MOODY'S
INVESTORS SERVICE

CREDIT OPINION
19 June 2020

Update

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RATINGS

Banque Cantonale Vaudoise

Domicile	Lausanne, Switzerland
Long Term CRR	A1
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	Not Assigned
Long Term Deposit	Aa2
Type	LT Bank Deposits - Fgn Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Banque Cantonale Vaudoise

Update following affirmation of ratings

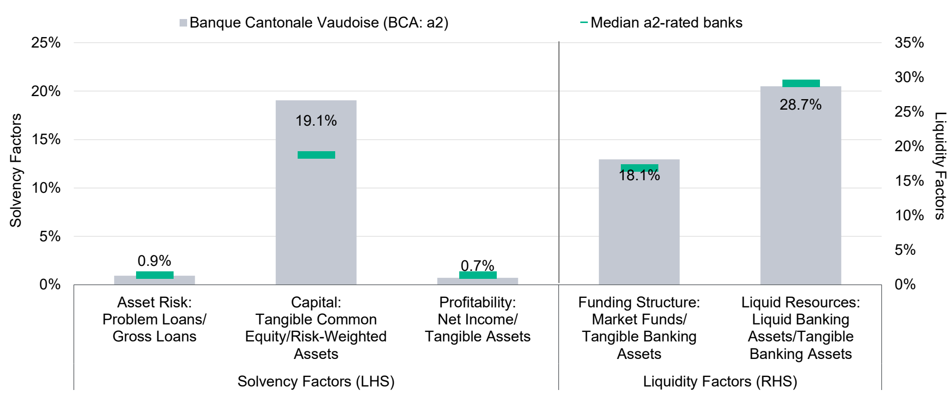
Summary

On 29 May, we affirmed Banque Cantonale Vaudoise's (BCV) Aa2(stable)/P-1 deposit ratings, its Aa3(cr)/P-1(cr) Counterparty Risk Assessment, and its A1/P-1 Counterparty Risk Ratings. At the same time, we affirmed BCV's Baseline Credit Assessment (BCA) at a2 and upgraded the bank's Adjusted BCA to a1 from a2.

BCV's Aa2 deposit ratings reflect its a2 BCA, one notch rating uplift from affiliate support, because of the majority ownership by the Canton of Vaud and the bank's important role in the region, and the application of our Advanced Loss Given Failure (LGF) analysis to its liabilities. We do not incorporate rating uplift from sovereign government support for BCV's deposit ratings due to the bank's low nationwide market share and low systemic importance to the Swiss banking system.

BCV's a2 BCA reflects its strong capitalization and its earnings generation capacity, which surpasses that of its Swiss regional banking peers. BCV is exposed to confidence-sensitive market funding, but its stock of high-quality liquid assets adequately mitigates this risk. Asset quality challenges continue to mainly stem from the bank's narrow geographical footprint in a region with elevated housing prices, as well as exposures to small and medium-sized enterprises (SMEs) and some trade finance transactions. Our view on the bank's BCA could change if the coronavirus credit shock led to a sustained erosion of BCV's solvency strengths.

Exhibit 1
Rating Scorecard - Key financial ratios



Source: Moody's Financial Metrics

Credit strengths

» BCV has strong capital adequacy ratios, which provide a substantial buffer against downside risks

» The bank generated stable earnings in recent years, which exceeded that of its peers

» BCV's adequate liquid resources and stable deposit base safeguard its sound liquidity profile

Credit challenges

» BCV's mortgage loan book remains a key asset risk in a real estate market with elevated price levels, although its real estate loan book growth has slowed down

» Exposures to corporates and trade finance could cause material write-downs given the more challenging operating environment caused by the coronavirus crisis

» The bank's high dividend payout ratio limits its capital generation capacity

Outlook

The outlook on BCV's ratings is stable because we do not expect a material change in the bank's credit fundamentals and in its liability structure, or in the bank's ownership.

Factors that could lead to an upgrade

» Although unlikely given the already high level, BCV's ratings could be upgraded if the bank's standalone creditworthiness improves significantly, resulting from a combination of materially reduced concentrations risks, significantly higher profitability, an improved combined liquidity profile and an improvement in the bank's weighted macro profile.

» The bank's long-term ratings could also benefit from higher rating uplift from our Advanced LGF analysis if material volumes of additional senior unsecured or subordinated instruments were to be issued.

Factors that could lead to a downgrade

» Downward pressure on the bank's ratings could result from a downgrade of the bank's BCA. The bank's long-term ratings could also be downgraded as result of a declining senior unsecured balances outstanding, which could lead to a lower result from our Advanced LGF analysis.

» The bank's BCA could be downgraded if its asset risk, predominantly from its residential real estate, SME and trade finance lending book, increases as reflected in sustainably higher problem loans, combined with lower cushions from its capital ratios and depressed profitability. Furthermore, a deteriorating liquidity profile could exert downwards rating pressure.

