S&P Global Ratings

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Banque Cantonale Vaudoise

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Banque Cantonale Vaudoise

Ratings Score Snapshot

Issuer Credit Rating
AA/Stable/A-1+

SACP: a → **Support: +3** → **Additional factors: 0**

Anchor	a-	
Business position	Adequate	0
Capital and earnings	Strong	+1
Risk position	Adequate	0
Funding	Adequate	0
Liquidity	Strong	
CRA adjustment		0

ALAC support	0
GRE support	+3
Group support	0
Sovereign support	0

Issuer credit rating
AA/Stable/A-1+

ALAC--Additional loss-absorbing capacity. CRA--Comparable ratings analysis. GRE--Government-related entity. ICR--Issuer credit rating. SACP--Stand-alone credit profile.

Credit Highlights

Overview

Key strengths	Key risks
Very high likelihood of support from the Swiss Canton of Vaud in the event of financial distress.	Highly concentrated exposure to the real estate market in the Canton of Vaud.
Good franchise in the canton's resilient economy.	A presence in the high-risk, low-granularity trade finance business.
More diverse business model than those of traditional Swiss cantonal banks.	Interest rates rise will carry short-term negative effects, which, combined with high distribution policy, could slightly reduce our risk-adjusted capital (RAC) ratio.
Ample liquidity buffer, and a large depositor's base, although including a more volatile share from private and institutional banking.	

Banque Cantonale Vaudoise (BCV) displays strong metrics amid challenges economic conditions and should remain resilient over the next two to three years. BCV has strong fundamentals and is the second-largest bank by assets size among the Swiss Cantonal banks, just ahead of Basler Kantonalbank. It has been able to achieve a net profit of Swiss Franc (CHF) 379 million and a return on average common equity (ROE) of 10.5% in 2021 the highest among Swiss cantonal banks. In the first half of 2022, BCV delivered good results with a net profit of CHF197 million, up to 14% from a year ago, and a ROE of about 11%, showing the good resilience of its business model. The good 2022 first half-results were mainly driven by an increase in fees and commissions income, in trading income, mainly driven by foreign exchange trading activities, and lower credit risk provisioning due to the economic rebound after the pandemic crisis; and despite slightly higher operating expenses. We expect higher provisioning and operating expenses in the second half of 2022 as the first impacts of economic slowdown and inflation begin to materialize.

Strong capitalization and a robust liquidity profile should continue to support the bank. This hinges on the RAC ratio before adjustments remaining comfortably above 10% over the next 18-24 months. We expect BCV to maintain its good liquidity buffers with the Swiss National Bank (SNB) even as the liquidity position likely weakens in 2023 as interest rates rise.

BCV's asset quality can be affected if we were to see housing prices to fall. BCV's net customer loans portfolio is composed of 83% of mortgage loans. This is including all mortgages, ranging from corporate mortgages to individual owner-occupied mortgages. This high concentration could lead to higher loan losses if we saw house prices trending significantly down.

BCV's link with the canton and role to the local economy should continue to support its franchise and overall creditworthiness. The canton owns 66.95% of BCV, which has an important role in supporting the local economy. In an event of financial stress, we believe there is a very high likelihood that the Canton of Vaud will provide sufficient and timely support to the bank because a default could severely damage the canton's reputation.

Outlook

S&P Global Ratings' outlook on Switzerland-based BCV is stable, reflecting our view of a very high likelihood of support for the bank from the Canton of Vaud (AAA/Stable/--) in the event of financial stress.

Even if BCV's credit quality changed to the extent that we revised its group stand-alone credit profile (SACP) downward or upward by one notch, we would not revise our long-term rating on the bank, all else being equal. This is because, given our 'AAA' rating on the Canton of Vaud, any one-notch revision of the SACP would be offset by an opposite change in the uplift we attribute for extraordinary government support. All else being equal, a two-notch change in BCV's group SACP, upward or downward, would likely result in a one-notch change (in the same direction) of the issuer credit rating, but we do not consider this as a likely scenario in the next two years.

Key Metrics

Banque Cantonale Vaudoise--Key Ratios And Forecasts

	--Fiscal year ended Dec. 31 --				
(%)	**2020a**	**2021a**	**2022f**	**2023f**	**2024f**
Growth in operating revenue	(3.2)	5.6	0.1-0.1	8.2-10.0	3.2-3.9
Growth in customer loans	3.4	5.0	4.5-5	2.7-3.3	2.7-3.3
Net interest income/average earning assets (NIM)	1.2	1.1	1.0-1.1	1.1-1.2	1.1-1.3
Cost to income ratio	53.9	52.0	49.6-55.6	47.7-53.6	47.9-53.8
Return on average common equity	9.2	10.5	8.7-9.8	10.4-11.6	10.6-11.9

Banque Cantonale Vaudoise--Key Ratios And Forecasts (cont.)					
	--Fiscal year ended Dec. 31 --				
(%)	2020a	2021a	2022f	2023f	2024f
Return on assets	0.7	0.7	0.5-0.6	0.6-0.7	0.6-0.7
New loan loss provisions/average customer loans	0.1	0.0	0.0-0.0	0.0-0.1	0.0-0.0
Gross nonperforming assets/customer loans	0.9	0.4	0.4-0.5	0.5-0.6	0.5-0.7
Risk-adjusted capital ratio	12.6	12.3	11.7-12.1	11.5-12.0	11.5-12.0

All figures are S&P Global Ratings-adjusted. a--Actual. e--Estimate. f--Forecast. NIM--Net interest margin.

