

# Final Basel III Accord

## Pillar 3 Report

Market discipline



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## 1. OBJECTIVE AND SCOPE OF THIS REPORT

The objective of this report is to provide in-depth information on risk management at BCV Group to investors, analysts, ratings agencies, and supervisory bodies. In particular, it describes the Bank's capital adequacy, its risk-assessment methods, and the level of risk taken at BCV. This document was prepared in accordance with the Pillar 3 disclosure requirements set forth under FINMA Ordinance on the Disclosure Obligations of Banks and Securities Firms (DisO-FINMA), which is based on the recommendations of the final Basel III Accord (DIS Chapter).<sup>1</sup>

### 1.1 Disclosure policy

For ease of access, this report is available in the investor relations section of BCV's website. It has been updated on a half-yearly basis ever since BCV became subject to Basel II on 1 January 2009. It is published within two months following the end of the first half of the financial year and within four months following the end of the financial year, in accordance with Swiss regulations (DisO-FINMA, Article 14).

This version of the report corresponds to the closing of accounts on 30 June 2025.<sup>2</sup> The description of the Bank's governance, methods, and processes reflects the situation at 30 June 2025; subsequent changes are not included.

The Bank's external auditor verifies, as a general rule every three years, compliance with financial disclosure requirements based on FINMA Circular 2025/1 "Auditing," and states its opinion in its detailed audit report. The data contained in the Bank's Pillar 3 reports are calculated in accordance with the final Basel III Accord regulatory capital requirements. This calculation process was audited during FINMA's IRB approval process and is subject to oversight as part of the regulatory supervision process. Furthermore, BCV's Internal Audit Department periodically reviews the process for calculating capital requirements (final Basel III Accord, Chapter CRE36.59).

The appendix to this report contains information that is useful for understanding this document, including a description of business segments and a list of abbreviations.

The figures contained in the tables have each been properly rounded depending on the number of significant digits used for the table; this may result in discrepancies between listed column and row totals and the sum of individual column or row items.

### 1.2 Scope

The parent company within BCV Group is Banque Cantonale Vaudoise, a corporation organized under public law with its headquarters in Lausanne.

The companies that the Group is required to include in its regulatory reporting include companies over which BCV has control and companies in which it has significant influence over operations. These companies are fully consolidated. Significant influence is generally recognized by the Bank when it makes a profit from or bears the risks of a company's operations.

Companies in which BCV has significant influence but no outright control (holdings of 20% to 50%) are accounted for using the equity method.

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<sup>1</sup>The correspondence between the tables in this Pillar 3 report and those in the final Basel III Accord is given in the Appendix (Section 8.4.1).

<sup>2</sup>End-June figures are taken from BCV's interim financial statements, which are not audited by an independent auditor.

The following companies are not included in the scope of consolidation:

- Holdings of no material significance in terms of financial reporting and risk;
- Significant holdings not held for strategic purposes and intended to be sold or liquidated within 12 months.

**Table 1. Group companies included in the regulatory scope of consolidation**

At 30 June 2025, BCV Group

<b>Group companies included in the supervisory review</b>	<b>Capital in millions</b>		<b>Shareholding (%)</b>
<b>Private banks</b>			
Piguet Galland & Cie SA, Yverdon-les-Bains (Switzerland)	CHF	24.4	99.7
<b>Fund-management companies</b>			
Gérifonds SA, Lausanne (Switzerland)	CHF	2.9	100.0
Gérifonds (Luxembourg) SA, Luxembourg	EUR	0.1	100.0
Société pour la gestion de placements collectifs GEP SA, Lausanne (Switzerland)	CHF	1.5	100.0

The regulatory scope of consolidation did not change in the first half of 2025.

Companies taken into account for calculating capital requirements are the same as those included in the Group's consolidated accounts. All these companies are fully consolidated in the financial statements. No company is currently accounted for using the equity method. The Group has no subsidiaries in the field of insurance.

## 2. CAPITAL ADEQUACY AND LIQUIDITY

Monitoring capital adequacy and liquidity is a key component of BCV's financial strategy. Management carefully considers the potential impact on the Bank's capital and liquidity ratios before making any major decisions about the Bank's operations and the orientation of its business.

The Executive Board monitors the capital and liquidity ratios monthly for the parent company. Both the Executive Board and the Board of Directors monitor these ratios every quarter for the parent company and every six months for the Group as a whole. FINMA monitors the parent company's capital adequacy and liquidity each quarter and the Group's capital adequacy and liquidity every six months using regulatory-required reports.

### 2.1 Key ratios

FINMA's capital ratio requirement<sup>3</sup> is based on the final Basel III Accord and is set forth in Article 41 of Switzerland's Capital Adequacy Ordinance (CAO). The minimum required total capital ratio for BCV was 14.0% at 30 June 2025. It comprises the permanent requirement for a category 3 bank (12.0%), a countercyclical capital buffer (1.0%), and an additional capital requirement (1.0%). The permanent requirement consists of the absolute minimum requirement for a banking license (8.0%) and the capital buffer for a category 3 bank (4.0%). The countercyclical capital buffer is a temporary requirement introduced by the Swiss Federal Council at the recommendation of the Swiss National Bank (SNB). The additional capital requirement is a temporary requirement set by FINMA in light of the low interest rates.

<sup>3</sup>The capital ratio is equal to regulatory capital divided by risk-weighted assets.

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Given those low rates, and BCV's interest-rate-risk exposure as determined by FINMA, FINMA has set an additional capital requirement of 1.0% for BCV.

BCV Group's total capital ratio was 18.5% at 30 June 2025, higher than the regulatory requirement of 14.0%. The Bank's Common Equity Tier 1 (CET1) ratio was 18.4%, also above FINMA's requirement of 9.8%. The difference between the Bank's total capital ratio and CET1 ratio is due to the fact that its Tier 2 capital (T2) comprises reserves on debt and equity securities carried under financial investments and stated at lower of cost or market, subject to a limit of 45% of unrealized gains.

The increase in the capital ratio in the first half of 2025 (+1.4 percentage points) is due mainly to the entry into force of the final Basel III Accord. Regulatory changes in the areas of credit risk (+1.3 percentage points) and operational risk (+0.2 percentage points) contributed to the increase, while the new approach for calculating market risk lowered the capital ratio (–0.1 percentage points). The overall output floor, set at 72.5% of risk-weighted assets calculated using the standardized approach, is not binding (the transitional arrangements set out in Article 148(e) of the CAO are not applied).

The leverage ratio<sup>4</sup> was 5.5% at 30 June 2025 (see tables in Section 8.3). This ratio is above the regulatory requirement of 3% effective as of 1 January 2018.

BCV Group's liquidity coverage ratio (LCR) was an average of 133% in the first half of 2025, above the minimum regulatory requirement of 100% (see Section 5.4).

BCV Group's net stable funding ratio (NSFR) was 122% at 30 June 2025, above the minimum regulatory requirement of 100% in force since 1 July 2021 (see Section 5.4).

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<sup>4</sup>The leverage ratio is equal to Tier 1 capital divided by the total exposure measure.