Key indicators

Exhibit 2
Banque Cantonale Vaudoise (Consolidated Financials) [1]

	12-19[2]	12-18[2]	12-17[2]	12-16[2]	12-15[2]	CAGR/Avg.[3]
Total Assets (CHF Billion)	48.4	47.9	45.4	44.1	43.4	2.7[4]
Total Assets (USD Billion)	49.9	48.6	46.6	43.4	43.4	3.6[4]
Tangible Common Equity (CHF Billion)	3.6	3.5	3.4	3.4	3.4	1.5[4]
Tangible Common Equity (USD Billion)	3.7	3.6	3.5	3.3	3.4	2.3[4]
Problem Loans / Gross Loans (%)	0.8	1.0	0.9	1.0	1.2	1.0[5]
Tangible Common Equity / Risk Weighted Assets (%)	19.0	19.1	18.9	19.3	20.3	19.3[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	7.5	8.9	7.8	9.0	9.8	8.6[5]
Net Interest Margin (%)	1.1	1.1	1.1	1.1	1.2	1.1[5]
PPI / Average RWA (%)	2.2	2.2	2.2	2.2	2.5	2.3[6]
Net Income / Tangible Assets (%)	0.7	0.7	0.7	0.7	0.7	0.7[5]
Cost / Income Ratio (%)	58.9	58.6	59.0	60.1	58.4	59.0[5]
Market Funds / Tangible Banking Assets (%)	18.1	20.8	18.4	18.9	18.7	19.0[5]
Liquid Banking Assets / Tangible Banking Assets (%)	28.7	30.4	29.7	28.5	27.9	29.0[5]
Gross Loans / Due to Customers (%)	99.4	101.5	99.4	102.3	102.1	100.9[5]

[1]All figures and ratios are adjusted using Moody's standard adjustments. [2]Basel III - fully loaded or transitional phase-in; LOCAL GAAP. [3]May include rounding differences because of the scale of reported amounts. [4]Compound annual growth rate (%) based on the periods for the latest accounting regime. [5]Simple average of periods for the latest accounting regime. [6]Simple average of Basel III periods.
Sources: Moody's Investors Service and company filings

Profile

BCV is Switzerland's second-largest cantonal bank, with total assets of CHF 48.4 billion and 1,921 full-time equivalent employees as of year-end 2019. The bank was established in 1845 by the Vaud Cantonal Parliament as a corporation organized under public law.

BCV has a corporate mandate to contribute to the economic development of its home region, the Canton of Vaud, and to provide mortgage financing there. Other than operating in its traditional areas of business, including retail banking (deposit-taking and lending) and wealth management, the bank is engaged in corporate banking and select trade financing operations in commodities. Through these activities, the bank is also exposed to other cantons in Switzerland and, to a limited extent, overseas markets.

As of year-end 2019, the Canton of Vaud held a 67.0% stake in the bank. Unlike most Swiss cantonal banks, BCV does not benefit from an explicit guarantee of the canton.

For more information, please see BCV's most recent Issuer Profile and our Swiss Banking System Profile.

Weighted Macro Profile of Strong (+)

BCV is focused on the Swiss market and its Weighted Macro Profile is therefore Strong (+), in line with the Macro Profile of Switzerland. Because of the bank's trade finance franchise, the bank also has limited exposures to the European Union, North American and other overseas markets.

Recent developments

The coronavirus pandemic will cause an unprecedented shock to the global economy. The full extent of the economic downswing will be unclear for some time; however, G-20 economies, as well as Switzerland (Aaa stable), will contract in 2020. In Switzerland, the coronavirus outbreak adds to late-cycle risks for Swiss banks and the recession in 2020 will weigh on the banks' asset quality and profitability. However, Switzerland's coronavirus relief package will mitigate the economic contraction caused by the outbreak.

On 4 May 2020, the Swiss Parliament extended the coronavirus relief package, which, among other measures, increased the guarantee framework for loans to small and medium-sized enterprises (SME) to CHF 40 billion from the CHF 20 billion that were approved on 23 March 2020. Under the guarantee framework, the Swiss government guarantees 100% of loans amounting to CHF 0.5 million or less, while loans ranging from CHF 0.5 million to CHF 20 million are 85% guaranteed. The liquidity loans for SMEs will reduce the write-down risks on corporate lending books, while in terms of retail asset quality, Switzerland's banks are supported by the country's reduced working-hour scheme, which will soften the increase in the unemployment rate, and, hence, will limit late payments and defaults on residential mortgages and consumer loans. In addition, Swiss banks benefit from regulatory forbearance measures, such as the revocation of the 2% countercyclical capital buffer for domestic residential mortgage exposures and the temporary exclusion of central bank cash holdings from the leverage ratio.