Anchor: 'a-' For Banks Operating Mainly In Switzerland.

Our anchor for banks operating mainly in Switzerland is 'a-'. We consider the trend for economic and industry risk in Switzerland to be stable.

Despite a weaker economic outlook and further risks to the economic trajectory from the unclear consequences of the Russia-Ukraine military conflict, we expect Swiss banks will demonstrate robust asset quality and lower credit losses than most peers, close to levels observed pre-pandemic. Strong resilience stems from the superior financial strength of both the household and corporate sectors, as well as banks' prudent underwriting standards focusing on collateralized lending, mainly in residential mortgages. We also do not expect material constraints on customers' debt service capacity from higher rates, given the dominance of fixed-rate mortgage contracts with an average 10-year interest period (BCV's average mortgage book duration being materially lower than the country average). We also see the risk of a severe price correction in the housing market as low, because it would likely require a steep rise in unemployment. However, we think risks in the investment property subsegment remain slightly elevated because prices remain sensitive to immigration levels, construction activity, investment alternatives in a rising rates environment, and vacancy rates that recently reached a multiyear high.

Our view of industry risk in Switzerland encompasses the stability of the domestic banking sector. We view positively that, despite high competitive pressure between local players, domestic banks can still earn their cost of capital. We expect Swiss banks will see a net revenue benefit from rises in policy rates, but less so than peers, given that Swiss banks benefit from the central bank's broad exemption for sight deposits being subject to negative rates. We also note banks' high capitalization levels and their high reliance on stable customer deposits and equity for funding. In our view, the Swiss Financial Market Supervisory Authority (FINMA) remains on top of both regulatory oversight and innovations, and overall we think Swiss banks face limited risks from technology disruption. We also expect the regulator to effectively limit Swiss banks' sensitivity to financial crime. Strong anti-money-laundering standards and business models and practices that do not rely on customers' undeclared wealth are crucial for the stability and strength of the Swiss banking sector, in our view.

Business Position: Good franchise In Vaud And A More Diverse Business Profile Than A Typical Swiss Cantonal Bank.

Supporting our assessment is our view of BCV's sustained business stability and consistent approach to growth demonstrated by its management and strategy. The bank has been able to deliver solid financial results in 2021 and in the first half of 2022 showing record return on average common equity of 10.5% at year-end 2021 and about 11% on June 30, 2022, the highest among the cantonal banks. We continue to expect that the bank will leverage on its solid fundamentals, continue to focus on customer satisfaction, cross-selling opportunities, and digitization to face increased competition from fintech and big-tech companies. The bank's strategic plan "Vista 2025" supports our view.

With total assets of CHF 56 billion at year-end 2021, BCV is the seventh-largest banking group in Switzerland and the second-largest Swiss cantonal bank. The bank is a market leader in retail banking and among small and midsize enterprises (SMEs) in Vaud--one of the country's richest and most resilient cantons. Vaud's GDP decline in 2020 (-1.9%) was limited and even lower than the domestic reduction of 2.5%. In 2021, the canton's GDP growth outpaced the national figure (3.9% against 3.6%) and we expect the outperformance of the Canton of Vaud to continue. We currently forecast Switzerland's GDP to reach 2.4% in 2022 and 1.1% in 2023 with moderate inflation compared with the eurozone.

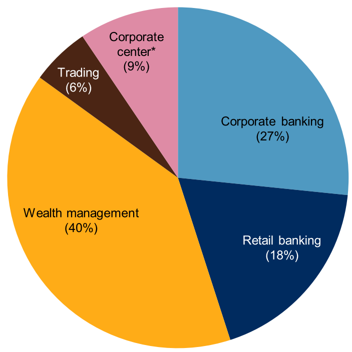
With CHF107.2 billion of assets under management in June 2022, down by 5% after reaching a peak in 2021, BCV has a good franchise in asset and wealth management, although its market share in private banking is much smaller than that in retail banking.

BCV's operational performance remained resilient in 2020 and improved in 2021 and in the first half of 2022, thanks to the economic rebound after the COVID-19 crisis, thus highlighting resilient business operations and operating model. According to our own calculation, operating revenue expanded by 5.6% to CHF1.014 billion in 2021, mainly thanks to a 17% increase in brokerage commissions, reaching a CHF312 million record. The first half of 2022 results were very strong with operating revenue up by 4% from a year ago, supported by an increase in trading income of 16%.

In addition to its traditional activities as a Swiss cantonal bank, BCV has a structured product business and is one of the main players in French-speaking Switzerland in transaction-based commodity trade finance, which relates mainly to metals, agribusiness, and energy products.