**Table 2. Key metrics**In CHF millions, BCV Group, KM1<sup>5</sup>

	a	c	e
	30/6/2025	31/12/2024	30/6/2024
<b>Available capital</b>			
1 Common Equity Tier 1 (CET1)	3,534	3,519	3,464
2 Tier 1 (T1)	3,534	3,519	3,464
3 Total capital	3,554	3,539	3,489
<b>Risk-weighted assets (RWA)</b>			
4 Total RWA	19,259	20,894	20,349
4a Total pre-floor RWA (CAO, Art. 45a.3)	19,259	n.a.	n.a.
<b>Risk-based capital ratios as % of RWA</b>			
5 CET1 ratio	18.4%	16.8%	17.0%
6 Tier 1 ratio	18.4%	16.8%	17.0%
7 Total capital ratio	18.5%	16.9%	17.1%
<b>FINMA capital ratio requirements</b>			
Min. total capital ratio (CAO, Art. 42)	8.0%	8.0%	8.0%
12a Total capital buffer (CAO, Annex 8)	4.0%	4.0%	4.0%
12b Countercyclical buffer (CAO, Art. 44 and 44a)	1.0%	1.0%	1.0%
12e Total regulatory capital requirement in accordance with Annex 8 of the CAO plus the countercyclical buffer (CAO, Art. 44 and 44a)	13.0%	13.0%	13.0%
Additional capital req. (CAO, Art. 45)*	1.0%	1.0%	1.0%
Total FINMA capital requirement	14.0%	14.0%	14.0%
<b>Basel III leverage ratio</b>			
13 Total Basel III leverage ratio exposure measure	64,120	63,442	63,601
14 Basel III leverage ratio (Tier 1 capital as % of total Basel III leverage ratio exposure measure, including the impact of any applicable temporary exemption of central bank reserves)	5.5%	5.5%	5.4%
<b>Liquidity coverage ratio (LCR)</b>			
15 Total high-quality liquid assets (HQLA)	11,694	11,845	12,933
16 Total net cash outflow	8,767	9,180	10,150
17 LCR	133%	129%	127%
<b>Net stable funding ratio (NSFR)</b>			
18 Available stable funding	42,057	40,314	39,484
19 Required stable funding	34,471	34,072	33,035
20 NSFR	122%	118%	120%

\*FINMA has set a temporary additional capital requirement of 1% for BCV, given the low interest-rate environment and BCV's interest-rate-risk exposure as determined by FINMA.

<sup>5</sup>This table is a summary version of the Table KM1 required by FINMA. Only the FINMA capital ratio requirements are shown in this table; the Basel Committee requirements are less stringent and have not been included to avoid confusion. The full Table KM1 is provided in the Appendix (Table 32). The LCR figures represent the average for the six months preceding the indicated date.

## 2.2 Capital structure

BCV Group's regulatory capital is composed almost entirely of CET1 capital, with a marginal amount of T2 capital. Regulatory capital is based on the Group's financial statements, which are drawn up in accordance with the FINMA Accounting Ordinance (FINMA-AO) of 31 October 2019, and the Swiss accounting rules for banks, securities firms, financial groups, and financial conglomerates of 31 October 2019 (FINMA Circular 2020/1 "Accounting – banks").

CET1 capital comprises paid-in capital, disclosed reserves, and minority interests. At 30 June 2025, BCV's share capital amounted to CHF 86,061,900 and consisted of 86,061,900 fully paid-in registered shares with a par value of CHF 1. CET1 capital is adjusted for regulatory deductions such as any shortfall of provisions to regulatory expected losses and the net long position in own CET1 instruments. BCV has not issued any capital instruments that meet the criteria for inclusion in Additional Tier 1 (AT1) capital. In particular, BCV has no authorized or conditional capital and has not issued any dividend-right certificates. There are no outstanding convertible bonds or options issued by the Bank involving the BCV share.

T2 capital comprises reserves on debt and equity securities carried under financial investments and stated at lower of cost or market, subject to a limit of 45% of unrealized gains, and general provisions allocated under the International Standardized Approach. BCV has not issued any capital instruments that meet the criteria for inclusion in T2.

**Table 3. Composition of regulatory capital**  
In CHF millions, BCV Group, CC1<sup>6</sup>

	a	a-1	b
	Net figures		References
	30/6/2025	31/12/2024	
<b>Common Equity Tier 1 (CET1)</b>			
1 Issued and paid-in capital, fully eligible	86	86	a
2 Retained earnings, including reserves for general banking risks and net profit (loss) for the period	3,459	3,442	
3 Capital reserve, currency translation reserve, and other reserves	34	33	
5 Minority interests eligible as CET1	0	0	
<b>6 CET1 before regulatory adjustments</b>	<b>3,579</b>	<b>3,561</b>	
<b>CET1 regulatory adjustments</b>			
12 IRB shortfall of provisions to expected losses	30	29	
16 Net long position in own CET1 instruments	15	13	
<b>28 Total regulatory adjustments to CET1</b>	<b>45</b>	<b>43</b>	
<b>29 Net CET1</b>	<b>3,534</b>	<b>3,519</b>	
<b>Additional Tier 1 capital (AT1)</b>			
36 AT1 before regulatory adjustments	-	-	
43 Total regulatory adjustments to AT1	-	-	
44 Net AT1	-	-	
<b>45 Net Tier 1 capital (net T1)</b>	<b>3,534</b>	<b>3,519</b>	
<b>Tier 2 capital (T2)</b>			
46 Issued and paid-in instruments, fully eligible, net of amortization (CAO, Art. 30.2)	-	-	
48 Minority interests eligible as T2	-	-	
50 Valuation adjustments; provisions and impairments for prudential reasons; compulsory reserves on financial investments	20	20	
<b>51 T2 before regulatory adjustments</b>	<b>20</b>	<b>20</b>	
<b>T2 regulatory adjustments</b>			
52 Net long position in own T2 instruments	-	-	
57 Total regulatory adjustments to T2	-	-	
<b>58 Net T2</b>	<b>20</b>	<b>20</b>	
<b>59 Total regulatory capital (Net T1 &amp; Net T2)</b>	<b>3,554</b>	<b>3,539</b>	

The increase in regulatory capital was due to the recognition of 70% of first-half net profit after deducting 50% of the dividend distributed for the 2024 financial year.<sup>7</sup>

<sup>6</sup>The calculation of regulatory capital at 30 June includes 70% of first-half net profit after deducting 50% of the dividend distributed for the 2024 financial year. This table is a summary version of Table CC1, which is provided in full in the Appendix (Table 34).

<sup>7</sup>This relates to the expected dividend mentioned in CAO, Art. 21.1(e).



## 2.3 Risk-weighted assets

Credit risk accounts for over 80% of the Bank's total risk exposure, in keeping with its business model and risk-taking strategy.

