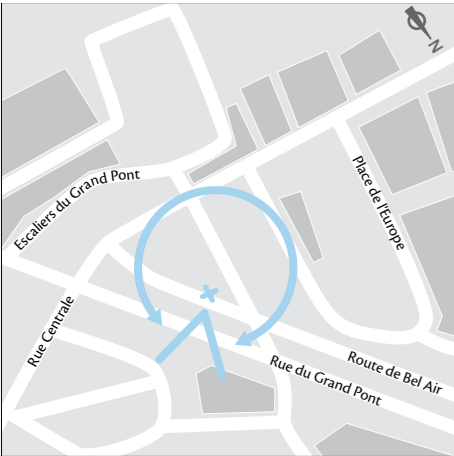
The Internal Audit Department performs regular audits and submits detailed post-audit reports as well as half-yearly reports (quarterly until the end of 2009) to the Executive Board, the Audit & Risk Committee and the Board of Directors. The Head of Internal Audit attends all Audit & Risk Committee meetings (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.

Markus Gygax, 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.
Gérard Haeberli, 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.
Thomas W. Paulsen, 1965, Swiss citizen	CFO, member of the Executive Board with responsibility for the Finance & Risks Division since 1 January 2009	Degree in economics from 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.
Jean-François Schwarz, 1955, Swiss citizen	Member of the Executive Board with responsibility for the Corporate Banking Division since 1 March 2003	Degree in economics (with a specialization in business administration) from the 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.

Bertrand Sager, 1966, Swiss citizen	CCO, member of the Executive Board with responsibility for the Credit Management Division since 15 February 2010	Master of Law from 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.

Olivier Cavaleri, 1962, Swiss citizen	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.
Serge Meyer, 1954, Swiss citizen	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.

Christopher E. Preston, 1954, Dual Swiss and British citizen	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:

Pascal Kiener	<ul style="list-style-type: none"> • Member of the Board of Directors and the Board Committee of the Swiss Bankers Association • Member of the Board of Directors and the Board Committee of the Union of Swiss Cantonal Banks • Member of the Board of Directors and the Steering Committee of the Vaud Chamber of Commerce and Industry • Chairman of the "Fonds de prévoyance en faveur du personnel de la BCV" • Member of the Board of the BCV Foundation • Member of the Board of the Geneva Financial Center Foundation • 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 • Member of the Foundation Board of Foot Avenir, Paudex • Member of the Board of Directors of Unicible
Aimé Achard	<ul style="list-style-type: none"> • Chairman of the Board of Directors of GEP SA • Member of the Board of Directors of Unicible
Stefan Bichsel	<ul style="list-style-type: none"> • Chairman of the Board of Directors of Gérifonds, Lausanne • Member of the Board of Directors of Banque Cantonale du Jura, Porrentruy • Member of the Board of Directors of Swisssanto Holding SA, Bern • Member of the International Orientation Committee of EDHEC • Member of the Executive Board for Europe, Middle East and Africa, Wharton Business School, Philadelphia • Member of the Foundation Board of pro Aventico, Avenches
Markus Gygax	<ul style="list-style-type: none"> • Member of the Board of Directors of Aduno Holding AG • Member of the Board of Directors of Viseca Card Services SA • Treasurer of the "Association Vaudoise des Banques (AVB)" and of the "Fondation vaudoise pour la formation bancaire (FVFB)" • Member of the Board of the "Fondation complémentaire en faveur de l'encadrement supérieur de la BCV" • Member of the Board of the "Fonds de prévoyance en faveur du personnel de la BCV"

Gérard Haeberli	<ul style="list-style-type: none">• Member of the Liaison Committee of the Business and Economics Faculty of Lausanne University
Thomas W. Paulsen	<ul style="list-style-type: none">• Chairman of the Swiss Cantonal Bank Issuing Committee• Member of the Board of Directors of the Swiss Cantonal Banks' Central Mortgage Bond Institution• Member of the Foundation Board of the "Caisse de Pensions de la Banque Cantonale Vaudoise"• Member of the Foundation Board of the "Fonds de prévoyance en faveur du personnel de la BCV"• Member of the commission on market regulation and accounting of the Swiss Bankers Association (SBA)• Member of the commission on market regulation and accounting of the Union of Swiss Cantonal Banks
Bertrand Sager	<ul style="list-style-type: none">• Member of the Foundation Board of the "Caisse de Pensions de la Banque Cantonale Vaudoise"• Judge for property disputes at the Eastern Vaud District Court
Jean-François Schwarz	<ul style="list-style-type: none">• Member of the Board of Directors of Défi Développement-Finance Holding SA, Lausanne• Member of the Executive Committee of the Vaud Canton economic development agency (DEWS)• Member of the Vaud Canton economic council

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.

Committee name, composition (at 1 March 2010)	Main roles
Credit Committee Bertrand Sager (Chairman) Pascal Kiener Gérard Haeberli Jean-François Schwarz Eric Schneider Laurent Michel	<ul style="list-style-type: none">• Submits proposals concerning the Bank's lending policy, technical standards and regulations governing lending authority to the Executive Board for approval by the Board of Directors• Makes decisions on the granting of lending authority• Makes decisions regarding the granting and renewing of major lending facilities, within the limits of its powers• Monitors the Bank's loan portfolio, particularly the sector breakdown• Oversees credit-limit and overdraft management
Risk Management Committee Thomas W. Paulsen (Chairman) Pascal Kiener Stefan Bichsel Jean-François Schwarz Bertrand Sager Nasir Ahmad	<ul style="list-style-type: none">• Submits risk management policy and strategy proposals to the Executive Board for approval by the Board of Directors• Ensures risk management and control processes are implemented and updated for the entire Bank and for all risk categories• Monitors the Bank's overall risk profile• Steers all the Bank's risk management projects
Asset and Liabilities Management Committee (ALCO) Pascal Kiener (Chairman) Thomas W. Paulsen Markus Gyax Gérard Haeberli Christopher Cherdel Eric Allemann Michel Aubry Fernando Martins da Silva	<ul style="list-style-type: none">• Examines the exposure of the banking book to interest-rate risk and forex risk, as well as the Bank's exposure to liquidity risk• Manages interest-rate risk exposure on the balance sheet• Manages the Bank's liquidity and funding
Information Technology Committee Aimé Achard (Chairman) Pascal Kiener Markus Gyax Thomas W. Paulsen Frédéric Le Hellard	<ul style="list-style-type: none">• Submits IT strategy proposals to the Executive Board for approval by the Board of Directors• Submits proposals on the budgetary framework and the medium-term plan for high priority projects• Monitors the implementation of IT projects• Obtains information on major IT incidents and corrective measures taken

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 thousand¹⁾ 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

¹⁾ 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). 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).

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 ¹
21 July	Payment of par-value reduction ^{1,2}
19 August	First-half results press conference
11 November	Nine-month results press release

¹ Subject to approval at the Annual Shareholders' Meeting

² Indicative date, depending on the results of the capital-reduction procedure