Chart 1

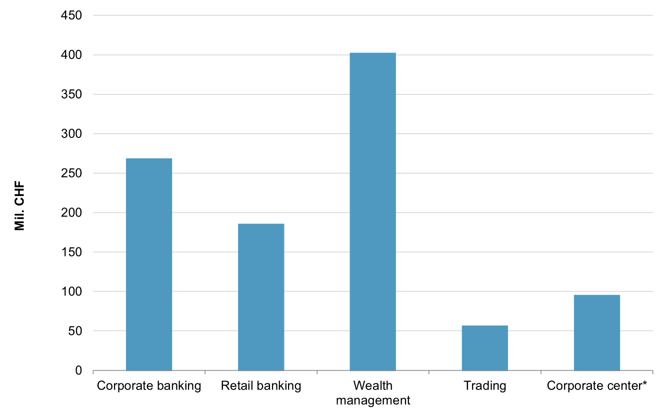
Banque Cantonale Vaudoise--2021 Revenue Split By Division



*The corporate center comprises the net gain/loss on asset and liability management, on interbank activities, and on fixed assets as well as gross interest on impaired loans handled by the Credit Recovery Management Department.

Chart 2

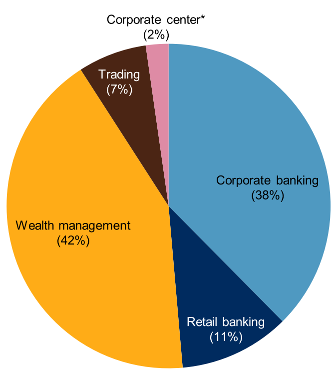
Banque Cantonale Vaudoise--2021 Revenue Split By Division



*The corporate center comprises the net gain/loss on asset and liability management, on interbank activities, and on fixed assets as well as gross interest on impaired loans handled by the Credit Recovery Management Department. CHF--Swiss franc.

Chart 3

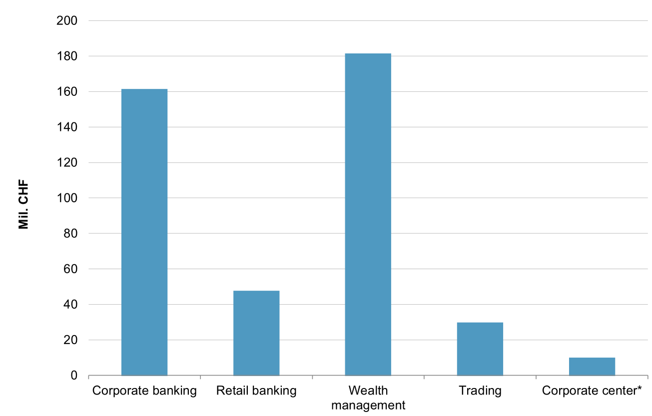
Banque Cantonale Vaudoise--2021 Operating Profit Split By Division



*The corporate center comprises the net gain/loss on asset and liability management, on interbank activities, and on fixed assets as well as gross interest on impaired loans handled by the Credit Recovery Management Department.

Chart 4

Banque Cantonale Vaudoise--2021 Operating Profit Split By Division



*The corporate center comprises the net gain/loss on asset and liability management, on interbank activities, and on fixed assets as well as gross interest on impaired loans handled by the Credit Recovery Management Department. CHF--Swiss franc.

Capital And Earnings: Solid Capital Position

We view BCV's overall capital and earnings as solid. The group's RAC ratio was 12.3% as of Dec. 31, 2021. This remained slightly below as compared with last year because the growth in risk-weighted assets was not entirely offset by the retained earnings, primally due to BCV's high distribution policy. We expect the RAC ratio to remain between 11.5%-12.0% over the next 18-24 months, broadly in line with the current RAC ratio. Our forecast is also based on the management's stated intention to continue paying high dividends and our expectation of exposures growth in the next couple of years (gross loans are expected to increase by 4.5% in 2022 and by 3% in 2023 and 2024). In May 2022, BCV distributed CHF318 million (CHF3.7 per share) to shareholders out of its CHF379 million post-tax net income for 2021. We expect the bank to continue with this annual payout in coming years.

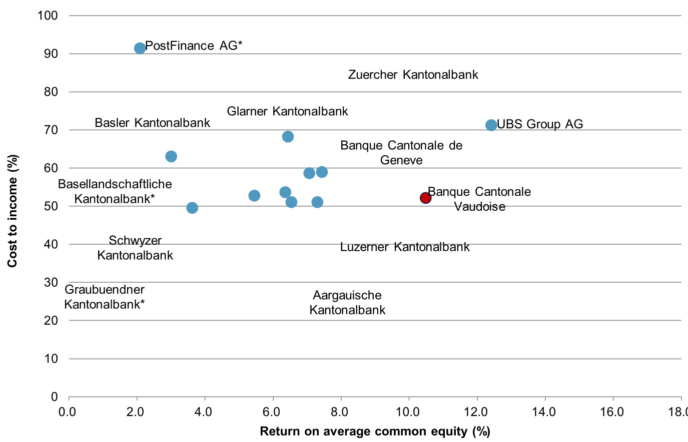
The quality of capital is high, being composed almost entirely of common equity tier 1 (CET1) capital. BCV had a 17.2% CET1 ratio as of Dec. 31, 2021 (the total capital ratio at the same date was 17.3%), and 17% on June 30, 2022. The Swiss regulator, FINMA, capital requirement is set at 13%, including a 1% add-on due to the current still-low interest-rate environment. BCV's CET1 ratio has been broadly stable at or above 17% over the past five years.

