

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

<b>Report on the Consolidated Financial Statements</b>	52	<b>14. Notes to off-balance-sheet transactions</b>	90
<b>Consolidated Financial Statements</b>	57	14.1 Open positions in derivative financial instruments	90
1. Consolidated balance sheet	57	<b>15. Notes to the consolidated income statement</b>	91
2. Consolidated off-balance-sheet transactions	58	15.1 Interest income	91
3. Customer assets (assets under management)	58	15.2 Interest expense	91
4. Consolidated income statement	59	15.3 Fees and commissions on securities and investment transactions	91
5. Consolidated cash flow statement	60	15.4 Fees and commissions on other services	91
6. Movements in shareholders' equity	61	15.5 Net trading income	92
7. Overview of operations and headcount	62	15.6 Personnel costs	92
8. Significant events and events taking place after closing date	62	15.7 Other operating expenses	92
9. Accounting principles	63	15.8 Depreciation and write-offs on fixed assets	92
10. Risk-assessment and risk-management principles	69	15.9 Value adjustments, provisions and losses	93
11. Scope of consolidation	73	15.10 Extraordinary income	93
12. Other holdings	74	15.11 Extraordinary expenses	93
<b>13. Notes to the consolidated balance sheet</b>	75	15.12 Breakdown of income and expenses arising from ordinary banking operations	93
13.1 Money-market instruments	75	<b>16. Other information</b>	94
13.2 Breakdown of risk mitigants for loans and off-balance-sheet transactions	75	16.1 Basel II regulatory capital requirements	94
13.3 Trading portfolio assets		16.2 Business sector information	95
Financial investments and holdings	76	16.3 Consolidated income statement – 5-year overview	98
13.4 Fixed assets	76	16.4 Consolidated balance sheet – 5-year overview	99
13.5 Other assets and other liabilities	77	<b>17. Report of the statutory auditor on the consolidated financial statements</b>	100
13.6.1 Assets pledged or assigned as collateral for own liabilities	77	<b>Parent Company Financial Statements</b>	102
13.6.2 Securities-lending and repurchase agreements	77	1. Balance sheet	102
13.7 Own occupational pension funds	78	2. Income statement	103
13.8 Medium-term notes by rate and maturity	79	3. Off-balance-sheet transactions	104
13.9 Long-term borrowings	80	4. Overview and accounting principles	104
13.10 Value adjustments and provisions		5. Notes to the balance sheet	105
Reserves for general banking risks	81	6. Notes to the income statement	109
13.11 Maturity structure of current assets and borrowed funds	82	7. Appropriation of profit: proposal by the Board of Directors	110
13.12 Compensation and loans granted to members of the Board of Directors and Executive Board	82	8. Report of the statutory auditor on the financial statements	111
13.13 Receivables and commitments in respect of affiliated companies	87		
13.14 Breakdown of assets and liabilities by Swiss and foreign origin	88		
13.15 Breakdown of assets by country / country group	88		
13.16 Currency structure of the balance sheet	89		

# 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.

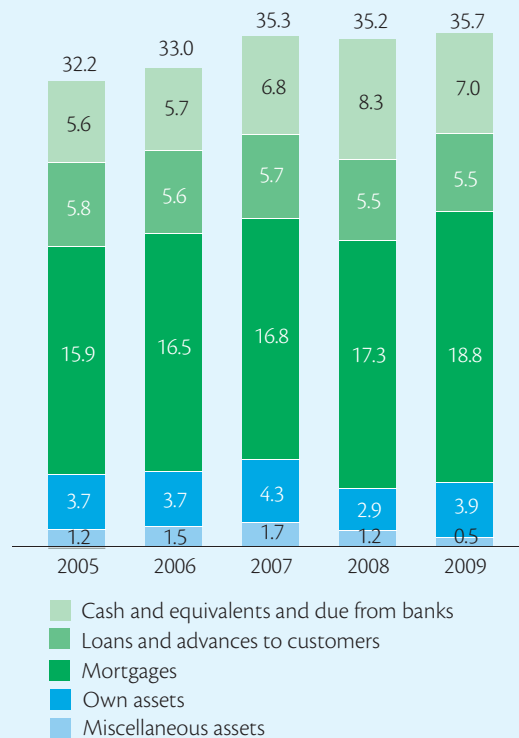
Amounts due from banks declined CHF 2.25bn to CHF 5.5bn. In order to limit bank-counterparty risk, significant funds were placed with the Swiss National Bank, increasing cash holdings there by CHF 859m, or invested in top-rated bonds (+CHF 1.32bn to CHF 2.9bn). This reflected the prudent approach to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

