S&P Global Ratings

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Banque Cantonale Vaudoise

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Banque Cantonale Vaudoise

Rating 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.	High distribution policy will result in our forecast risk-adjusted capital (RAC) ratio eroding over time.
Ample liquidity buffer, and a large depositor base, although this includes a more volatile share from private and institutional banking.	

Banque Cantonale Vaudoise (BCV) displays strong metrics and should remain resilient to economic conditions over the next two to three years. BCV has strong fundamentals and is the second-largest Swiss Cantonal bank by assets, just ahead of Luzerner Kantonalbank. It achieved a net profit of Swiss Franc (CHF) 240 million and a return on average common equity (ROE) of 13% in the first six months of 2023--the highest among Swiss cantonal banks. The solid 2023 first-half results were mainly driven by a strong increase in net interest income; slight credit risk provisioning withdrawal, underpinning BCV's high credit quality resiliency; and thanks to operating expenses only moderately increasing by 3% year-on-year. We expect higher provisioning expenses in the second half of 2023 to prudentially factor in the expected effect of higher rates on some clients' creditworthiness.

Strong capitalization and a robust liquidity profile should continue to support the bank. This hinges on the RAC ratio before adjustments remaining above 10% over the next 24 months despite high dividend distribution. We expect BCV to maintain its good liquidity buffers with the Swiss National Bank (SNB), as the bank did in first-half 2023, even as funding costs increased due to rising interest rates.

BCV's asset quality could deteriorate if house prices fall. BCV's net customer loans portfolio comprises 83% of mortgage loans. This includes 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 downward. This is, however, not our current forecast for 2023-2025, which includes house price stagnation or a moderate increase, albeit with fewer transactions than in past years.

BCV's link with the canton and role for 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 that the Canton of Vaud is very likely to 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 Vaud (Canton of) (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 lower or raise 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 revision of 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--				
(%)	**2021a**	**2022a**	**2023f**	**2024f**	**2025f**
Growth in operating revenue	5.6	2.3	5.3-6.4	0.7-0.8	1.8-2.2
Growth in customer loans	5.0	2.9	4.5-5	2.7-3.3	2.7-3.3
Growth in total assets	5.2	6.2	1.1-1.2	1.9-2.2	2.0-2.3
Net interest income/average earning assets (NIM)	1.1	1.1	1.2-1.3	1.1-1.3	1.1-1.3
Cost to income ratio	52.0	51.8	48.8-54.0	49.9-55.2	50.4-55.7
Return on average common equity	10.5	10.6	10.3-12.6	10.2-12.5	10.2-12.5

Banque Cantonale Vaudoise--Key ratios and forecasts (cont.)					
	--Fiscal year ended Dec. 31--				
(%)	2021a	2022a	2023f	2024f	2025f
Return on assets	0.7	0.7	0.6-0.8	0.6-0.7	0.6-0.7
New loan loss provisions/average customer loans	0.0	0.0	0.0-0.0	0.0-0.0	0.0-0.0
Gross nonperforming assets/customer loans	0.4	0.4	0.4-0.5	0.4-0.5	0.4-0.5
Risk-adjusted capital ratio	12.3	12.0	12.6-13.1	12.4-12.9	12.2-12.6

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

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

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

The Swiss private sector has proven its resilience against multiple external stress scenarios. We expect Swiss households and corporates to maintain credit strength despite the worsening economic outlook. This reflects the superior financial strength of Swiss households and corporations, and banks' prudent underwriting standards (which focus on collateralized lending, mainly residential mortgages or Lombard loans). Overall, we see limited risk to Swiss households on debt servicing capacity from rising rates. At the same time, we believe the deceleration in house price rises should remain manageable for Swiss banks' mortgage exposures. This is because banks' existing stock of mortgage loans are predominately fixed-rate and underwriting standards already integrate much higher interest rates into affordability assessments. In any case, we believe that a strong Swiss labor market, tight and inelastic supply in housing, and ongoing high demand due to persistently high immigration support house prices.

Our view of industry risk in Switzerland encompasses the stability of the domestic banking sector, despite the failure of Credit Suisse. In general, we do not observe a loss in customer confidence in Swiss banking, as many domestic banks profited from inflows of assets under management and deposits from Credit Suisse after outflows escalated in 2022. We believe supervision of non-systemically important institutions has been generally effective. Also, the country's regulatory requirements with respect to gone-concern capital exceed international norms. Money laundering and the threat of additional sanctions remain tail risks for the Swiss banking sector, especially for smaller private banks that accommodate former wealth management clients from Credit Suisse, including high net worth individuals (HNWIs) and ultra HNWIs. However, reputational risks are generally contained, as wealth management is not part of most banks' business models.