Our RAC ratio on BCV is among the lowest of the Swiss cantonal banks, but is still high compared with that of other Swiss and international peers. It also has the largest negative gap with the regulatory tier 1 ratio, which is explained by the use of internal models, leading to an average regulatory risk weight lower than under the standardized approach. Indeed, BCV and Zuercher Kantonalbank (but to a lower extent than BCV) are the only two Swiss cantonal banks to use internal model approaches. This also reflects the quality of BCV's credit risk management.

While the interest rate rise will be positive in the medium to long term, BCV will nonetheless be impacted by negative effects in the short-term like peers. The domestic peers have already begun to progressively lift their pricing on customer deposits, which will lead BCV to do the same on its corporate deposits. This follows the action of the SNB which raised its policy rate by 50 basis points (bps) to -0.25% in June 2022 and by 75 bps to 0.5% in September 2022, thus ending the positive jaw effect with the 0% charge on banks' liquidities at the SNB under the Swiss exemption threshold. At the same time the funding cost will slightly increase, but further use of covered bonds could compensate the moderate rise of unsecured fundings costs. Those negative impacts on BCV's top line will be partly offset by lending growth, even if we expect new loan generation to cool in the second half of 2022. We believe the cost of risk will also increase in the second half of 2022 and in 2023 as negative headwinds unfold. We forecast post-tax profit for 2022 to decrease from 2021's peak to settle around CHF340 million. That said, we expect net profit to rebound and reach CHF390 million in 2023 and CHF405 million in 2024. The bank's profitability, adjusted for risk, is strong, with a three-year average earnings buffer of about 1.48% in 2021, indicating adequate capacity for earnings to cover expected losses. We expect the bank to maintain a 1.45%-1.55% earnings buffer in the next two years. BCV is among the best in class compared with peers in terms of profitability with a cost-to-income ratio remaining below 55% and a return on average common equity at 10.5% in 2021 based on our calculation. We expect ROE to decrease to below 10% in 2022 before recovering to 11% or more by 2023-2024.

Chart 5

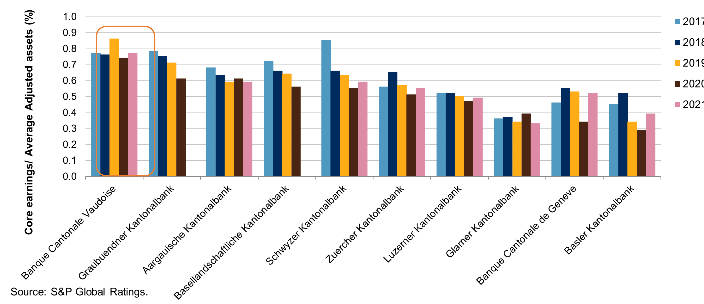
Banque Cantonale Vaudoise--Still Outperforming Its Domestic Peers
Year-end 2021 data



*2020 data

Chart 6

Banque Cantonale Vaudoise--Sustained Strong Performance Compared With Peers



Source: S&P Global Ratings.

Risk Position: Concentration Of Risk In Vaud's Real Estate Markets And Sizable Trade Finance Exposures

Our assessment of BCV's risk position as adequate reflects the balance between its high exposure to Vaud's property markets and its good track record of very low cost of risk on real estate exposures. We estimate the proportion of owner-occupied mortgage is low at around half of BCV's net mortgage portfolio of CHF29 billion at year-end 2021. The remainder of mortgage loans is chiefly comprised of residential rental properties and to a lesser extent of corporate mortgages. While BCV loans are concentrated on Vaud's real estate sector, we consider the clientele diversification of its real-estate loans portfolio. Overall, BCV enjoys a solid track record of very low cost of risk on its real estate exposures, which reflects the strength of the sector, its experienced management team, and the well-managed growth of its activities. We expect nonmaterial repercussions from the Russia-Ukraine military conflict on BCV's bottom line, whether coming from its trade finance activities or its wealth management division, illustrate the prudent and reactive risk management of the bank.

There has been strong cumulative growth in residential real-estate prices and domestic lending in Switzerland over the past several years, particularly mortgage lending. We believe this represents an incremental risk for Swiss banks that have mainly domestic operations and large exposure to the Swiss real estate market. House price increases in Vaud since 2016 partially reflect above-average economic growth in the canton and strong immigration-led demand compared with limited supply. Given BCV's significant exposure to residential real estate, we believe that an unexpected deterioration in prices could increase the bank's loan losses. However, we consider that the risk of a sharp correction in property prices is still low, even if a small price correction could arise in 2023 following the Canton's strong transaction price increase in 2021. Also, the riskier rental housing market is mostly dominated by pension funds and other institutional players. Furthermore, BCV's commercial real estate exposure is manageable, at around CHF 3.4 billion by our estimation at end-2021.

BCV's underwriting standards support our assessment of its risk position. Loan-to-value ratios on new mortgage lending are capped at 80% for owner-occupied housing (lower levels are applied to buy-to-let homes), meaning borrowers must provide a minimum down payment of 20% in cash. Moreover, the annual cost of borrowing (calculated on a theoretical 7% interest rate) must not exceed one-third of a customer's annual net income. The volume in mortgage business in 2021 increased by CHF1.3 billion (+4.8%), to CHF29.4 billion. We expect loan growth to reach between 4% and 5% in 2022 before cooling down to the historical average of 3% in 2023 and 2024.