**Table 4. Overview of RWA**

In CHF millions, BCV Group, OV1<sup>8</sup>

		a	b	c
		RWA		Minimum capital requirements
		30/6/2025	31/12/2024	30/6/2025
<b>1</b>	<b>Credit risk (excluding counterparty credit risk)</b>	<b>16,011</b>	<b>17,230</b>	<b>1,281</b>
2	Standardized approach (SA)	2,671	2,919	214
	Of which: non-counterparty-related assets	475	484	38
3	Internal ratings-based approach (IRB)	4,926	7,292	394
4	Supervisory slotting approach	6,593	7,019	527
5a	Effect of sector output floor for banks that apply the IRB approach for their Swiss mortgage portfolio	1,821	-	146
<b>6</b>	<b>Counterparty credit risk (CCR)</b>	<b>245</b>	<b>314</b>	<b>20</b>
7	Standardized approach for counterparty credit risk (SA-CCR)	229	288	18
9	Other CCR approach	16	26	1
<b>10</b>	<b>Credit valuation adjustments for derivatives and securities financing transactions</b>	<b>198</b>	<b>242</b>	<b>16</b>
<b>11</b>	<b>Equity positions in banking book under market-based approach</b>		121	
<b>13</b>	<b>Equity investments in funds – mandate-based approach</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>14</b>	<b>Equity investments in funds – fall-back approach</b>	<b>6</b>	<b>6</b>	<b>0</b>
<b>14a</b>	<b>Equity investments in funds – simplified approach</b>	<b>35</b>	<b>31</b>	<b>3</b>
<b>15</b>	<b>Settlement risk</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>20</b>	<b>Market risk</b>	<b>207</b>	<b>118</b>	<b>17</b>
20a	Simplified standardized approach	207	-	17
21	Standardized approach	-	118	-
<b>24</b>	<b>Operational risk</b>	<b>1,774</b>	<b>1,995</b>	<b>142</b>
<b>25</b>	<b>Amounts below the thresholds for deduction (250% risk weighting)</b>	<b>782</b>	<b>782</b>	<b>63</b>
<b>26</b>	<b>Output floor applied</b>	<b>72.5%</b>	<b>80.0%</b>	<b>n.a.</b>
<b>27</b>	<b>Floor adjustment (before application of transitional cap)</b>	<b>-</b>	<b>54</b>	<b>-</b>
<b>28</b>	<b>Floor adjustment (after application of transitional cap)</b>	<b>-</b>	<b>54</b>	<b>-</b>
<b>29</b>	<b>Total</b>	<b>19,259</b>	<b>20,894</b>	<b>1,541</b>

<sup>8</sup>An additional row has been added under "Credit risk" to indicate non-counterparty-related assets, which consist primarily of real estate and other tangible assets.

The change in risk-weighted assets at 30 June 2025 (approximately CHF 1.6bn lower at 1 January 2025) is mainly due to the entry into force of the final Basel III Accord.

The decline in assets weighted for credit risk and counterparty credit risk at 30 June 2025 is mainly due to changes in the final Basel III Accord with respect to the IRB scope (elimination of the scaling factor of 1.06 and reduction of the regulatory LGD on the unsecured portion of corporate exposures). The elimination of Bank-specific FINMA multipliers, including those applicable to mortgage loans for owner-occupied homes, and FINMA's application of the sector output floor to the mortgage loan portfolio in Switzerland had an overall neutral effect.

Assets weighted for market risk have increased due to the application of the simplified standardized approach (CAO, Article 82.1(a)), which is more conservative than the standardized approach used previously.

Assets weighted for operational risk have decreased because the risk weightings applied under the final Basel III Accord are slightly lower than those applied under the previous version of Basel III. Internal losses resulting from operational events are not taken into account when calculating capital requirements (i.e., the internal loss multiplier (ILM) is set at 1) because BCV's business indicator is below CHF 1.25bn.

Additional risk-weighted assets were included at 31 December 2024 in order to comply with FINMA's floor requirements (FINMA Circular 2017/7 "Credit risk – banks" in force on that date, margin number 476). With these additional risk-weighted assets (see Table 4, row 27), BCV's total capital requirement, as calculated using the IRB approach for credit risk, remains above 80% of the requirement that would apply if calculated using the standardized approach at 31 December 2024.

### **3. COMPREHENSIVE RISK MANAGEMENT APPROACH**

The framework for risk governance, risk exposure (risk appetite), risk-assessment principles, and risk reporting, as well as other operational guidelines relating to risk management, are defined in the Bank's Risk Management Policy and Strategy (RMPS). The RMPS is the institution-wide risk management framework. It is an internal framework document that is reviewed and approved each year by the Board of Directors.

This section of the report sets out the Bank's risk-management principles, as required by FINMA for Pillar 3 disclosure.

#### **3.1 Risk management objectives and governance**

##### ***Risk-management objectives***

BCV manages all its risks in an integrated and consistent way, using a process that encompasses all of the Bank's activities. The overall goals are to ensure that:

- BCV's risk exposure is evaluated, monitored, and reported in a manner that is appropriate to the economic and regulatory environment;
- BCV's risk-taking capacity is in line with its risk profile;
- BCV earns optimal returns on the risks that it takes and hence on the equity capital committed.

##### ***Risk-management governance***

All risks are managed according to the same basic principles of governance and organization. The main responsibilities can be summarized as follows:

- The Board of Directors establishes the Bank's policy for managing risk and determines the strategy the Bank will pursue in taking on risk.
- The Board of Directors' Audit & Risk Committee ensures that the risk-management policy set by the Board of Directors is implemented and operational.

- The Executive Board is responsible for ensuring that the risk-management procedures are implemented and operational, and for monitoring the Bank's risk profile. The Executive Board monitors strategic and business risk and supervises the Executive Board Risk Management Committee (EBRMC) in monitoring and reporting these risks. The EBRMC is chaired by the Chief Financial Officer (CFO), and includes the CEO, other division heads, and the Chief Risk Officer (CRO).
- Division heads are responsible for conducting and monitoring the activities of their divisions, regardless of whether the division has a front-line, steering, or business-support role. They have initial responsibility for overseeing, identifying, and managing the strategic, business, credit, market, and operational risks arising from the activities of their divisions.
- The CFO puts forward the risk-management policy and strategy, monitors the Bank's aggregate risk profile, is responsible for capital adequacy, and helps foster a culture of risk management among staff, with the support of the Risk Management Department. Together with the Compliance Department, the CFO ensures that due diligence is taken to combat money laundering and the financing of terrorism, monitor market abuse, and comply with economic sanctions.
- The Chief Credit Officer (CCO) is responsible for analyzing risk for all types of credit-risk exposure assumed by the Bank and, up to the limit of his approval authority (see below), for credit decisions and for monitoring risk exposure on a counterparty basis. The CCO is also responsible for developing and monitoring the models used to measure credit risk, particularly those used in the lending process, and for setting and implementing the criteria and rules governing lending decisions and monitoring.
- The CRO, as the head of the Risk Management Department, is responsible for developing and improving the Bank's oversight principles and methods for credit, market, and operational risk; monitoring the Bank's risk profile; and overseeing and executing risk reporting. The CRO ensures that the Bank's operational internal control system is effective and in keeping with the Bank's needs, by coordinating the work of the entities responsible for level 2 oversight; it is also in charge of submitting all risk reports to the Bank's governing bodies. Finally, it is responsible for the overnight monitoring of market risk for BCV's trading floor.
- The Compliance Department is responsible for setting up, implementing, monitoring, and adapting the internal regulations and control system needed to combat money laundering and the financing of terrorism, monitor market abuse, and comply with economic sanctions and tax law. It is also responsible for monitoring implementation of investor protection measures. The Department is actively involved in raising employees' awareness of the respective obligations and carries out independent checks to ensure that internal regulations are in line with the Bank's activities.
- The Security Department is responsible for setting up, implementing, monitoring, and adapting the system that keeps the Bank's operations, IT systems, and data secure, and the people, infrastructure, and assets within the Bank safe and secure. It pays particular attention to cybercrime. It also makes sure that measures put in place to manage crisis situations and ensure business continuity remain effective and adequate over time.

#### *Audit function*

The remits of the Internal Audit Department and external auditors are set out in their respective audit programs and involve assessing the Bank's functioning and processes, and the methods of levels 1 and 2 of the internal control system.

### **3.2 Risk-taking strategy**

BCV's risk appetite (or acceptable risk profile) is determined in accordance with the Bank's business strategy and capital-management strategy. The risk appetite is set so as to be consistent with the Bank's business model as a full-service bank with strong local roots and focused on moderate-growth activities. Granting loans in Vaud Canton is a core element of the Bank's mission and strategy and one that gives rise to credit risk. Market risk arising from the trading book is intended to remain only a marginal source of risk for the Bank.