In the current coronavirus-induced recession and its aftermath, capital levels will be a key differentiator of credit profiles among banks. Generally, banks are facing a sharp deterioration in asset quality and reductions in profitability from already low levels, while central banks are providing extraordinary levels of liquidity and governments have strong incentives to support banking systems to foster an eventual recovery. Thus, when comparing a bank to its peers, the level of capital with which it entered this recession and its ability to retain capital throughout the next several years take on particular importance.

Detailed credit considerations

Solid asset quality metrics, but regional and sector concentrations remain

We assign an Asset Risk score of a2 to BCV, three notches below the aa2 initial score. The negative adjustment reflects the bank's narrow geographical footprint in a region with elevated housing prices, exposures to small and medium-sized enterprises (SMEs) and trade finance transactions, as well as interest rate risk in the banking book.

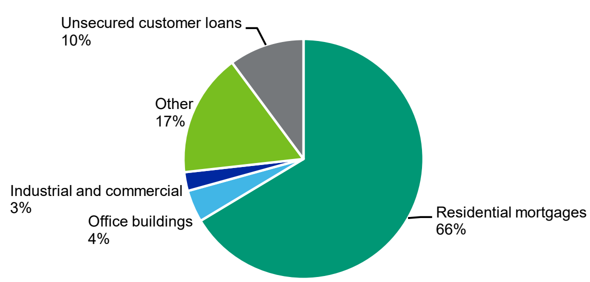
BCV's asset quality remained at sound levels over the past years, reflecting the bank's strong focus on credit risk and its conservative credit risk management. The problem loan ratio declined to 0.8% as of year-end 2019 (2018: 1.0%), reaching a bottom after a continuous decline in nonperforming loans since 2010. The average loan-to-value ratio of BCV's residential real estate loan exposures remained at around 50%, at the lower end compared to its Swiss cantonal banking peers.

BCV's loan book remains concentrated in the dynamic Vaud region, which is supported by strong demographical factors, but also exhibits elevated housing prices. While we take into account that BCV did not see a rise in problem loans during a decline in housing prices in the 2014-2016 period, and the bank's mortgage book grew at a lower rate than that of its competitors, the bank nonetheless remains susceptible to shocks potentially emanating from the domestic real estate market or during a prolonged period of weaker economic growth as a result of the coronavirus crisis.

In addition to the bank's CHF 21.8 billion residential real estate exposures as of year-end 2019, BCV had CHF 3.0 billion of other mortgage loans, which are mostly secured by land, as well as CHF 2.3 billion of commercial real estate exposures on its books, which represent loans to SMEs and large corporates, which are secured by offices and other commercial and industrial collateral. Moreover, the bank had extended CHF 5.8 billion of other customer loans, of which CHF 2.5 billion were secured and CHF 3.3 billion were unsecured. Despite the mostly secured nature of the bank's loan book and government-guaranteed liquidity loans for SMEs, the current economic slowdown could result in a material increase of corporate defaults and, hence, a material rise in problem loans at BCV. In addition, the bank's CHF 1.8 billion trade finance book could be a source of asset risk given dislocations in commodity prices.

Exhibit 3

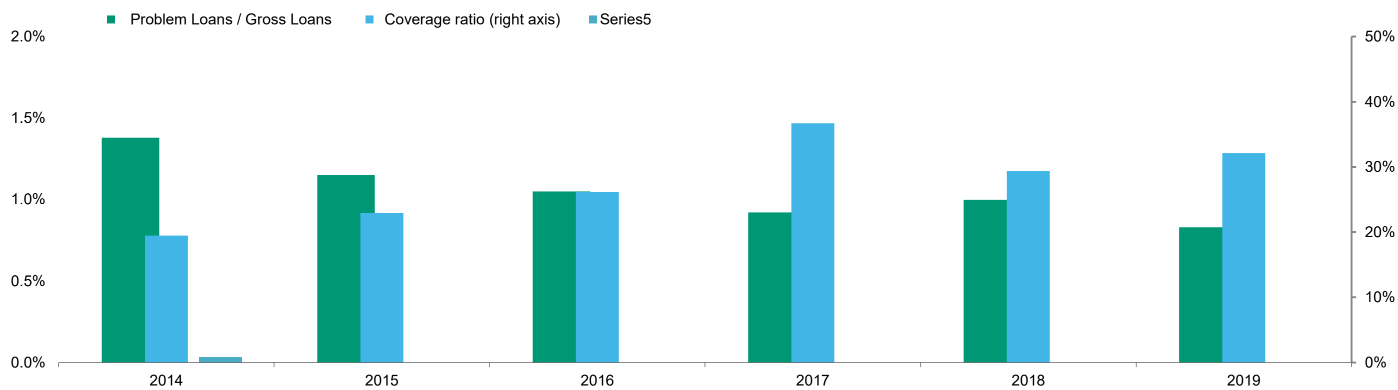
BCV's loan book breakdown as of year-end 2019



Source: Company reports, Moody's Investors Service

Finally, since January 2016, the Swiss Financial Market Supervisory Authority (FINMA) has included a 1.0% Pillar 2 add-on in BCV's capital requirements to reflect the bank's interest rate risk in the banking book in the persistent low yield environment. We reflect this market risk in our assigned Asset Risk score.