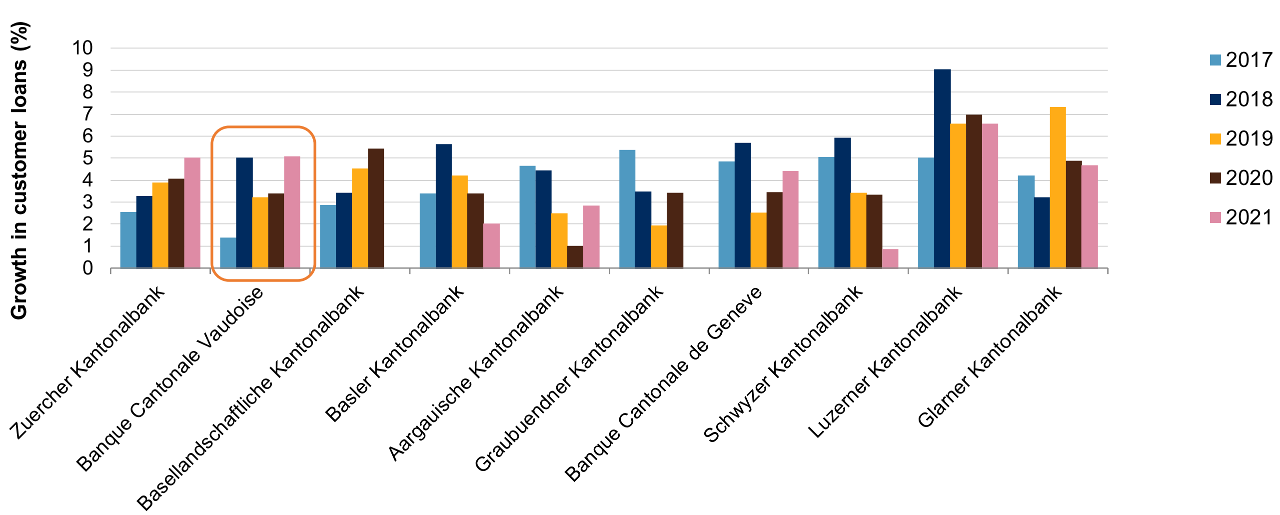
BCV was the first cantonal bank to file its regulatory reporting using the internal ratings-based approach. This reflects, in our view, the quality of its credit risk management. Gross nonperforming loans stood at a low 0.42% of total customer loans at year-end 2021 (0.88% at year-end 2020) and we estimate it to progressively increase around 0.6% year-end 2023 as a result of the economic slowdown. The bank's riskiest positions include trade finance exposures, which BCV voluntarily reduced at the start of the pandemic. While trade finance activity recovered in 2021, BCV prudently reduced its exposure to Russian and Ukrainian trades. We estimate BCV's overall risk exposure to trades sensitive to the ongoing military conflict as benign, while the impact on trade finance revenue is material but manageable. Although BCV hedges market risk arising from its structured products and certificates businesses, some residual risk remains, mainly dividend and correlation type risk.

We note that BCV has granted for a bit more than CHF700 million in COVID-19 loans to more than 6,000 SMEs but only 50% have been drawn, and 40% of granted COVID bridge loans have been reimbursed in first half 2022.

Overall, the 2021 cost-of-risk was still contained below 10bps at 2bps, based on our calculation, and we expect it will remain between 4 and 6 bps over the next two years. BCV reduced its impaired loans and commitments by 26% in 2021 to CHF 151 million while the provision reserve only declined by 18% through provision releases.

Chart 7

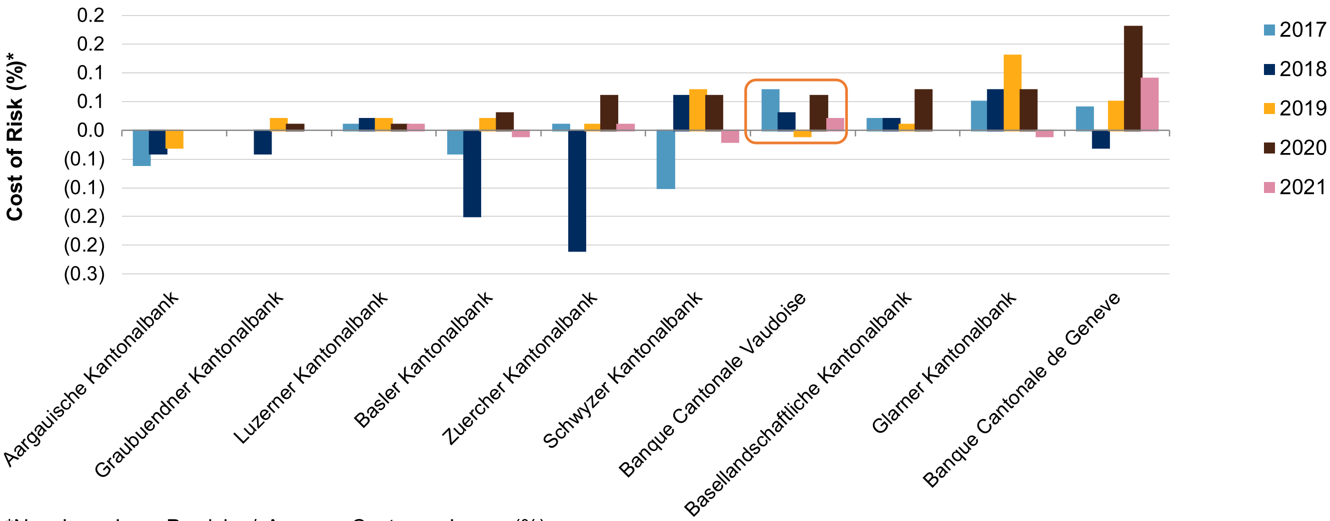
Banque Cantonale Vaudoise--Modest Growth Over Time Compared To Peers