The Bank has adopted a risk-taking strategy that spells out its risk-taking principles, overall limits, and target values, in order to keep its risk profile at appropriate levels. For credit and market risk, the Bank's RMPS establishes overall risk-exposure limits for a given portfolio or business line. It also includes risk-concentration limits for exposures to a given counterparty, underlying asset, or other risk-concentration factor.

The Executive Board Risk Management Committee, through the CFO, oversees compliance with the RMPS. Any crossed limits or instances of non-compliance with the principles set out in the RMPS are escalated to the Executive Board, which then reports to the Board of Directors.

### 3.3 Classification of risks and risk-assessment principles

#### ***Classification of risks***

The Bank's approach to analyzing risk comprises four dimensions:

- Risk exposure, which relates to the fact that its activities and operations expose the Bank to risk;
- Risk factors, which are sources of uncertainty that may adversely affect the Bank's risk exposure;
- Risk events, which are triggered by a change in a risk factor, which, in turn, has an adverse effect on the Bank's risk exposure;
- Risk impact, which is the negative impact that a risk event has on the Bank's interests.

Throughout the Bank, four categories of risk are used to classify risk events:

- Strategic and business risk. Strategic risk arises from economic or regulatory changes that have an adverse effect on the Bank's strategic choices; business risk is the result of competitive or economic changes that have an adverse effect on business decisions for a given strategy;
- Credit risk. This arises from the possibility that a counterparty may default. Credit risk is inherent in all lending exposure;
- Market risk. This arises from potential adverse changes in market parameters – particularly prices and implied volatility – and other market effects (e.g., correlation between asset prices and market liquidity). Liquidity risk, both in terms of the structural funding of activities and short-term liquidity management, is also deemed to be a component of market risk. Market risk is inherent in all market exposure;
- Operational risk. This arises from a possible failure relating to inadequate processes, people, and/or information systems, or even malicious behavior. Operational risk includes the risk of non-compliance; i.e., the risk of the Bank breaching legal requirements, standards, and regulations. Operational risk is inherent in all business activity.

For all risk types, the Bank seeks to protect itself against three types of potential impact:

- The financial impact, that is, a decrease in the Bank's net profit and/or a drop in the book or economic value of the Bank's capital;
- The regulatory impact, that is, an intervention by the authorities as a result of a failure by the Bank to comply with its legal and regulatory obligations;
- The reputational impact, that is, negative publicity concerning the Bank; the severity of the impact will depend on the reaction of the Bank's main stakeholders. For example, there could be negative newsflow in the press or on social media, or a parliamentary inquiry or other major incident affecting relations between the Bank and the Vaud Cantonal Government or the general public.

#### ***Risk assessment***

Throughout the Bank's businesses and portfolios and for every position and transaction, the Bank assesses and monitors its risk profile, i.e., its exposure to strategic, business, credit, market, and operational risks. The Bank assesses the potential financial, regulatory, and reputational impact of these risks.

Risk assessment generally involves analyzing the following:

- *Risk exposure*

This involves determining which risk factors the Bank is exposed to as a result of its activities or operational processes.

- *Risk factors and events*

This involves identifying relevant risk factors and determining potential risk events. For strategic and business risk, this includes all economic and regulatory factors that may affect the Bank's business activities and its operational processes. For credit, market, and operational risk, the relevant risk factors and risk events are defined according to the nature of the Bank's activities.

These risk factors include climate-related risk factors. Details of these risk factors and how they are incorporated into the Bank's risk assessments are provided in Section 7, "Climate-related risks," and in BCV's sustainability report, which has an appendix on this topic.

- *The impact of risks*

This involves determining the potential financial, regulatory, and reputational impact.

For risks with a potential financial impact, i.e., that may result in a decrease in the Bank's net profit and/or in the value of its capital, this means defining *loss metrics* and *risk metrics* and determining *capital requirements* (in keeping with FINMA requirements). *Loss metrics*, which are used to determine the potential financial impact, are calculated in accordance with the guidelines set out in the RMPS; they are developed for each risk category set out above.

## **Risk reports**

Risk-related reports are intended to provide an overview of the Bank's risk profile at a given point in time, in order to identify any increases in risk exposure or changes in risk profile. The CRO has overall responsibility for compiling these reports. If the reports show a material deterioration in the Bank's risk profile, the CRO informs the CFO, who then informs the Executive Board, the Chair of the Audit and Risk Committee, the Chair of the Board of Directors, and the Internal Audit Department.

The Bank's Risk Report gives insight into the overall economic climate and trends in the Bank's business and strategic risk, credit risk, market risk, and operational risk. This report also helps assess the financial impact of those risks and determine whether risk exposure is within the limits set by the RMPS.

For credit risk, the Risk Report provides information on the following items in particular:

- For portfolios: breakdown between banks and non-banks and by industry, segment, region, and exposure to climate-related risk factors (based mainly on the energy profile of financed real estate, corporate clients' business sectors, and the type of goods involved in trade-finance transactions); impaired vs. non-impaired loans; provisions; expected losses; capital requirements; and compliance with limits in the RMPS for specific portfolios;
- For counterparties: major risks; counterparties with the largest provisions; a watchlist for each business line; and compliance with limits in the RMPS for specific counterparties.

For market risk, the Risk Report provides information on the following items in particular:

- Trading book – Value of the trading book; use of funding limits; use of VaR limits; and compliance with limits in the RMPS;
- Interest-rate risk in the banking book – Equity duration; the sensitivity of the net interest margin to major stress scenarios; and compliance with limits in the RMPS;
- Liquidity risk – Short-term funding structure; total liquidity; concentration risk on short-term deposits; and compliance with limits in the RMPS.

For operational risk, the Risk Report provides information on the following items in particular:

- Key risk indicators (KRIs) for the main operational risks;
- Provisions and losses resulting from operational risk, and risk-tolerance tracking (number of incidents having an impact each year, and the amount of the impact in Swiss francs each year);
- The most significant new provisions and losses.

Most data in the Risk Report are updated monthly. Every six months a report on the Risk Management Department's operations is included. The Executive Board Risk Management Committee reviews the Risk Report every month; the Executive Board, Audit and Risk Committee, and Board of Directors review it every quarter. Once approved, the quarterly Risk Report is also sent to the head of the Internal Audit Department, the Chief Compliance Officer, and the entity responsible for the Bank's independent audits.

## **4. CREDIT RISK**

### **4.1 Credit-risk framework**

#### ***Strategy and processes***

##### *Guidelines for taking on credit risk*

The Bank's lending activities are focused on Vaud Canton; lending does however take place to a lesser extent in other parts of Switzerland and other countries for specific client segments and products. Through its lending activities, the Bank aims to contribute to the development of all areas of the private-sector economy, to mortgage lending, and to the financing of public-sector entities within the Canton. The Bank pays particular attention to the principles of economically, environmentally, and socially sustainable development.

Lending at the Bank is based on the principle that a borrower must be able to fully repay any loan within a given period, or that the Bank may be released from any commitments it may have in regard to counterparties, while receiving fair compensation for the risks incurred and the work undertaken.

The Bank applies a differentiated pricing policy according to the estimated degree of risk. Where preferential terms are requested due to the extent of the Bank's business relationship with the counterparty or business group, the overall return on the business relationship is taken into consideration.

The Bank does not engage in name lending. The lending decision is based on the solvency of the counterparty, the project's earnings capacity, and the management's capabilities.