Exhibit 4
BCV's problem loan ratio is stable



Problem loan ratio in accordance with our definitions; since 2018, according to IFRS 9 reporting standards.
Source: Company reports, Moody's Investors Service

Solid capital adequacy ratios are a strong mitigant

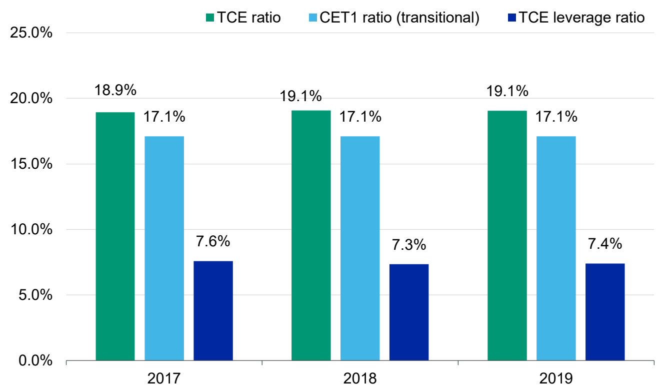
We assign an aa2 Capital score to BCV, in line with the initial score. The assigned score reflects our expectation of a limited decline in the bank's capital ratios, given potential risk-weighted-asset (RWA) inflation because of rating migrations during the coronavirus crisis, as well as BCV's high dividend payout ratio, which will likely be maintained in the future and adds some volatility to our tangible common equity (TCE) measure.

TCE as a percentage of RWA stood at 19.1%[1] as of year-end 2019, while the bank's regulatory Common Equity Tier 1 (CET1) and total capital ratios reached 17.1% and 17.3%, respectively (the difference between our TCE ratio and the CET1 ratio mainly stems from the deduction of the expected dividend payment from regulatory capital, which is only reflected in our TCE calculation once the dividend has been paid at the half-year stage). For 2020 and beyond, we expect BCV to maintain its strong capital adequacy ratios and thus a significant buffer over and above its announced 13.0% long-term minimum CET1 capital ratio target. Nonetheless, with profitability likely being dented somewhat in 2020 and 2021, and the bank's commitment to high dividend payouts (CHF 310 million or 85% of the 2019 net profit was distributed to shareholders in May 2020), RWA might grow somewhat faster than capital during this and next year. As a result, our TCE ratio will likely decline somewhat year-on-year, but should stay well above 16.0%, which is commensurate with an aa2 Capital score.

BCV's capital requirements stand at 8.8% and 13.0% on a CET1 and total capital ratio basis, respectively. As a Category 3 institution, according to the FINMA definition, these requirements include the minimum and buffer requirements of 7.8% and 12.0% for CET1 and total capital, respectively, as well as a 1.0% Pillar 2 add-on that FINMA has required since January 2016 to take into account the bank's interest rate risk exposure in the low yield environment. No longer included in these requirements is the countercyclical buffer requirement for residential mortgage exposures, which was revoked by the Swiss National Bank and FINMA in March 2020 and which resulted in a 0.8% add-on for BCV in recent years.

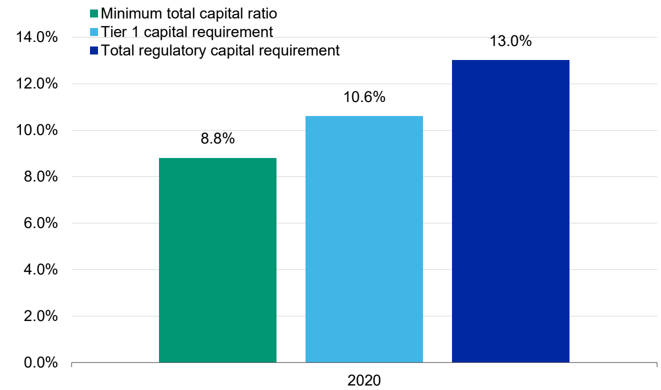
Although BCV utilizes an internal ratings-based approach to compute credit risk RWA, the bank's 6.3% regulatory leverage ratio as of year-end 2019 indicates that the chosen model approach is conservative, not pushing risk-weights to an excessively low level. The bank's risk-density (RWA over tangible assets) stood at 38.9% as of December 2019, which we expect to increase somewhat, because of negative rating migrations during the coronavirus crisis.