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

Our assessment is supported by our view of BCV's sustained business stability and consistent approach to growth, demonstrated by its management and strategy. The bank delivered solid financial results in 2022, while the first half of 2023 was strongly supported by interest rate increases. We continue to expect the bank to 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 CHF59 billion at half-year 2023, BCV is the fifth-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 growth in 2022 outpaced the national figure (2.4% against 2%) and we expect the outperformance of the Canton of Vaud to continue over the coming years. We currently forecast Switzerland's GDP growth to bottom out at 0.6% in 2023 and rise back to 1.2% growth in 2024.

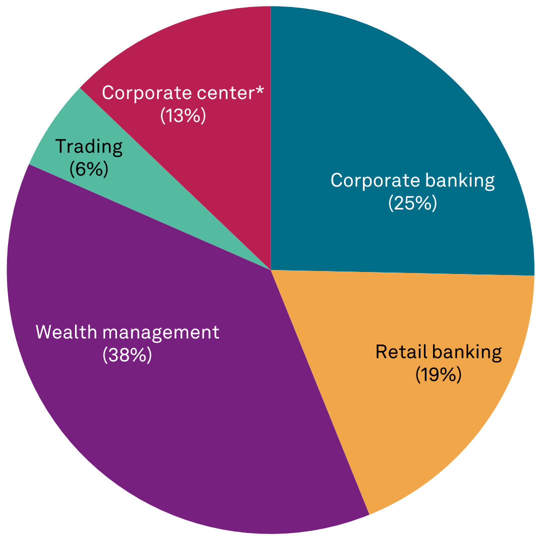
With CHF112.3 billion of assets under management in June 2023, up by 3% for the first six months of 2023 and close to the 2021 peak, BCV has a good franchise in asset and wealth management, although its market share in private banking is much smaller than in retail banking.

BCV's operational performance is remarkably stable as highlighted by its cost-to-income ratio remaining within 51%-54% for the past five years thus proving the resilience of its business operations and operating model. While the bank's 2022 financials are unremarkable--with a net income increase of 3% on the back of operating revenue up by 2% and slightly lower cost of risk despite some trade finance one-off--the first half of 2023 saw a 22% increase in net profit thanks to revenue being up by 10% while operating cost increases remained limited. The absence of credit quality worsening also led to a CHF2 million provision withdrawal. Revenue progression was solely supported by the higher interest rate, as our net interest margin (NIM) measure reached 1.3% in the first half of 2023 against 1.06% in 2022. We expect NIM to decline in 2024 on the back of alower interest rates, as we expect the SNB policy rate to fall to 1.25%, and due to higher funding costs from deposits as consumers gradually shift from sight to term deposits. Yet, we expect BCV net interest income to settle in 2024 significantly above pre-2023 figures, thus supporting higher operational profitability.

In addition to its traditional activities as a Swiss cantonal bank, BCV has a structured products 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. Increased geopolitical tensions and BCV's conservative approach amid environment uncertainties led to a significant reduction of trade finance activity, with average exposure volume declining by 37% over the first half of 2023. This evolution and unsupportive financial market led to lower adjusted fees generation in first-half 2023. We believe BCV's trade finance business will take time to recover as we think unlikely BCV will increase its risk appetite in order to increase its business volume. Lower trade finance and market activities are driving our expectation for BCV's noninterest income to set at a lower level over 2023-2025 than in 2022.

Chart 1

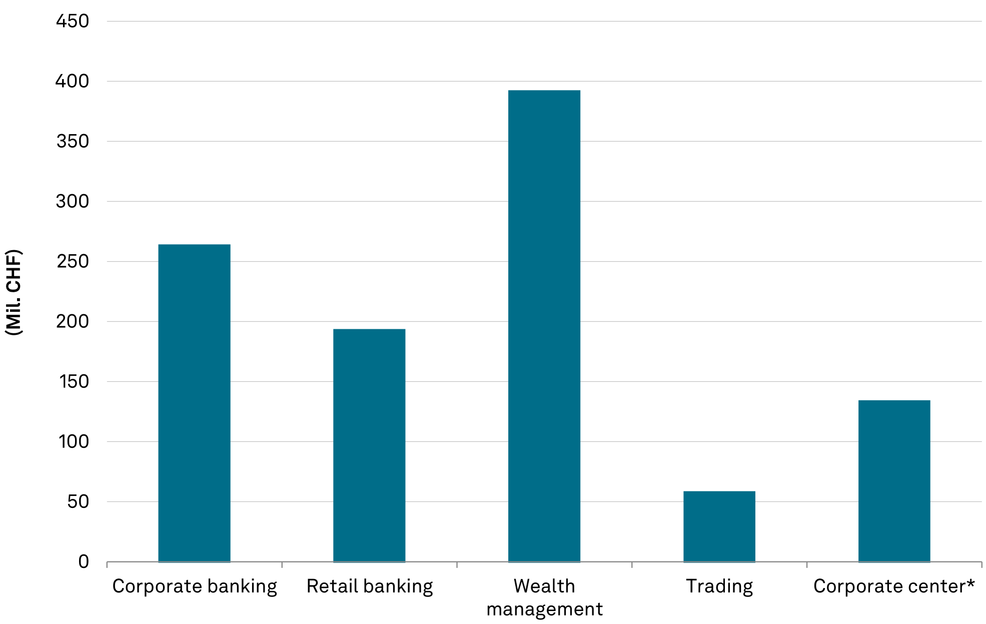
Banque Cantonale Vaudoise--2022 Revenue split by divisions