The Bank avoids financing or supporting illegal or immoral activities through its lending facilities. The Bank also avoids facilitating, through its lending facilities, activities that could entail a risk of money laundering, insider trading, corruption, or activities that would breach in any other way the Swiss banks' code of conduct with regard to the exercise of due diligence or the money-laundering act and its ordinances. The Bank avoids operations that may damage its reputation or image.

The Bank takes account of lending-related environmental and social risks and impacts. It has put in place a set of rules to ensure that it does not finance activities, projects, or counterparties that do not comply with its related standards (see BCV's Sustainability Policy). It has also developed indicators that it uses to monitor the lending portfolio and track specific risks (see also Section 7, "Climate-related risks").

##### *Standards and procedures for lending and loan renewals*

Before taking on credit risk, the Bank conducts an analysis of the nature and complexity of lending commitments, using the appropriate internal methods for that type of transaction. BCV will not grant, increase, or renew loans to debtors until it has assessed solvency, i.e., until it has determined the appropriate internal counterparty rating of the probability of default using established methods. Risks relating to transactions and the return on commitments are also analyzed. It is in this context that the collateral for the commitment is identified and evaluated. The Bank also takes account of how counterparties are managing the transition to a low-carbon economy and their level of cyber-risk preparedness.

For both new and existing banking relationships, the Bank studies the economic background, the nature of and the reasons for the transaction, as well as the relationship between the parties involved. The Bank seeks to obtain a detailed view of the economic and personal situation of counterparties, and, as necessary, of the beneficial owners, the guarantors, or the beneficiaries of guarantees. The information obtained is carefully verified.



The Bank develops, reviews, and uses standard criteria for lending decisions. For financing owner-occupied homes and income-producing real estate, these criteria were chosen, in particular, for their reliability and clarity.

The Bank seeks to ensure its legal requirements are met, in particular with regard to the place of jurisdiction and the Bank's capacity to enforce its rights arising from its lending commitments. It also seeks to avoid any operations in which the risks are not managed. Contractual documentation for standard lending operations is drawn up using models and/or guidelines that have been validated by the Bank's Legal Department. For some lending operations, the Bank's legal department or, if necessary, external experts may be called upon. Contractual provisions aim to ensure that the funds are used in accordance with the stated purpose of the lending facility and that the Bank obtains any requested financial information within the stated deadlines. For medium- and long-term lending commitments, the contract is written in such a way as to ensure that the Bank's position as lender is not subordinated to that of other creditors without its agreement, in terms of both collateral and the counterparty's position within a business group. For long-term commitments that cannot be terminated at any time based on the Bank's General Conditions, or for which the Bank cannot call in additional collateral at any time, the Bank adds a termination clause to hedge against the increased risk.

An application is prepared for all lending decisions. The application clearly states the reasons, conditions and contractual terms associated with the risk taken, and in particular the credit limit granted to the counterparty or business group. These applications are submitted for approval to the competent body according to a defined delegation chain.

#### *Reexamination of lending commitments and collateral*

Lending commitments are reviewed to assess any change in the counterparty's solvency or the value of the collateral, and to determine whether the commitments should be maintained at the existing level or reduced. The Bank uses an internal timetable to ensure that a periodic review is conducted of all lending commitments associated with a business group together with the contractual terms. A similar timetable is also used to review the level of collateral.

In addition to these regular reviews, the Bank uses a system of alerts under which specific commitments are reviewed outside of the normal timetable if any deterioration is detected. These alerts could be triggered and a review required, for example, if payment deadlines are missed or if there is a delay in the submission of information required to properly monitor lending commitments.

Decisions made on the basis of these reviews are subject to a delegation chain similar to the one used to assess whether to grant a new line of credit.

#### *Limits, portfolio monitoring, and special measures*

Within the credit portfolio, global risk limits are defined, mainly for the purpose of tallying up exposures that taken together could have a major impact on the Bank's net profit and economic capital. These limits are defined and monitored:

- For the exposure, the expected loss and the capital requirement for various client segments and for activities outside Vaud Canton and outside Switzerland.
- For the amount and term of the lending commitments in each foreign country in which the Bank takes on credit risk. The limits are determined through an internal analysis of the financial and settlement risks associated with the financing in place in the various countries.
- For the amount of aggregate positions for a given business group in order to monitor concentration risk.

If necessary, in addition to setting and monitoring these limits, the Bank analyzes specific portfolios that are deemed to be exposed to potential or actual adverse conditions. These analyses may lead to proactive measures for a sub-grouping of the counterparties in question in order to enhance credit-risk monitoring.

Furthermore, in case of extraordinary events, such as a significant decline in the local or broader property market, the dates on which collateral is reviewed may be moved forward for groups of collateral identified in accordance with various criteria (by region, property type, age of existing valuation, etc.) to avoid a situation in which the Bank's information systems contain obsolete and overestimated amounts

for the market value of properties.

*Monitoring and treating counterparties reputed to be in financial difficulty and counterparties in default*

Counterparties that present a particularly high risk of default but are nevertheless considered to be performing are said to be “reputed to be in financial difficulty” (RD). These counterparties, along with counterparties that are “in default” (ID), are subject to closer monitoring.

Lending commitments to RD or ID counterparties are treated by the Bank individually, quickly and with the necessary rigor, in accordance with ethical and compliance-related rules. These positions must generally be made sound over the course of three to four years. Where this strategy cannot be applied, the Bank takes the appropriate measures to minimize its losses.

## **Structure and organization**

*Responsibilities in the credit process*

In processing credit operations, the Bank as a general rule separates its client-facing divisions (Corporate Banking, Retail Banking, Private Banking, and Asset Management & Trading), which are responsible for advising, selling, selecting, pre-analyzing, and pricing the transactions, from the Credit Management Division, whose departments are in charge of the other phases of the lending process, such as analysis, granting loans, arranging the financing, and monitoring credit limits. In addition to the principle of separation, rules exist to avoid potential conflicts of interest between counterparties, on the one hand, and analysts and specialists, on the other.

*Delegation chain for credit-related decisions*

The decision-making process involves approving or reviewing a position and validating the internal counterparty rating of the probability of default as well as any overrides. To determine the competent body, the Bank applies a differentiated delegation chain that ensures that large and high-risk commitments are dealt with at the highest level, guaranteeing that Management is appropriately involved in taking on credit risk.

The competent body depends on the nature of the commitments and the level of credit risk of the business group to which the counterparty belongs. Decision-making authority is attributed individually or to credit committees, in accordance with a set of approval limits for each type of commitment (e.g., loans and advances to customers, interbank lending, and loans to employees and members of the governing bodies). These limits, which are different for credit decisions and reviews of existing commitments, depend on the internal counterparty rating of the probability of default, the nature, amount and term of the lending commitment, and the level and quality of the collateral for the financing. In addition, should certain lending criteria not be met, any decision to grant or increase financing for single-family homes and income-producing real estate would have to be made higher up the credit-decision-making chain. For each type of lending commitment, there is a distinct set of approval limits for decisions relating to short-term overruns or overdrafts.

The Board of Directors is at the top of the decision-making hierarchy and systematically reviews the most important credit-related decisions. Immediately below the Board of Directors are the Executive Board's Credit Committee (EBCC) and the Chief Credit Officer (CCO), who heads the Credit Management Division. The EBCC and the CCO have widespread lending authority, which encompasses all of the Bank's activities. For lower amounts, lending authority is allocated according to the activity, beginning with the sector-specific credit committees. Lower down still, the analysts in the Credit Management Division, with different levels of authority, have certain powers that are specific to their field. Finally, some low-risk forms of lending, such as standard mortgage loans, are approved on the basis of standardized criteria through an automated credit analysis, using scores obtained from rating models defined by the Bank.