Exhibit 5
BCV comfortably exceeds its capital requirements



TCE = Tangible common equity (our calculation); CET1 = Common Equity Tier 1 capital
Source: Company reports, Moody's Investors Service

Exhibit 6
BCV's capital requirements



Source: Company reports

Above-average profitability and efficiency metrics persisted despite a difficult market environment

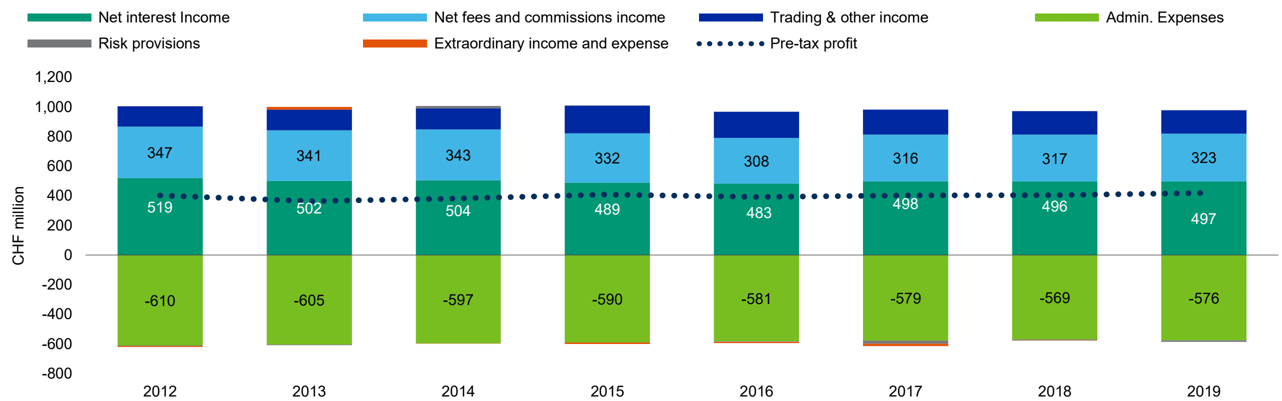
BCV's baa2 assigned Profitability score, in line with the initial score, reflects the bank's stronger profitability than that of its regional banking peers in Switzerland and the stability of its earnings in recent years. However, in the next few years, the bank's profitability might come under pressure due to the persistent low interest environment and potentially higher provisioning requirements because of the coronavirus crisis.

In 2019, BCV generated a Moody's-adjusted return on assets of 0.7%, which provides the bank with a substantial buffer against losses arising from adverse developments. During recent years, the bank has been able to post remarkably stable earnings, with BCV having been able to offset pressure on interest income with lower funding costs, while its net fee and commission income, as well as its trading income, contributed to the stable results, too. In 2020 and 2021, however, the bank's earnings generation capacity might decline somewhat since the bank might not be able to substantially lower funding costs further, while asset-margin pressures continue in the low interest rate environment. In addition, higher defaults among corporate customers could result in substantially higher provisioning requirements than seen in recent years. Overall, though, we would expect the bank to continue generate a return on assets above 0.5%, which corresponds to a baa2 Profitability score.

BCV's Moody's-adjusted net income under Swiss GAAP increased to CHF 362 million in 2019 from CHF 322 million in 2018. The improved result was driven by a CHF 10 million loan loss provision reversal in 2019 (CHF 6 million loan loss provisions were created in 2018) and the lowering of the corporate tax rate in the Canton of Vaud to 13.8% from 22.3% in 2019. The bank's pre-provision income reached CHF 403 million in 2019 (2018: CHF 402 million), reflecting a stable net interest income of CHF 497 million and a stable CHF 128 million trading income result, as well as a marginally improved net fee and commission income of CHF 323 million, which was offset by marginally higher operating costs of CHF 576 million. As a result, BCV's cost-income-ratio, according to our definition, reached 58.9% in 2019, which compares favourably with that of its peers.

BCV's assets under management increased to CHF 97.8 billion as of year-end 2019 from CHF 87.6 billion as of year-end 2018, with all asset classes contributing to the improved result. Of the CHF 10.2 billion increase, CHF 3.8 billion stemmed from net new money inflows (CHF 1.5 billion from individuals and SMEs; CHF 2.3 billion from large corporate customers and institutional clients), while performance gains and other factors contributed CHF 6.4 billion.