*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

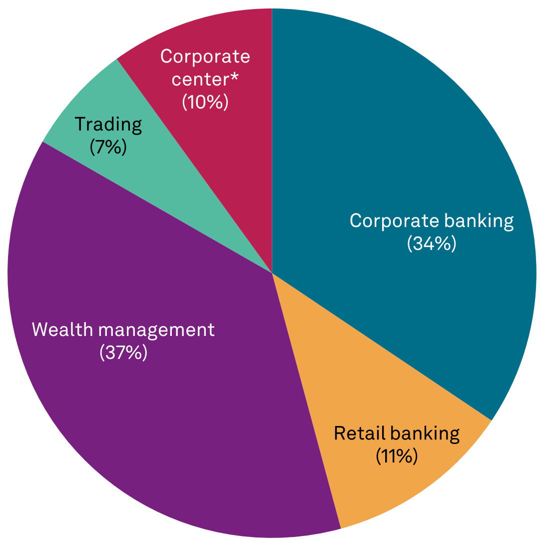
Banque Cantonale Vaudoise--2022 Revenue split by divisions



*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. Source: S&P Global Ratings.

Chart 3

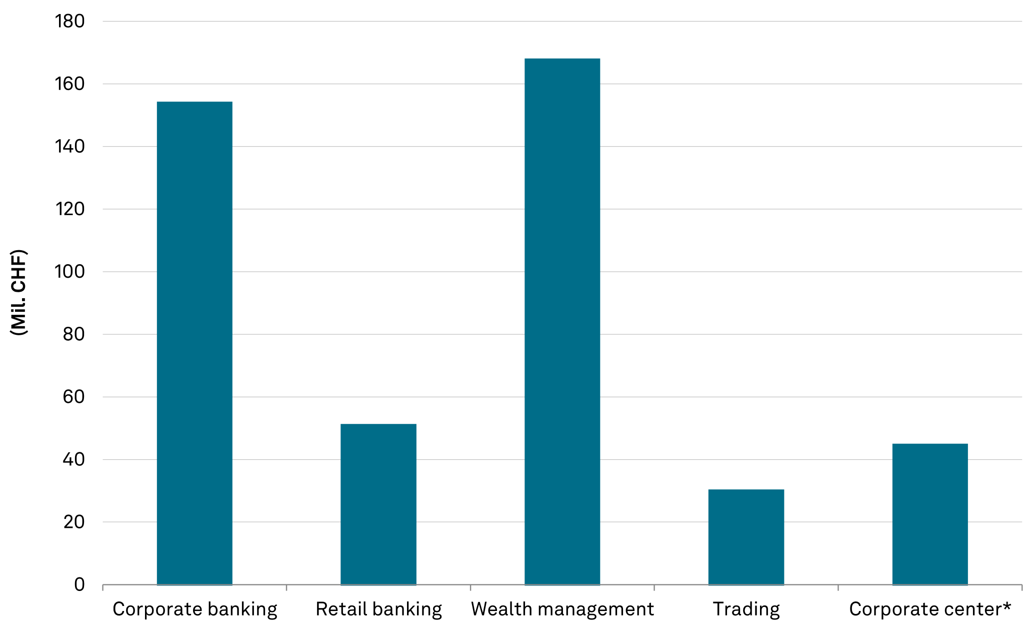
Banque Cantonale Vaudoise--2022 Operating profit split by divisions



*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. Source: S&P Global Ratings.

Chart 4

Banque Cantonale Vaudoise--2022 Operating profit split by divisions



*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. Source: S&P Global Ratings.

Capital And Earnings: Solid Capital Position

We view BCV's overall capital and earnings as solid. The group's RAC ratio was 12% as of Dec. 31, 2022. This remained slightly below last year's because the growth in risk-weighted assets was not entirely offset by the retained earnings, primally due to BCV's high distribution policy.

In July 2023, we revised our Banking Industry Country Risk Assessment (BICRA) on Switzerland. We increased our assessment of economic risk to '1' from '2' (with '1' denoting the lowest risk and '10' the highest), and our assessment of industry risk to '3' from '2'. This led to a reduction of our risk weighting on Swiss exposures. We estimate the lowering of our risk weighting for BCV's domestic exposures has a 95 bases points (bps) positive impact on the bank's RAC ratio. Consequently, we expect our RAC ratio on BCV to stand between 12.6% and 13.1% in 2023, before gradually reducing to 12.2%-12.6% in 2025 due to the bank's high dividend payout policy.