Lending commitments to RD or ID counterparties are subject to a separate delegation chain. There is an additional set of approval limits for decisions relating to taking on credit risk abroad.

Decisions taken at a given approval level are checked *a posteriori* by the level above, through a full or selective review of lending decisions deemed to be significant.



### *Responsibility for identifying and monitoring RD/ID loans*

Any entity within the Bank that is involved in the lending process may suggest that a counterparty be included in the RD and ID categories on the basis of criteria that are defined in the same way for all of the Bank's activities. Entities with lending authority are authorized to decide whether to include a client in these categories.

A specialized department within the Credit Management Division monitors these commitments. It is separate from the front-line units that generate lending commitments. Once lending commitments are sound again, they are monitored by the front line.

### *Internal documentation and regulations*

The guidelines for lending activities are set out in the Bank's Credit Policy. In particular, it sets out the basic principle for how authority for granting and reviewing loans is allocated. The delegation chain is then explained in detail in the Bank's Lending Policy Rule Book. Together with the Technical Standards (technical criteria and limits for lending), these documents form the framework for the Bank's lending activities, which is established in accordance with the Bank's RMPS.

The Executive Board defines and develops the Credit Policy, upon the recommendation of the CCO, and submits it to the Board of Directors (BoD) for approval. The BoD reviews the Credit Policy periodically. All those involved in the lending process are responsible for monitoring the Credit Policy and ensuring that it is adhered to. The CCO oversees its application.

The Lending Policy Rule Book sets out the rules and guidelines for decisions concerning the Bank's credit risk at the parent company level (delegation chain). It is established in accordance with the Bank's by-laws and Credit Policy.

The EBCC develops and submits the Lending Policy Rule Book and its updates to the BoD.

The Technical Standards define the type of collateral recognized by the Bank and, for each type of collateral, the loan-to-value ratio required for a loan to be considered secured. The Technical Standards are subject to validation by the BoD.

At the operational level, lending activities are structured around a series of internal directives that provide details of the guidelines set forth in the framework documents.

## **Risk assessment**

### *Risk event*

A credit-risk event is a default by a counterparty: the Bank considers a counterparty to be in default when the counterparty is past due more than 90 days on any material credit obligation to the Bank or when the Bank considers that the counterparty is unlikely to pay its credit obligations to the Bank in full. Impaired loans are the same as loans to counterparties in default, also known as defaulted loans.

In accordance with accounting principles, loans where the counterparty is more than 90 days late on a payment obligation to the Bank are considered past due and interest on these loans is not recognized as interest income. All past-due loans are classified as defaulted loans through an operating procedure and lending decision. The volume of past-due loans that have not yet been classified as defaulted loans is very low.

The Bank does not use the concept of a restructured exposure.

### *Risk exposure*

The Bank considers all credit-risk exposure that arises from its activities, including its activities as a custodian bank, with the following counterparties or groups of counterparties:

- Retail and private banking clients;
- Corporates, excluding trade finance;
- Trade finance;
- Fund-management companies;

- Public-sector entities (municipalities and regional, local, and national governments);
- Bank counterparties.

For any counterparty, exposure to credit risk in the trading book and banking book (both on and off the balance sheet) occurs in the following forms:

- Exposure in the form of a financial claim (mortgage loans, fixed-term advances, current accounts with credit limits, overdrafts, investments, and current accounts held by the Bank with other banks);
- Off-balance-sheet exposure resulting from undrawn portions of notified limits, contingent liabilities (guarantees) issued by the Bank on behalf of the counterparty, guarantees or other forms of commitment (letters of credit, avalized drafts) received from the counterparty as collateral or for which the Bank takes over the risk;
- Exposure resulting from forward contracts and OTC derivatives, taking into account netting agreements and collateral management agreements;
- Exposure in terms of shares and other equity securities (including equity derivatives) for which the counterparty is the issuer (in the banking book and net positions in the trading book);
- Exposure resulting from repos/reverse repos and securities lending/borrowing transactions;
- Settlement exposure, especially on currency transactions. It should be noted that when positions are unwound through a simultaneous settlement system, such as CLS (Continuous Linked Settlement), settlement risk is not considered.

The methods defined determine the amount of exposure by category.

#### *Loss metrics*

The Bank uses the following credit loss metrics:

- *Expected credit loss on non-impaired exposure:* This is the amount that the Bank expects to lose in a “normal” year as a result of its credit-risk exposure to non-defaulted counterparties. The expected loss is usually determined individually for each loan on the basis of the probability of default and the loss given default. A general description of the method used for analytical purposes is provided below.<sup>9</sup>
- *New provisions on impaired exposure:* The Bank sets aside provisions on newly impaired loans so that the expected credit loss over the loans’ remaining lifetime is recognized as an expense during the period in which they became impaired. This approach ensures that the Bank’s credit-risk provisions cover effective credit losses. The amount of these provisions is generally determined using a parameter-based method in which the provisioning ratio is determined and applied to credit-risk exposure. In some cases, for large commitments or for special or complex situations, the amount of the provision is based on a scenario analysis.
- *Effective credit loss:* This is the actual loss recorded by the Bank *a posteriori* on its exposure to counterparties in default. It results from the write-down or write-off of loans on the balance sheet.

For performing loans not relating to trade finance or real-estate development, the expected loss is determined on the basis of the probability of default and the loss given default.

- *Counterparties’ probability of default, and rating of default risk*

Each counterparty is assigned an internal counterparty default rating depending on its probability of default. Throughout the Bank (parent company), there are seven main internal ratings (B1 to B7) and 16 sub-ratings (B1.1 to B7).

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<sup>9</sup>In order to meet the requirement to set aside provisions for inherent credit risk on non-impaired loans (FINMA-AO, Articles 25 and 28), the Bank also uses expected loss models to determine the provisions for each non-impaired credit-risk exposure. For non-impaired exposures that are not classified as having a high risk of default, provisions are set aside based on the 12-month expected loss using the method described in this section. For non-impaired exposures that are classified as high-risk (i.e., counterparties “reputed to be in financial difficulty”), provisions are set aside based on the expected loss at maturity. More detailed information on provisions for inherent credit risk is provided in the Annual Report.

The ratings B1 to B5.2 are used for counterparties that are neither RD nor ID; B6 is used for counterparties that are RD, which are also considered performing. Counterparties rated B7 are ID or non-performing.

A rating method is used to assign an internal rating to each performing counterparty. Counterparties (individuals, companies, banks, etc.) are distinguished by factors that may affect their solvency, the nature of available explanatory data and the level of loss-risk they represent. Rating methods are segmented into groups of counterparties so that counterparties that are deemed similar according to these analytical factors are handled in the same way.

For each rating segment the rating method for performing clients comprises a “score” and an “analyst's assessment.” Considered together, the score and the analyst's assessment are used to assign an internal rating to each performing counterparty.

- For the score component of the rating method, an internal rating is identified using one of the following three procedures: applying a calculation function for the probability of default calibrated statistically or based on an expert's assessment, assigning the counterparty to a default probability slot, or transferring a counterparty from one rating to another in accordance with a system of rules. The Bank also employs standards and methods to recognize the impact on the probability of default of factors such as the business group or government support at a local, regional, or national level.
- The “analyst's assessment” component of the rating method defines the guidelines to be followed by an expert when analyzing the counterparty's debt quality, alongside the score. The competent body sets and approves the internal rating that is eventually determined as well as the override, if necessary.