Exhibit 7
BCV displays a relatively diverse earnings split



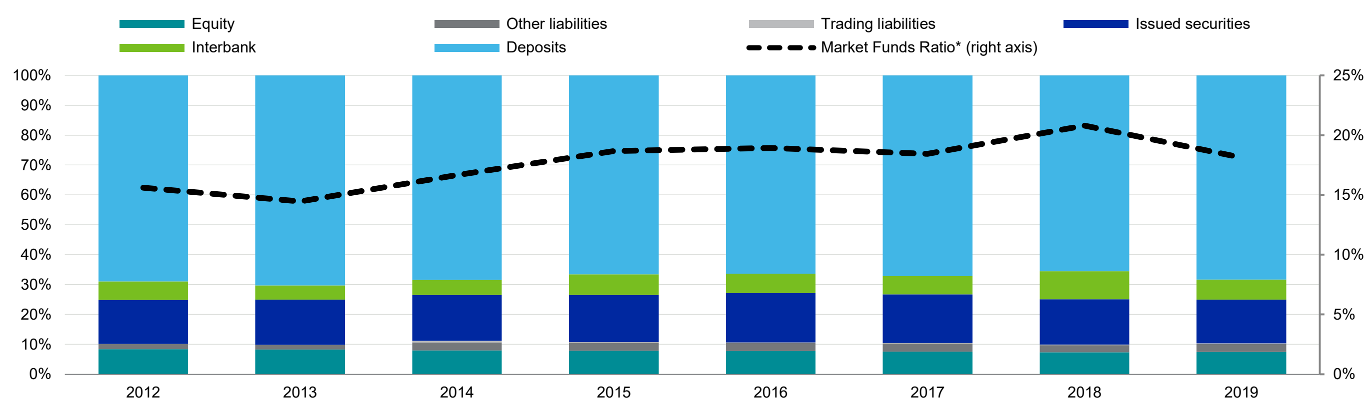
Source: Company reports, Moody's Financial Metrics, Moody's Investors Service estimates

BCV's stable deposit base supports its sound funding profile

We assign an a3 Funding Structure score to BCV, in line with the initial score. The assigned score reflects BCV's strong deposit franchise, which results in only moderate market funding needs.

As of December 2019, CHF 33.1 billion or 68% of BCV's balance sheet had been funded by customer deposits. The bank augmented this stable funding base with CHF 5.3 billion of covered bonds, CHF 1.0 billion of senior unsecured bonds, and CHF 0.8 billion of structured notes. In addition, the bank sourced CHF 3.2 billion through the interbank markets. As a result, our market funding ratio reached 18.1% as of year-end 2019, which we expect to decline further given continued deposit inflows and reduced demand for non-guaranteed loans during the coronavirus crisis. While government-guaranteed liquidity loans for small and medium-sized enterprises might offset this decline, we nonetheless only expect muted balance sheet growth, if any, during 2020 and 2021 at BCV.

Exhibit 8
BCV has a strong deposit franchise resulting in limited market funding needs



Market fund ratio = Market funds / Tangible banking assets
Source: Company reports, Moody's Investors Service

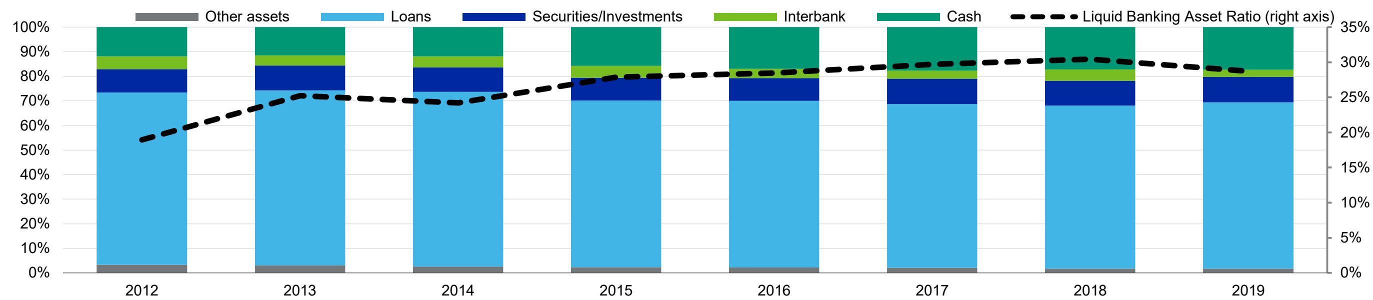
BCV's liquid resources exceed confidence-sensitive market funding resources

We assign an a3 Liquid Resources score to BCV, in line with the initial score, reflecting the bank's stock of liquid assets, which clearly exceed confidence-sensitive market funding resources.

CHF 8.4 billion of cash as of year-end 2019, CHF 3.7 billion of mostly repo-eligible financial investments and CHF 1.4 billion of interbank assets mitigate potential funding risks. The bank's liquid assets of 29% of tangible banking assets still significantly exceed its market funding dependence of 18% of tangible banking assets. While BCV's stock of High-Quality Liquid Assets (HQLA) of CHF 9.4 billion as of year-end 2019 stood below our calculation of liquid assets, the bank's Liquidity Coverage Ratio (LCR) of 129% as of the same date points to adequate liquid resources. In addition, BCV could source additional liquidity at short notice by pledging additional mortgage loans to the Central Mortgage-Bond Institution of Swiss Cantonal Banks (CHF 8.1 billion of the bank's CHF 27.0 billion mortgage book has been pledged as of year-end 2019).

Exhibit 9

BCV's liquid resources exceed its market funcing reliance



Liquid banking assets ratio = Liquid assets / Tangible banking assets

Source: Company reports, Moody's Investors Service

Environmental, social and governance (ESG) considerations

In line with our general view on the banking sector, BCV has a low exposure to environmental risks (see our environmental risk heatmap[2] for further information).