Source: S&P Global Ratings.

Chart 8

Banque Cantonale Vaudoise--Contained Cost Of Risk Over Time



*New Loan Loss Provision/ Average Customer Loans (%)

Funding And Liquidity: Largely Funded By Deposits, With Strong Cash Liquidity Buffers

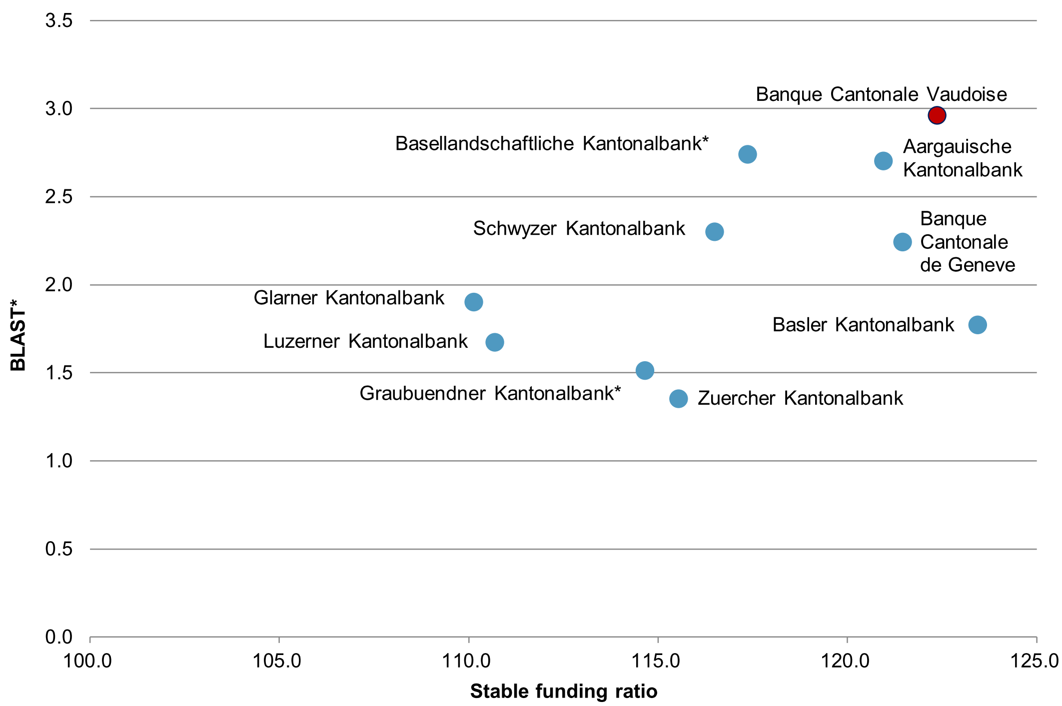
Core customer deposits represent 75% of the funding base in average over 2018-2021, according to our calculations. This is in the upper band compared with Swiss cantonal peers.

Like other cantonal banks, BCV uses covered bonds issued by the Centrale de Lettres de Gage (CLG; the Swiss Cantonal Bank Mortgage Bond Center) as a financing source. Through this mutualized source of funding, the bank benefits from the excellent creditworthiness of the CLG, which is backed by Swiss cantonal banks and ultimately by most cantons. BCV's stable funding ratio was about 122.4% in December 2021. This is higher than the levels at domestic cantonal peers, which we also see as having adequate funding. We expect the bank to maintain a broadly similar stable funding ratio.

At the end of both 2020 and 2021, BCV's liquidity buffer included mainly cash held at the SNB. In addition, the bank has a pool of bonds that are eligible as collateral with the SNB. BCV's ratio of broad liquid assets to short-term wholesale funding was 3x at year-end 2021. However, a significant portion of the deposit base contains private banking deposits and uninsured institutional investors' deposits, which are more volatile than traditional retail deposits, in our view. We understand that the bank's policy is to exceed by at least 10% the regulatory requirement for the Basel III liquidity coverage ratio (LCR). At half-year 2022, BCV's LCR stood at 143% and net stable funding ratio at 122%. We expect BCV's liquidity position to reduce as wholesale funding becomes moderately more expensive.