Specific criteria are defined for the purpose of identifying RD counterparties. A counterparty is deemed RD when one of the following two conditions is met:

- The Bank believes there to be a high risk that part of its exposure to credit risk on the counterparty will not be recovered.
- A significant breach of the contract on any of the forms of credit extended to the counterparty by the Bank has occurred and has not been remedied without a temporary or definitive exemption being granted.
- *Loss given default*

To calculate the loss given default, the Bank takes into account the expected exposure at the time of default, the expected coverage ratio at the time of default, the nature of the collateral, and the rate of loss on secured and unsecured parts. The internal models used are calibrated so that the loss given default produced by the calibrated model corresponds to an effective loss that takes into account discounted values of all cash flows paid and collected by the Bank after the default, including fees associated with managing the loans of counterparties in default and with recovering loans.

A supervisory slot is allocated to loans relating to real-estate development and trade finance in order to estimate the expected loss. The slot assignment is based on a structured analysis of the corresponding transactions. It meets the supervisory slotting criteria for specialized lending in Chapter CRE33 of the final Basel III Accord.

#### *Risk metrics*

The Bank's main credit-risk metrics are:

- The expected loss (see above);
- Loss under stress scenarios. The Bank applies cyclical stress tests and global stress tests:
  - Cyclical stress tests for credit risk indicate the extent of the change in capital requirements in the event of an economic slowdown. They are based on changes in two key credit-risk variables, which are probability of default and loss given default.

- Global stress tests are part of the broad approach for estimating (by risk category) the impact of a number of stress scenarios on the Bank's net profit in order to assess capital adequacy. For credit risk, this allows the need for new provisions to be estimated for each stress scenario, should it occur. The stress scenarios are defined for the entire lending portfolio on the basis of historical observations (for example, the property market correction in the early 1990s) and macroeconomic analyses.

Unless otherwise indicated, credit-risk metrics address a risk horizon of 12 months.

#### *Capital requirements for credit risk*

For most of its credit-risk exposure (around 80% of risk-weighted assets), the Bank determines its regulatory capital requirements (Pillar 1) using the foundation internal ratings-based approach (F-IRB). For exposure outside the scope of the F-IRB approach, capital requirements are determined using the International Standardized Approach (SA-BIS).

**Table 5. Credit-risk exposure by approach applied**

In CHF millions, at 30 June 2025, BCV Group, CRE<sup>10</sup>

Asset class	Credit risk		Counterparty credit risk		Total
	F-IRB	SA-BIS	F-IRB	SA-BIS	
Central governments, central banks, and supranational institutions	-	100%	-	0%	10,729
Banks	44%	36%	20%	0%	1,868
Swiss mortgage bonds	-	100%	-	-	4,058
Non-central govt. public-sector entities and multilateral development banks	35%	61%	2%	1%	3,010
Corporates	92%	7%	1%	0%	18,069
Retail	96%	4%	0%	0%	23,410
Other positions	-	100%	-	-	594
<b>Total</b>	<b>67%</b>	<b>32%</b>	<b>1%</b>	<b>0%</b>	<b>61,739</b>

Exposures outside the scope of the F-IRB approach include those for which the Bank does not intend to put in place a rating model that meets the F-IRB criteria. These exposures include the SNB; the Swiss Federal Government; Swiss cantonal governments; the Mortgage-Bond Bank of Swiss Mortgage Institutions; the Central Mortgage-Bond Institution; some foreign bank and sovereign bond issuers; SMEs that do not have financial statements or that only have loans that are fully secured by cash, securities, or a joint and several loan guarantee as described in Article 3 of Switzerland's Covid-19 Joint and Several Loan Guarantee Ordinance; insurance companies; investment funds; counterparties with no loan agreement (i.e., for overdrafts); and exposures at the Bank's subsidiaries.

<sup>10</sup>Exposure at default (EAD) after applying credit conversion factors. Credit risk and counterparty credit risk excluding credit valuation adjustments and central counterparties. Asset classes defined by FINMA (Tables CR4 and CR7), also described in Section 8.4.2.

**Table 6. Risk-weighted assets by approach applied**

In CHF millions, at 30 June 2025, BCV Group, CRE

Asset class	Credit risk		Counterparty credit risk		Total
	F-IRB	SA-BIS	F-IRB	SA-BIS	
Central governments, central banks, and supranational institutions	-	100%	-	-	0
Banks	64%	26%	11%	0%	649
Swiss mortgage bonds	-	100%	-	-	406
Non-central govt. public-sector entities and multilateral development banks	45%	50%	3%	1%	667
Corporates	90%	9%	1%	1%	9,600
Retail	84%	15%	0%	0%	2,547
Other positions	-	100%	-	-	552
<b>Total</b>	<b>80%</b>	<b>19%</b>	<b>1%</b>	<b>1%</b>	<b>14,421</b>

## 4.2 Loans and debt securities

This section covers loans to customers and banks (excluding securities financing transactions and derivatives) and debt securities in the financial investments portfolio. These loans and debt securities correspond to the credit-risk exposure set out in DisO-FINMA. Securities financing transactions (repo and reverse repo agreements) and derivatives are discussed in Section 4.3, “Counterparty credit risk.”

### 4.2.1 Portfolio quality

Most loans to customers are located in Vaud Canton (76%). They are composed primarily of on-balance-sheet exposure in the form of mortgage loans and various financing in the form of current accounts (e.g., loans for construction, operational, investment, or cash-management purposes).

Most of the exposure to banks and debt securities is in Switzerland (89%) but outside of Vaud Canton. These exposures mainly comprise cash held with the SNB, investments with the Central Mortgage-Bond Institution and the Mortgage-Bond Bank of Swiss Mortgage Institutions, and exposures to other Swiss banks. Exposure in Europe arises mainly from cash-management and trading transactions, whereas exposure in the rest of the world is a result of trade-finance activities.

**Table 7. Credit-risk exposure by type of exposure and region**In CHF millions, at 30 June 2025, BCV Group, CRB<sup>11</sup>

Region	Exposure			Provisions and impairments		
	Total	Non-impaired	Impaired	Total	Non-impaired	Impaired
<b>Customer loans</b>	<b>48,472</b>	<b>48,280</b>	<b>192</b>	<b>95</b>	<b>25</b>	<b>70</b>
Vaud Canton	36,713	36,580	134	61	15	47
Rest of Switzerland	10,308	10,267	41	20	5	16
European Union and North America	626	615	12	2	2	0
Rest of world	824	818	6	11	4	7
<b>Bank loans and debt securities</b>	<b>17,466</b>	<b>17,466</b>	<b>-</b>	<b>2</b>	<b>2</b>	<b>0</b>
Vaud Canton	0	0	-	0	0	-
Rest of Switzerland	15,544	15,544	-	0	0	-
European Union and North America	1,488	1,488	-	0	0	-
Rest of world	434	434	-	2	2	0
<b>Total</b>	<b>65,937</b>	<b>65,745</b>	<b>192</b>	<b>97</b>	<b>27</b>	<b>70</b>

**Table 8. Credit-risk exposure by risk segment**

In CHF millions, at 30 June 2025, BCV Group, CRB

Risk segment	Exposure			Provisions and impairments		
	Total	Non-impaired	Impaired	Total	Non-impaired	Impaired
<b>On- and off-balance-sheet exposure</b>	<b>58,820</b>	<b>58,628</b>	<b>192</b>	<b>97</b>	<b>27</b>	<b>70</b>
Retail	13,382	13,352	30	4	2	1
Private banking	9,173	9,109	63	15	1	14
SMEs	6,134	6,079	54	33	7	27
Real-estate professionals	12,587	12,578	9	5	5	0
Large corporates	3,199	3,171	28	27	5	21
Public-sector entities	2,433	2,433	-	0	0	-
Trade finance	971	964	7	12	5	7
Banks	10,942	10,942	-	2	2	0
<b>Debt securities</b>	<b>6,524</b>	<b>6,524</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Equity securities</b>	<b>31</b>	<b>31</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Non-counterparty-related assets</b>	<b>563</b>	<b>563</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>65,937</b>	<b>65,745</b>	<b>192</b>	<b>97</b>	<b>27</b>	<b>70</b>

The Bank classifies counterparties into eight risk segments according to their type, main business, and extent of the banking relationship with BCV.<sup>12</sup>

<sup>11</sup>Tables 7 through 9 show exposure at default (EAD) before applying credit conversion factors.