We consider the net profit peak, which we forecast at around CHF410 million for 2023, is likely to lead to a further dividend increase, as previously expected. The bank already decided in 2022 to increase its dividend policy to CHF3.8-CHF4.2 per share for 2023-2027, up from CHF3.4-CHF3.8 per share for 2018-2022. In May 2023, BCV distributed CHF327 million (CHF3.8 per share) to shareholders out of its CHF388 million post-tax net income for 2022, resulting in a 84% payout ratio.

Given the increasing regulatory capital requirement and BCV's overall prudent management, we expect the bank to remain comfortably above our 10% RAC ratio threshold, even in the long term.

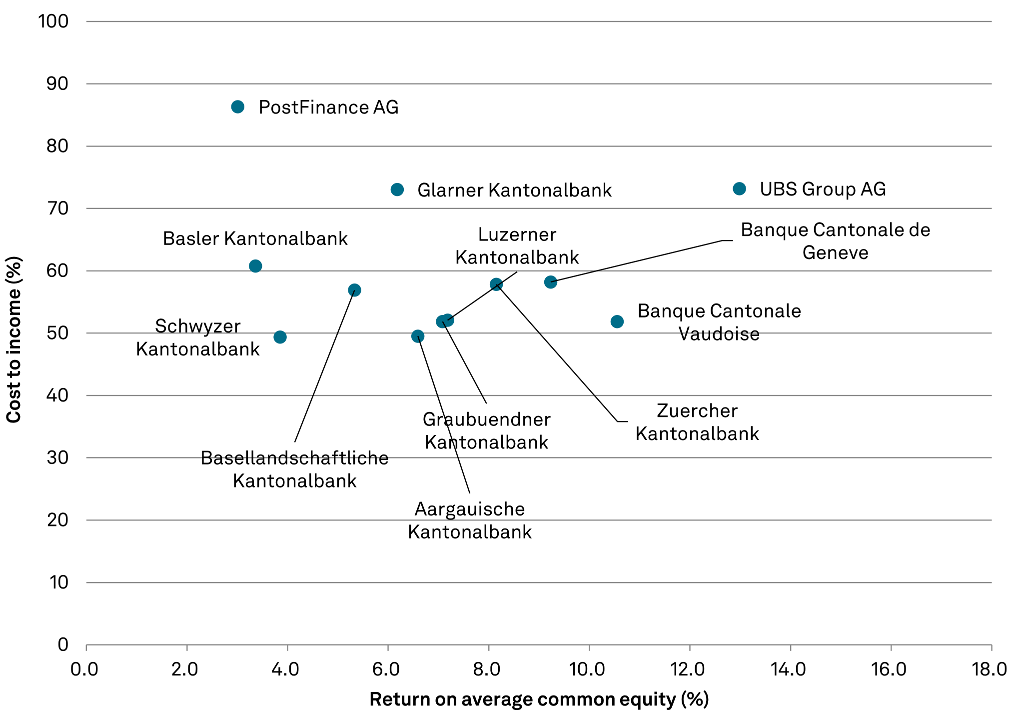
The quality of capital is high, being composed almost entirely of Common Equity Tier 1 (CET1) capital. BCV had a 17.6% CET1 ratio as of Dec. 31, 2022 (the total capital ratio at the same date was 17.7%), and 17.5% on June 30, 2023. The Swiss regulator, FINMA, set the capital requirement at 14%, including a 1% add-on initially requested due to the low interest-rate environment and a countercyclical buffer requirement of 1%. BCV's CET1 ratio has been broadly stable and above 17% over the past five years.

Our RAC ratio on BCV is among the lowest of the Swiss cantonal banks but is still higher than that of international peers. It also has the largest negative gap with the regulatory tier 1 ratio due to 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, in our opinion, the quality of BCV's credit risk management.