For social risks, we also place BCV in line with our general view for the banking sector, which indicates a moderate exposure (see our social risk heatmap[3]). This includes considerations in relation to the rapid and widening spread of the coronavirus outbreak, given the substantial implications for public health and safety and deteriorating global economic outlook, creating a severe and extensive credit shock across many sectors, regions and markets.

Governance is highly relevant for BCV, as it is to all players in the banking industry. Governance risks are largely internal rather than externally driven, and for BCV we do not have any particular governance concern[4]. Nonetheless, corporate governance remains a key credit consideration and requires ongoing monitoring.

Support and structural considerations

Affiliate support

BCV benefits from parental support from the Canton of Vaud. Parental support materially reduces the probability of default, as it would be available to stabilise a distressed bank and not just compensate for losses in resolution.

We consider a high level of support, reflecting that the Canton of Vaud owns 67% of the share capital of BCV, which, combined with the bank's economic and social role as a cantonal bank in the region, provides an incentive for the canton to inject capital into BCV prior to failure, in case of need. Because of a lack of an explicit guarantee to support the bank, we limit the parental support to one notch of rating uplift from the a2 BCA, leading to an a1 Adjusted BCA.

Loss Given Failure analysis

BCV is subject to Swiss banking regulations, which we consider an operational resolution regime. We therefore apply our Advanced LGF analysis, which takes into consideration the risks faced by the different debt and deposit classes across the liability structure at failure. In our Advanced LGF analysis, we assign a 100% probability to deposits being preferred to senior unsecured debt, thereby reflecting depositor preference by law in Switzerland.

We further assume residual tangible common equity of 3% and losses post-failure of 8% of tangible banking assets. In addition, we assume a 26% share of deposits being "junior" wholesale deposits, for which we factor in a 25% run-off prior to failure, while we assume a 5% run-off in preferred deposits. These ratios are in line with our standard assumptions. The results of our Advanced LGF analysis are:

- For deposits, our LGF analysis indicates a very low loss-given-failure, leading us to position their Preliminary Rating Assessments at aa2, two notches above the a1 Adjusted BCA.
- For the Counterparty Risk Assessment, our LGF analysis indicates a low loss-given-failure, leading us to position its Preliminary Rating Assessment at aa3(cr), one notch above the a1 Adjusted BCA.
- For the Counterparty Risk Ratings, our LGF analysis indicates a moderate loss-given-failure, leading us to position their Preliminary Rating Assessments at a1, in line with the a1 Adjusted BCA.

Government support

Because of the BCV's low nationwide domestic market share, we do not consider BCV to be of domestic systemic importance and therefore only assume a low likelihood of (sovereign) government support, not resulting in any rating uplift.

Counterparty Risk Ratings

Counterparty Risk Ratings (CRR) are opinions of the ability of entities to honour the uncollateralised portion of non-debt counterparty financial liabilities (CRR liabilities) and also reflect the expected financial losses in the event such liabilities are not honoured. CRR are distinct from ratings assigned to senior unsecured debt instruments and from issuer ratings because they reflect that, in a resolution, CRR liabilities might benefit from preferential treatment compared with senior unsecured debt. Examples of CRR liabilities include the uncollateralised portion of payables arising from derivatives transactions and the uncollateralised portion of liabilities under sale and repurchase agreements.

BCV's CRR are positioned at A1/P-1

The CRR are positioned in line with the a1 Adjusted BCA, because no uplift is provided by our Advanced LGF analysis.

Counterparty Risk Assessment

The Counterparty Risk Assessment (CR Assessment) is an opinion of how counterparty obligations are likely to be treated if a bank fails and is distinct from debt and deposit ratings in that it (1) considers only the risk of default rather than both the likelihood of default and the expected financial loss suffered in the event of default; and (2) applies to counterparty obligations and contractual commitments rather than debt or deposit instruments. The CR Assessment is an opinion of the counterparty risk related to a bank's covered bonds, contractual performance obligations (servicing), derivatives (e.g., swaps), letters of credit, guarantees and liquidity facilities.

BCV's CR Assessment is positioned at Aa3(cr)/P-1(cr)

The CR Assessment is positioned one notch above the a1 Adjusted BCA because of uplift provided by our Advanced LGF analysis.

Methodology and scorecard

Methodology

The principal methodology we used in rating BCV was Banks Methodology, published in November 2019.

About Moody's Bank Scorecard

Our Bank Scorecard is designed to capture, express and explain in summary form our Rating Committee's judgment. When read in conjunction with our research, a fulsome presentation of our judgment is expressed. As a result, the output of our scorecard may materially differ from that suggested by raw data alone (though it has been calibrated to avoid the frequent need for strong divergence). The scorecard output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.