Chart 9

Banque Cantonale Vaudoise--Still Outperforming Other Cantonal Banks



*BLAST: Broad Liquid Assets over Short-Term Funding; 2020 data for Basellandschaftliche Kantonalbank and Graubuendner Kantonalbank.

External Support: '3' Notches Of Uplift For GRE Support

We view BCV as a government-related entity (GRE). In accordance with our criteria for GREs, we believe that there is a very high likelihood that Vaud would provide timely and sufficient extraordinary support to BCV in the event of financial stress, as it did in 2001-2003. For this reason, the long-term rating on BCV stands three notches above its SACP.

We base our view of a very high likelihood of extraordinary support on our assessment of BCV's:

- Very important role in the local economy, reflecting its public policy role in the canton's economic development and the possibility that a default could damage the canton's reputation; and
- Very strong link with the canton. A law passed in March 2010 stipulates that Vaud will keep a majority stake of at least 50% plus one share in the bank. The canton owns 66.95% of BCV. Unlike some other Swiss cantonal banks, however, the bank does not benefit from a cantonal statutory guarantee.

Additional Rating Factors

No additional factors affect this rating.

Environmental, Social, And Governance

ESG Credit Indicators

E-1	**E-2**	E-3	E-4	E-5	S-1	**S-2**	S-3	S-4	S-5	G-1	**G-2**	G-3	G-4	G-5

ESG credit indicators provide additional disclosure and transparency at the entity level and reflect S&P Global Ratings' opinion of the influence that environmental, social, and governance factors have on our credit rating analysis. They are not a sustainability rating or an S&P Global Ratings ESG Evaluation. The extent of the influence of these factors is reflected on an alphanumerical 1-5 scale where 1 = positive, 2 = neutral, 3 = moderately negative, 4 = negative, and 5 = very negative. For more information, see our commentary "ESG Credit Indicators: Definition And Applications," published Oct. 13, 2021.

ESG factors have a neutral impact in our assessment of BCV's credit worthiness. Social credit factors are in line with those of peers in the banking industry, while the bank's governance standards are comparable with the practice in its home country. BCV is marginally more exposed to transition risks than some of its cantonal peers due to its trade finance activity related to fossil fuel. On the other hand, we see positively the cyber risk awareness of the top management.

Key Statistics

Table 1

Banque Cantonale Vaudoise--Key Figures

	--Fiscal year end Dec. 31--				
(Mil. CHF)	**2022***	**2021**	**2020**	**2019**	**2018**
Adjusted assets	58,973.0	55,872.0	53,100.0	48,261.0	47,769.0
Customer loans (gross)	36,634.0	35,679.0	33,967.0	32,856.0	31,850.0
Adjusted common equity	2,974.0	2,932.8	2,946.6	2,954.6	2,895.2
Operating revenues	524.9	1,013.7	960.3	992.1	982.6
Noninterest expenses	296.8	527.4	518.0	527.6	525.6
Core earnings	196.7	417.9	376.2	410.7	365.2

CHF0--Swiss franc. *Data as of June 30, 2022.

Table 2

Banque Cantonale Vaudoise--Business Position

	--Fiscal year end Dec. 31--				
(%)	**2022***	**2021**	**2020**	**2019**	**2018**
Total revenues from business line (mil. CHF)	525.0	1,026.1	965.1	992.8	1,017.5
Commercial banking/total revenues from business line	26.4	28.8	29.1	26.7	29.1
Retail banking/total revenues from business line	18.0	18.3	18.0	17.5	17.2
Commercial & retail banking/total revenues from business line	44.4	47.2	47.1	44.2	46.4

Table 2

Banque Cantonale Vaudoise--Business Position (cont.)

	--Fiscal year end Dec. 31--				
(%)	**2022***	**2021**	**2020**	**2019**	**2018**
Trading and sales income/total revenues from business line	5.9	5.4	5.7	5.0	4.3
Asset management/total revenues from business line	37.9	39.5	37.5	36.6	35.2
Other revenues/total revenues from business line	11.8	7.9	9.7	14.2	14.1
Return on average common equity	11.0	10.5	9.2	10.2	10.0

CHF--Swiss franc. *Data as of June 30, 2022.

Table 3

Banque Cantonale Vaudoise--Capital And Earnings

	--Fiscal year end Dec. 31--				
(%)	**2022***	**2021**	**2020**	**2019**	**2018**
Tier 1 capital ratio	17.0	17.2	17.7	17.1	17.1
S&P Global Ratings' RAC ratio before diversification	N/A	12.3	12.6	13.0	13.0
S&P Global Ratings' RAC ratio after diversification	N/A	10.8	11.1	11.6	11.6
Net interest income/operating revenues	44.9	46.6	49.4	50.1	50.5
Fee income/operating revenues	34.2	35.2	32.3	32.5	32.3
Market-sensitive income/operating revenues	15.8	14.1	14.5	12.9	13.0
Cost to income ratio	56.5	52.0	53.9	53.2	53.5
Preprovision operating income/average assets	0.8	0.9	0.9	1.0	1.0

*Data as of June 30, 2022. N/A--Not applicable.