Chart 5

Banque Cantonale Vaudoise--Still outperforming its domestic peers

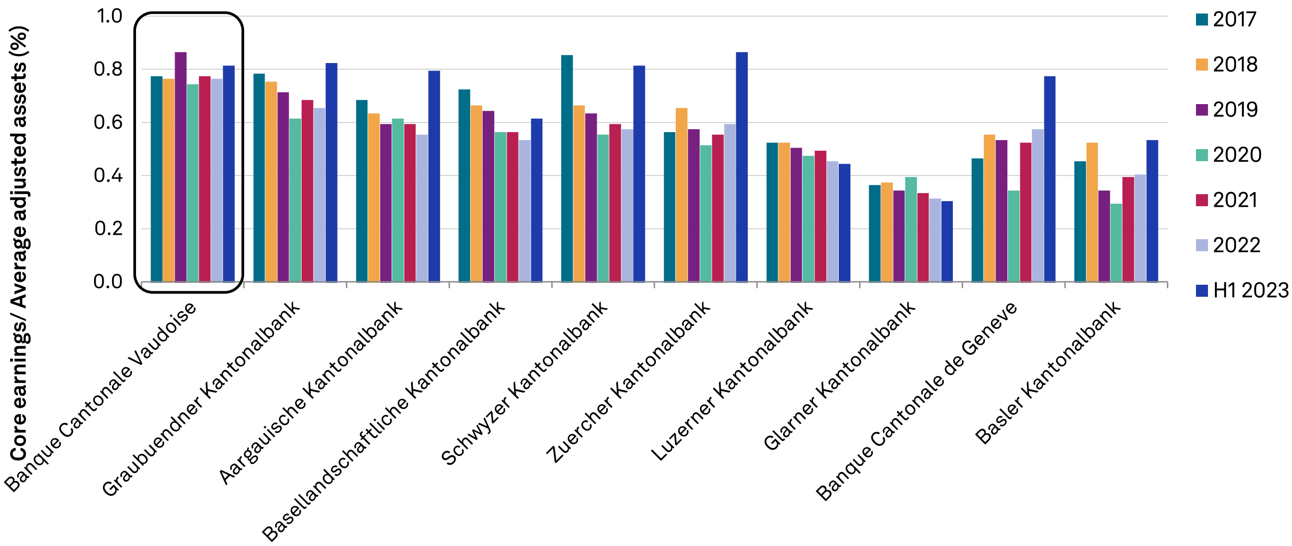
Year-end 2022 data



Source: S&P Global Ratings.

Chart 6

Banque Cantonale Vaudoise--Sustained strong performance compared to peers



H1--First half. Source: S&P Global Ratings.

Risk Position: Concentration Of Risk In Vaud's Real Estate Markets And Reducing 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 mortgage portfolio of CHF30 billion at year-end 2022. The remainder of mortgage loans chiefly comprises residential rental properties and, to a much lesser extent, corporate mortgages, since office lending only accounts for for 4% of BCV's mortgage loans and commercial and industrial property lending accounts for 3%. 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. While the Russia-Ukraine military conflict had limited effect on BCV's asset quality, commodities trade finance are likely to be durably impacted by loss of revenues on this market. We expect BCV's current low trade finance activity compared with before the COVID-19 pandemic will take time to recover and we don't expect BCV to increase its risk appetite on this segment.

Residential real-estate prices and domestic lending in Switzerland have experienced strong cumulative growth 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, translating into a very limited vacancy rate of around 1.1% for the Canton in 2022. 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, as for 2023 we expect housing prices to stagnate, leading to a small correction in real prices given forecast core inflation of 2.3%. Also, the riskier rental housing market is mostly dominated by pension funds and other institutional players.

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 over the first six months of 2023 increased by an annualized rate of 5%, to CHF31.2 billion. We expect loan growth to cool down significantly in the second half of the year to around 3%.

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 and stable 0.41% of total customer loans at year-end 2022 and we estimate it will progressively increase around 0.5% year-end 2025 as a result of low economic growth and higher cost of funding for SME clients. The bank's riskiest positions include trade finance exposures, which BCV voluntarily reduced at the start of the pandemic and which the bank has kept significantly below pre-pandemic levels in 2023. Although BCV hedges market risk arising from its structured products and certificates businesses, some residual risk remains, mainly dividend and correlation type risk.

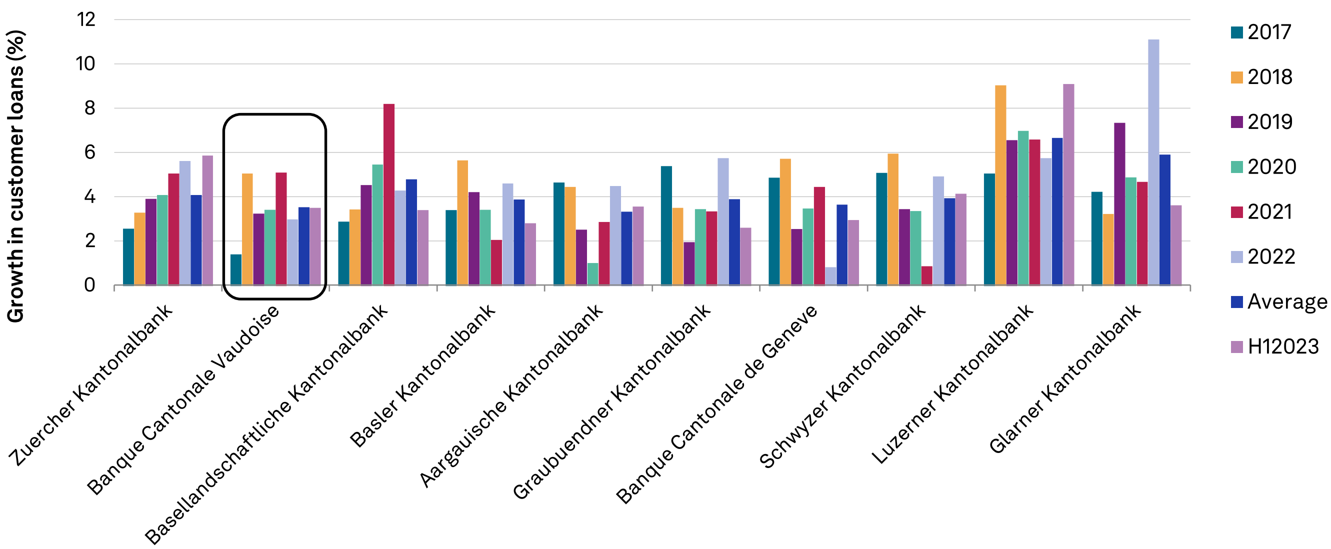
We note that BCV has granted slightly more than CHF700 million in COVID-19 loans to more than 6,000 SMEs, but only 50% have been drawn, and 60% of granted COVID-19 bridge loans were reimbursed in first-half 2023.