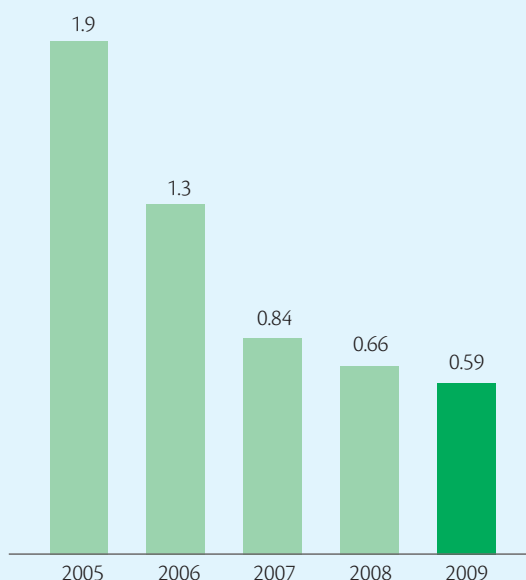
Trading portfolio assets decreased to CHF 0.4bn (–35%), in line with the Bank's decision to reduce proprietary trading activities. By end-2009, BCV had completely implemented the previously announced withdrawal from the proprietary equity-derivative business line.

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

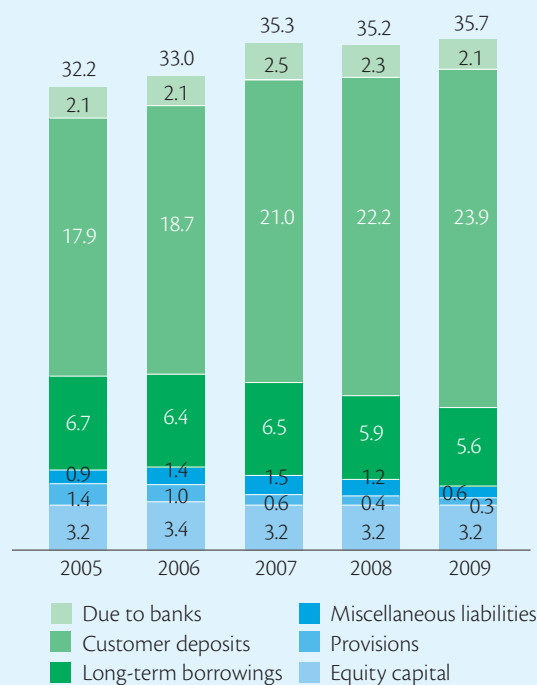
Shareholders' equity rose by CHF 45m to CHF 3.2bn. The net profit of CHF 301m for the year under review offset the par-value repayment (CHF 86m) and the parent-company dividend (CHF 172m).

### FINMA and BIS capital ratios

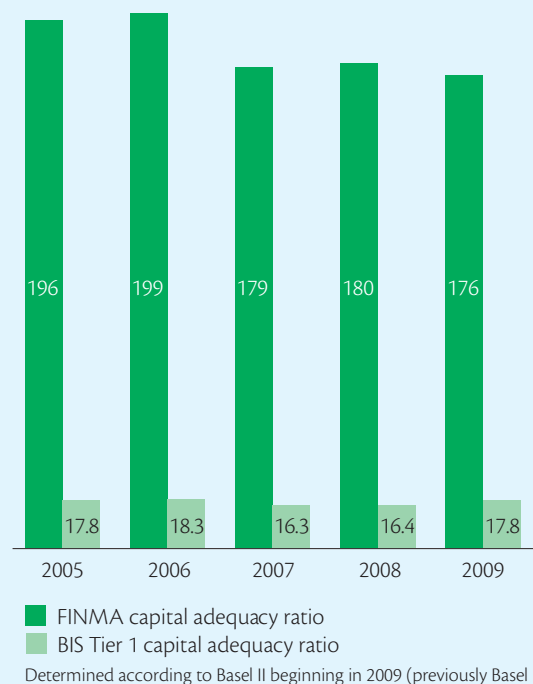
With respect to the legal minimum, the Group had surplus capital of CHF 1.3bn at end-2009. This equates to a FINMA capital adequacy ratio of 176%. The FINMA Tier 1 ratio is 14.1%; the more commonly used BIS Tier 1 ratio (Basel II IRB) is 17.8%.