Rating methodology and scorecard factors

Exhibit 10

Banque Cantonale Vaudoise

Macro Factors		
Weighted Macro Profile	**Strong +**	**100%**

Factor	Historic Ratio	Initial Score	Expected Trend	Assigned Score	Key driver #1	Key driver #2
Solvency						
Asset Risk						
Problem Loans / Gross Loans	0.9%	aa2	↓	a2	Geographical concentration	Quality of assets
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)	19.0%	aa2	←→	aa2	Risk-weighted capitalisation	Capital retention
Profitability						
Net Income / Tangible Assets	0.7%	baa2	←→	baa2	Return on assets	Expected trend
Combined Solvency Score		aa3		a2		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	18.1%	a3	←→	a3	Extent of market funding reliance	Market funding quality
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	28.7%	a3	←→	a3	Stock of liquid assets	Quality of liquid assets
Combined Liquidity Score		a3		a3		
Financial Profile				a2		
Qualitative Adjustments				Adjustment		
Business Diversification				0		
Opacity and Complexity				0		
Corporate Behavior				0		
Total Qualitative Adjustments				0		
Sovereign or Affiliate constraint				Aaa		
BCA Scorecard-indicated Outcome - Range				a1 - a3		
Assigned BCA				a2		
Affiliate Support notching				-		
Adjusted BCA				a1		

Balance Sheet	in-scope (CHF Million)	% in-scope	at-failure (CHF Million)	% at-failure
Other liabilities	12,085	25.0%	15,736	32.5%
Deposits	33,052	68.4%	29,681	61.4%
Preferred deposits	24,458	50.6%	23,236	48.1%
Junior deposits	8,594	17.8%	6,445	13.3%
Senior unsecured bank debt	1,759	3.6%	1,479	3.1%
Equity	1,450	3.0%	1,450	3.0%
Total Tangible Banking Assets	48,346	100.0%	48,346	100.0%

Debt Class	De Jure waterfall		De Facto waterfall		Notching		LGF Notching Guidance vs. Adjusted BCA	Assigned LGF notching	Additional Notching	Preliminary Rating Assessment
	Instrument volume + subordination	Sub-ordination	Instrument volume + subordination	Sub-ordination	De Jure	De Facto				
Counterparty Risk Rating	6.1%	6.1%	6.1%	6.1%	0	0	0	0	0	a1
Counterparty Risk Assessment	6.1%	6.1%	6.1%	6.1%	1	1	1	1	0	aa3 (cr)
Deposits	19.4%	6.1%	19.4%	6.1%	2	2	2	2	0	aa2

Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency Rating	Foreign Currency Rating
Counterparty Risk Rating	0	0	a1	0	A1	A1
Counterparty Risk Assessment	1	0	aa3 (cr)	0	Aa3(cr)	
Deposits	2	0	aa2	0	Aa2	Aa2

[1]Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.
Source: Moody's Investors Service

Ratings

Exhibit 11

Category	Moody's Rating
BANQUE CANTONALE VAUDOISE	
Outlook	Stable
Counterparty Risk Rating	A1/P-1
Bank Deposits	Aa2/P-1
Baseline Credit Assessment	a2
Adjusted Baseline Credit Assessment	a1
Counterparty Risk Assessment	Aa3(cr)/P-1(cr)

Source: Moody's Investors Service

Endnotes

1 The 19.0% TCE ratio shown in Exhibits 2 and 10 is slightly lower due to rounding differences because of the scale of reported amounts.

2 Environmental risks can be defined as environmental hazards encompassing the impacts of air pollution, soil/water pollution, water shortages and natural and man-made hazards (physical risks). Additionally, regulatory or policy risks, like the impact of carbon regulation or other regulatory restrictions, including the related transition risks like policy, legal, technology and market shifts, that could impair the evaluation of assets are an important factor. Certain banks could face a higher risk from concentrated lending to individual sectors or operations exposed to the aforementioned risks.

3 Social risk considerations represent a broad spectrum, including customer relations, human capital, demographic and societal trends, health and safety and responsible production. The most relevant social risks for banks arise from the way they interact with their customers. Social risks are particularly high in the area of data security and customer privacy, which is partly mitigated by sizeable technology investments and banks' long track record of handling sensitive client data. Fines and reputational damage because of product mis-selling or other types of misconduct is a further social risk. Societal trends are also relevant in a number of areas, such as shifting customer preferences toward digital banking services increasing information technology costs, ageing population concerns in several countries affecting demand for financial services or socially driven policy agendas that may translate into regulations that affect banks' revenue bases.

4 Corporate governance is a well-established key driver for banks and related risks are typically included in our evaluation of the banks' financial profile. Corporate governance weaknesses can lead to a deterioration in a company's credit quality, while governance strengths can benefit its credit profile. Further factors like specific corporate behaviour, key person risk, insider and related-party risk, strategy and management risk factors and dividend policy may be captured in individual adjustments to the BCA. Nonetheless, corporate governance remains a key credit consideration and requires ongoing monitoring.

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