Overall, the 2022 cost-of-risk was still contained below 10 bps at 1 bps, based on our calculation, and we expect it will remain between 2 bps and 6 bps over the next two years. We expect the provision reserve to decline through net charge-offs in 2024-2025 to settle between 50% and 60%, against 62% in 2022 and 30% pre-pandemic.

We understand BCV's interest rate management relies on a prudent hedging policy, which supported its net interest income in 2022 and at half-year 2023. BCV reviews its rates scenario every month, taking into consideration the latest market data. In 2022, BCV reduced its duration gap, as measured by FINMA, to below 10 years.

Chart 7

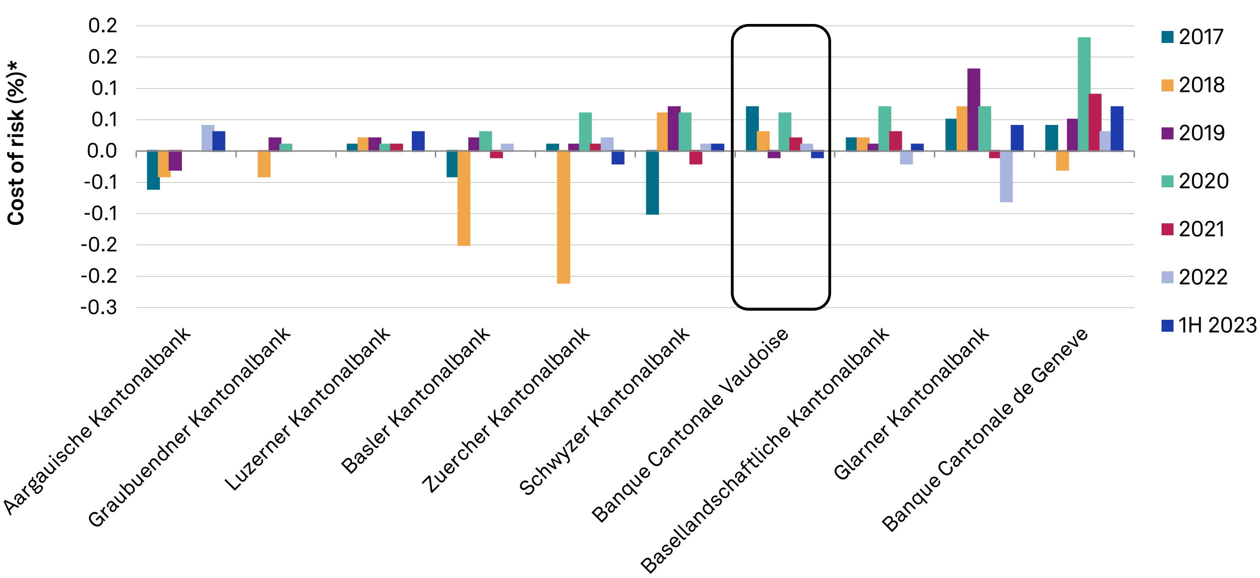
Banque Cantonale Vaudoise--Modest growth over time compared to peers



H1--First half. Source: S&P Global Ratings.

Chart 8

Banque Cantonale Vaudoise--Contained cost of risk over time



*New loan loss provision/ Average customer loans (%). 1H--First half. Source: S&P Global Ratings.