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%

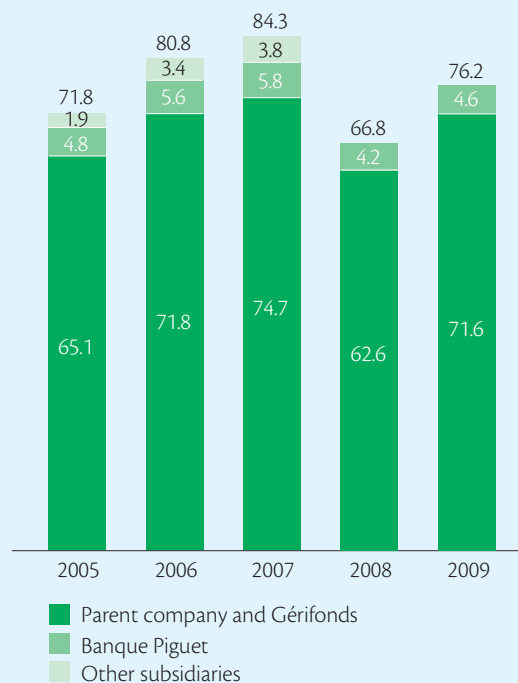
### 5. Revenues

Total revenues rose by 5% to CHF 975.6m.

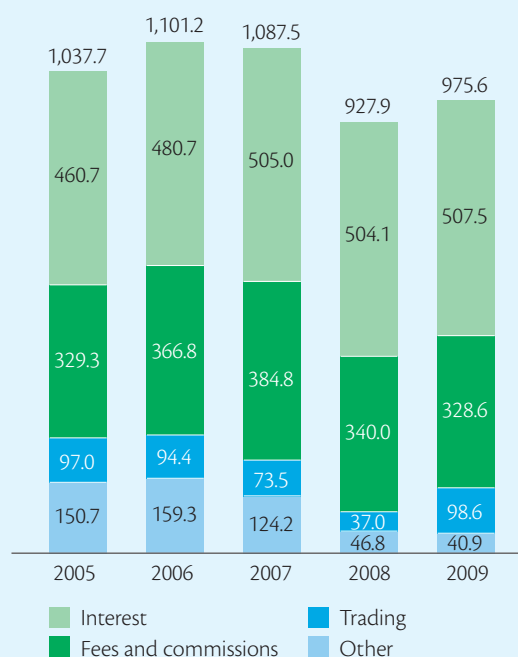
The various revenue streams contributed as follows:

- 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

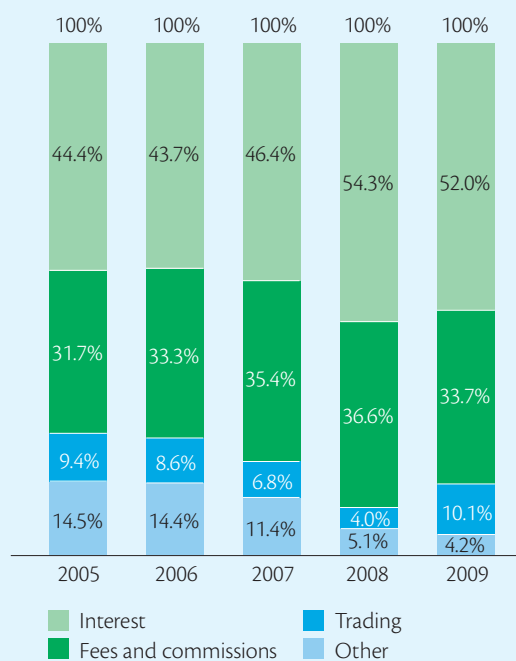
Total operating expenses were CHF 505.6m versus CHF 504.6m one year earlier. The CHF 1.0m increase is attributable to a CHF 6.1m rise in personnel costs that was largely offset by a CHF 5.1m decline in other operating expenses.

### 7. Operating profit

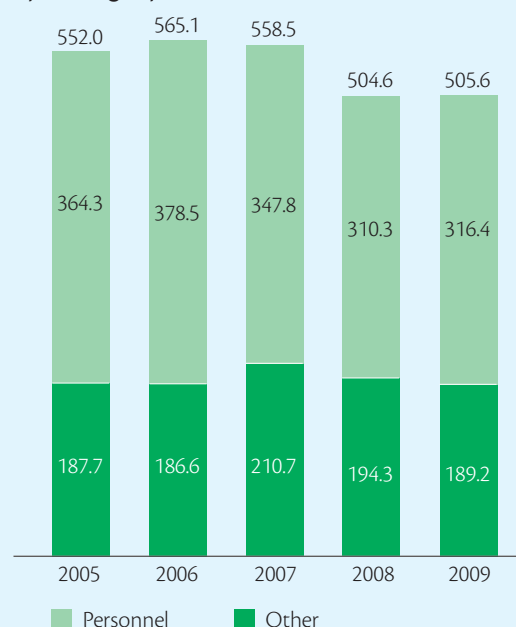
Operating profit rose by a strong 11% to CHF 470.0m, driven by revenue growth combined with strict cost control.

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>	<b>Holding</b>
		in millions of units	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 Piguet & Cie SA, G rifonds 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