Table 4

Banque Cantonale Vaudoise--Risk-Adjusted Capital Framework Data

(Mil. CHF)	**Exposure***	**Basel III RWA**	**Average Basel III RW(%)**	**S&P Global Ratings RWA**	**Average S&P Global Ratings RW (%)**
Credit risk					
Government & central banks	15,727.0	500.0	3.2	102.0	0.6
Of which regional governments and local authorities	0.0	0.0	0.0	0.0	0.0
Institutions and CCPs	4,667.6	1,175.3	25.2	944.4	20.2
Corporate	17,053.0	9,669.0	56.7	11,742.8	68.9
Retail	21,025.0	4,396.0	20.9	5,943.1	28.3
Of which mortgage	19,008.0	3,755.0	19.8	4,584.0	24.1
Securitization§	0.0	0.0	0.0	0.0	0.0
Other assets†	537.0	537.0	100.0	531.2	98.9
Total credit risk	59,009.6	16,277.3	27.6	19,263.5	32.6
Credit valuation adjustment					
Total credit valuation adjustment	--	118.0	--	0.0	--
Market Risk					
Equity in the banking book	47.2	169.0	358.4	336.1	712.8
Trading book market risk	--	158.0	--	237.0	--

Table 4

Banque Cantonale Vaudoise--Risk-Adjusted Capital Framework Data (cont.)					
Total market risk	--	327.0	--	573.1	--
Operational risk					
Total operational risk	--	1,758.0	--	4,072.5	--
(Mil. CHF)	**Exposure**	**Basel III RWA**	**Average Basel II RW (%)**	**S&P Global Ratings RWA**	**% of S&P Global Ratings RWA**
Diversification adjustments					
RWA before diversification	--	19,262.3	--	23,909.1	100.0
Total Diversification/ Concentration Adjustments	--	--	--	3,370.0	14.1
RWA after diversification	--	19,262.3	--	27,279.1	114.1
(Mil. CHF)		**Tier 1 capital**	**Tier 1 ratio (%)**	**Total adjusted capital**	**S&P Global Ratings RAC ratio (%)**
Capital ratio					
Capital ratio before adjustments		3,295.0	17.1	2,932.8	12.3
Capital ratio after adjustments‡		3,295.0	17.1	2,932.8	10.8

*Exposure at default. §Securitization Exposure includes the securitization tranches deducted from capital in the regulatory framework. †Exposure and S&P Global Ratings' risk-weighted assets for equity in the banking book include minority equity holdings in financial institutions. ‡Adjustments to Tier 1 ratio are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons). RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital.CHF -- Swiss Franc. Sources: Company data as of 'Dec. 31 2021', S&P Global Ratings.

Table 5

Banque Cantonale Vaudoise--Risk Position

	--Fiscal year end Dec. 31--				
(%)	**2022***	**2021**	**2020**	**2019**	**2018**
Growth in customer loans	5.4	5.0	3.4	3.2	5.0
Total diversification adjustment/S&P Global Ratings' RWA before diversification	N/A	14.1	12.8	12.5	12.4
Total managed assets/adjusted common equity (x)	19.9	19.1	18.0	16.4	16.5
New loan loss provisions/average customer loans	0.0	0.0	0.1	(0.0)	0.0
Gross nonperforming assets/customer loans + other real estate owned	0.4	0.4	0.9	0.9	1.0
Loan loss reserves/gross nonperforming assets	64.2	64.2	39.6	31.3	28.7

*Data as of June 30, 2022.

Table 6

Banque Cantonale Vaudoise--Funding And Liquidity

	--Fiscal year end Dec. 31--				
(%)	**2022***	**2021**	**2020**	**2019**	**2018**
Core deposits/funding base	71.5	75.9	73.7	76.2	72.8
Customer loans (net)/customer deposits	96.3	93.2	95.6	99.2	101.2
Long-term funding ratio	85.3	90.0	92.4	95.0	92.3
Stable funding ratio	118.9	122.4	126.5	122.2	121.8
Short-term wholesale funding/funding base	15.7	10.7	8.1	5.4	8.3
Broad liquid assets/total assets	29.7	28.7	28.7	24.3	26.0

*Data as of June 30, 2022.

Banque Cantonale Vaudoise--Rating Component Scores	
Issuer Credit Rating	AA/Stable/A-1+
SACP	a
Anchor	a-
Economic risk	2
Industry risk	2
Business position	Adequate
Capital and earnings	Strong
Risk position	Adequate
Funding	Adequate
Liquidity	Strong
Comparable ratings analysis	0
Support	+3
ALAC support	0
GRE support	+3
Group support	0
Sovereign support	0
Additional factors	0

ALAC--Additional loss-absorbing capacity. GRE--Government-related entity. SACP--Stand-alone credit profile.

Related Criteria

- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Economic Outlook Eurozone Q4 2022: Crunch Time, Sept 26, 2022
- Switzerland, Aug. 15, 2022
- Canton of Vaud, Nov. 29, 2021

Ratings Detail (As Of October 11, 2022)*	
Banque Cantonale Vaudoise	
Issuer Credit Rating	AA/Stable/A-1+
Issuer Credit Ratings History	
18-Jun-2013	AA/Stable/A-1+
03-Jul-2012	AA/Negative/A-1+
05-Dec-2011	AA/Stable/A-1+
Sovereign Rating	
Switzerland	AAA/Stable/A-1+

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.