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

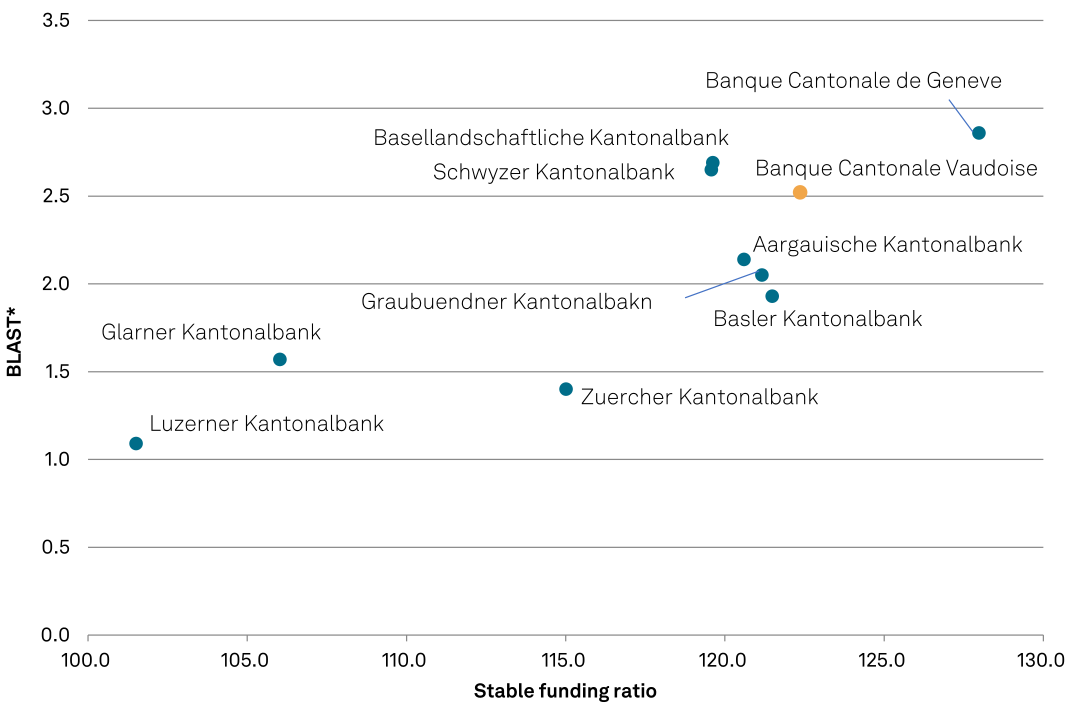
Core customer deposits represent 71% of the funding base in June 2023, according to our calculations. This ratio is decreasing from 76% in 2019 but remains in the upper band compared with Swiss cantonal peers.

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 119% in June 2023. 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.

BCV's liquidity buffer continues to mainly comprise cash held at the SNB, which stood at 22% of BCV's total assets in June 2023. 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 2.3x at half-year 2023, which is overall a moderate figure reflecting increasing reliance on short-term wholesale funding. A significant portion of the deposit base contains private banking deposits and uninsured institutional investor deposits, which are more volatile than traditional retail deposits, in our view. We understand that the bank's policy is to exceed the regulatory requirement for the Basel III liquidity coverage ratio (LCR) by at least 10%. At half-year 2023, BCV's LCR stood at 132% and the net stable funding ratio at 123%.

Chart 9

Banque Cantonale Vaudoise--Outperformers compared to other cantonal banks



*BLAST: Broad Liquid Assets over Short-Term Funding. Source: S&P Global. Ratings.

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 the government of 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 factors are neutral to our assessment of BCV's creditworthiness. The bank's social credit factors are in line with those of peers in the banking industry, while its governance standards are comparable with the practice in its home country. BCV is marginally more exposed to transition risk than some of its cantonal peers due to its trade finance activity. On the other hand, we view positively top management's cyber risk awareness.

Key Statistics

Table 1

Banque Cantonale Vaudoise--Key figures

	--Year ended Dec. 31--				
(Mil. CHF)	**2023***	**2022**	**2021**	**2020**	**2019**
Adjusted assets	58,860	59,321	55,872	53,100	48,261
Customer loans (gross)	37,352	36,720	35,679	33,967	32,856
Adjusted common equity	3,077	2,998	2,933	2,947	2,955
Operating revenues	580	1,037	1,014	960	992
Noninterest expenses	306	537	527	518	528
Core earnings	239	436	418	376	411

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

Table 2

Banque Cantonale Vaudoise--Business position

	--Year ended Dec. 31---				
(%)	**2023***	**2022**	**2021**	**2020**	**2019**
Total revenues from business line (currency in millions)	581.0	1,038.0	1,026.0	965.0	993.0
Commercial banking/total revenues from business line	23.5	27.7	28.8	29.1	26.7
Retail banking/total revenues from business line	19.1	18.9	18.3	18.0	17.5
Commercial & retail banking/total revenues from business line	42.6	46.5	47.2	47.1	44.2
Trading and sales income/total revenues from business line	5.3	5.6	5.5	5.7	5.0
Asset management/total revenues from business line	37.7	38.0	39.5	37.5	36.6
Other revenues/total revenues from business line	14.5	9.9	7.9	9.7	14.2
Return on average common equity	13.1	10.6	10.5	9.2	10.2

*Data as of June 30.

Table 3

Banque Cantonale Vaudoise--Capital and earnings

	--Year ended Dec. 31--				
(%)	2023*	2022	2021	2020	2019
Tier 1 capital ratio	17.5	17.6	17.2	17.7	17.1
S&P Global Ratings' RAC ratio before diversification	N/A	12.0	12.3	12.6	13.0
Adjusted common equity/total adjusted capital	100.0	100.0	100.0	100.0	100.0
Net interest income/operating revenues	49.7	44.5	46.6	49.4	50.1
Fee income/operating revenues	29.1	33.1	35.2	32.3	32.5
Market-sensitive income/operating revenues	18.0	18.2	14.1	14.5	12.9
Cost to income ratio	52.7	51.8	52.0	53.9	53.2

*Data as of June 30. N/A--Not applicable. RAC--Risk-adjusted capital.

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	16,023.0	559.0	3.5	117.0	0.7
Of which regional governments and local authorities	0.0	0.0	0.0	0.0	0.0
Institutions and CCPs	4,996.3	1,131.0	22.6	1,047.5	21.0
Corporate	18,142.0	9,742.0	53.7	12,540.6	69.1
Retail	21,663.0	4,244.0	19.6	6,098.9	28.2
Of which mortgage	19,554.0	3,585.0	18.3	4,683.2	23.9
Securitization§	0.0	0.0	0.0	0.0	0.0
Other assets†	474.0	474.0	100.0	468.9	98.9
Total credit risk	61,298.3	16,150.0	26.3	20,272.9	33.1
Credit valuation adjustment					
Total credit valuation adjustment	--	130.0	--	0.0	--
Market Risk					
Equity in the banking book	44.0	161.0	366.1	313.5	713.0
Trading book market risk	--	119.0	--	178.5	--
Total market risk	--	280.0	--	492.0	--
Operational risk					
Total operational risk	--	1,789.0	--	4,199.3	--
	Exposure	**Basel III RWA**	**Average Basel II RW (%)**	**S&P Global Ratings RWA**	**% of S&P Global Ratings RWA**
Diversification adjustments					
RWA before diversification	--	19,131.0	--	24,964.2	100.0
Total diversification/ Concentration adjustments	--	--	--	3,637.5	14.6
RWA after diversification	--	19,131.0	--	28,601.7	114.6

Table 4

Banque Cantonale Vaudoise--Risk-adjusted capital framework data (cont.)

	Tier 1 capital	Tier 1 ratio (%)	Total adjusted capital	S&P Global Ratings RAC ratio (%)
Capital ratio				
Capital ratio before adjustments	3,369.0	17.6	2,998.0	12.0
Capital ratio after adjustments‡	3,369.0	17.6	2,998.0	10.5

*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. CCPs--Central counterparty clearing house. Sources: Company data as of Dec. 31, 2022 and S&P Global Ratings.

Table 5

Banque Cantonale Vaudoise--Risk position

	--Year ended Dec. 31.--				
(%)	2023*	2022	2021	2020	2019
Growth in customer loans	3.4	2.9	5.0	3.4	3.2
New loan loss provisions/average customer loans	(0.0)	0.0	0.0	0.1	(0.0)
Net charge-offs/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	0.4	0.9	0.9
Loan loss reserves/gross nonperforming assets	62.3	62.3	64.2	39.6	31.3

*Data as of June 30.

Table 6

Banque Cantonale Vaudoise--Funding and liquidity

	--Year ended Dec. 31--				
(%)	2023*	2022	2021	2020	2019
Core deposits/funding base	70.8	72.0	75.9	73.7	76.2
Customer loans (net)/customer deposits	99.4	95.4	93.2	95.6	99.2
Stable funding ratio	119.2	122.4	122.4	126.5	122.2
Short-term wholesale funding/funding base	13.8	12.9	10.7	8.1	5.4
Regulatory net stable funding ratio	123.0	124.0	N/A	N/A	N/A
Broad liquid assets/short-term wholesale funding (x)	2.3	2.5	3.0	3.9	5.0
Broad liquid assets/total assets	28.5	29.3	28.7	28.7	24.3
Regulatory liquidity coverage ratio (LCR) (x)	132.0	129.0	N/A	N/A	N/A
Short-term wholesale funding/total wholesale funding	47.1	46.3	44.5	31.0	22.8

*Data as of June 30.

Banque Cantonale Vaudoise--Rating component scores

Issuer Credit Rating	AA/Stable/A-1+
SACP	a
Anchor	a-
Economic risk	1
Industry risk	3
Business position	Adequate

Banque Cantonale Vaudoise--Rating component scores (cont.)	
Issuer Credit Rating	**AA/Stable/A-1+**
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 | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, 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 2023: Slower Growth, Faster Tightening, Sept 25, 2023
- Switzerland, Aug. 15, 2022
- Canton of Vaud, Nov. 29, 2021

Ratings Detail (As Of November 16, 2023)*	
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+

Ratings Detail (As Of November 16, 2023)*(cont.)	
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.