<sup>12</sup>Risk segments are described in Section 8.4.2.

A large percentage of the Bank's exposure (34%) represents lending to retail and private banking customers in the form of mortgages and Lombard loans.

Companies account for 35% of total exposure, which is divided among SMEs, real-estate professionals, large corporates, and trade-finance counterparties.

Public-sector exposure mainly consists of limits granted to the Swiss Federal Government, municipalities, and the Vaud Cantonal Government.

Bank counterparties account for 17% of total exposure, comprised mostly of cash deposited with the SNB.

Debt securities account for 10% of total exposure and include investments with the Mortgage-Bond Bank of Swiss Mortgage Institutions and the Central Mortgage-Bond Institution in the amount of CHF 4.1bn.

**Table 9. Breakdown of exposure by residual contractual maturity**

In CHF millions, at 30 June 2025, BCV Group, CRB

<b>Asset class</b>	<b>&lt; 1 yr</b>	<b>1-5 yrs</b>	<b>&gt; 5 yrs</b>	<b>No maturity</b>	<b>Subsidiaries</b>	<b>Total Group</b>
Central governments, central banks, and supranational institutions	229	167	281	9,819	234	10,731
Banks	727	402	158	442	28	1,757
Swiss mortgage bonds	245	1,192	2,621	-	-	4,058
Non-central govt. public-sector entities and multilateral development banks	294	1,400	1,434	545	-	3,673
Corporates	4,645	2,111	1,015	13,077	153	21,000
Retail	1,143	291	364	21,432	894	24,125
Other positions	-	-	-	594	0	594
<b>Total</b>	<b>7,283</b>	<b>5,562</b>	<b>5,874</b>	<b>45,910</b>	<b>1,310</b>	<b>65,937</b>

There is no contractual maturity date for repayment on 70% of the Bank's exposure. This is the case for cash held with the SNB, all mortgage loans, and some credit limits. Most mortgage loans are currently fixed-rate loans, which means there are maturity dates on which the loans can be renewed. At the maturity dates, most fixed-rate loans are renewed with new interest rates. For tax reasons, it is rare for clients residing in Switzerland to fully pay down their mortgage loan.

**Table 10. Credit quality of assets**In CHF millions, BCV Group, at 30 June 2025, CR1<sup>13</sup>

	a	b	c	g
	<b>Gross carrying value of</b>			
	<b>Defaulted exposure</b>	<b>Non-defaulted exposure</b>	<b>Provisions and impairments</b>	<b>Net value</b>
1 Loans (excl. debt securities)	187	52,131	91	52,227
2 Debt securities	-	6,524	-	6,524
3 Off-balance-sheet exposure	5	7,091	7	7,089
<b>4 Total</b>	<b>192</b>	<b>65,745</b>	<b>97</b>	<b>65,840</b>

Impaired or defaulted loans amounted to CHF 192m at 30 June 2025 and accounted for 0.3% of total exposure. A provision of CHF 70m was recognized for these loans; this represents an average provisioning rate of 36%, reflecting the high quality of the collateral provided on these loans. Provisions are determined individually for each defaulted loan, taking into account the liquidation value of collateral and the characteristics of the counterparty.

Non-impaired loans amounted to CHF 65.745bn. Provisions for inherent credit risks on those loans stood at CHF 27m. The provisions were calculated based on the 12-month expected loss for loans relating to B1 to B5 counterparties (CHF 24m at 30 June 2025) and on the expected loss at maturity for high-risk loans to counterparties “reputed to be in financial difficulty” (CHF 3m at 30 June 2025). Provisions for country risk (zero at 30 June 2025) cover non-defaulted exposure in countries where the financial or settlement risk rating is below a given threshold.

**Table 11. Changes in the stock of defaulted loans and debt securities**

In CHF millions, BCV Group, CR2

	a
	<b>Defaulted loans</b>
<b>1 Defaulted loans and debt securities at end of previous reporting period</b>	<b>182</b>
2 Loans and debt securities that have defaulted since the last reporting period	37
3 Amounts returned to non-defaulted status	16
4 Amounts written down or written off	5
5 Other changes	-6
<b>6 Defaulted loans and debt securities at end of reporting period</b>	<b>192</b>

87% of defaulted loans relate to counterparties that went into default in or after 2014.

<sup>13</sup> Columns d, e, and f are not included because BCV does not apply the “expected credit loss” approach set out in IFRS and US GAAP standards and in FINMA-AO (Article 25.4).



## 4.2.2 Risk mitigation

The Bank seeks to appropriately secure its exposure through the use of collateral. Various types of collateral are recognized. They include:<sup>14</sup>

- Pledges on real estate (primarily mortgage deeds on various types of real estate);
- Pledges on financial assets (mainly cash and securities accounts);
- Guarantees (mainly loan guarantees and bank guarantees).

The valuation of collateral recognized by the Bank is based on the principle of market value, and is carried out as often as appropriate for the type of collateral. Pledges on real estate and financial assets are valued as follows:

- The valuation of pledged real estate is carried out using methods appropriate to the type of real estate: models are used for standard real estate like houses and apartments, while other types of properties, like hotels, are appraised. The frequency at which real estate is valued depends on the type of property, as do the standard loan-to-value ratios for the loans secured by this collateral.
- Securities portfolios and other financial assets pledged as collateral for Lombard loans are valued daily. Loan-to-value ratios are defined by type (shares, debt securities, fund units, fiduciary accounts, precious metals, or structured products), country of domicile, currency risk, the liquidity of the security, the counterparty's default risk, and the residual term for debt securities, together with portfolio diversification.

**Table 12. Credit-risk mitigation techniques – overview**

In CHF millions, at 30 June 2025, BCV Group, CR3

	a	b	c	d
	<b>Unsecured exposures: carrying amount</b>	<b>Secured exposures</b>	<b>Exposures secured by collateral</b>	<b>Exposures secured by financial guarantees</b>
1 Loans (excl. debt securities)	19,376	32,851	31,933	918
2 Debt securities	6,373	151	-	151
<b>3 Total</b>	<b>25,749</b>	<b>33,002</b>	<b>31,933</b>	<b>1,069</b>
4 Of which: defaulted	36	81	78	3

## 4.2.3 IRB approach

### 4.2.3.1 IRB approach (excluding specialized lending)

BCV obtained approval from FINMA to use the F-IRB approach to determine regulatory capital requirements for credit risk beginning on 1 January 2009.

#### *Structure of IRB rating systems*

The rating system for default risk is composed of a series of rating models. In all cases, the aim is to assess the one-year probability of default, in the form of an internal counterparty default rating. The following models are used for the categories for which the Bank obtained F-IRB approval (they are named after the population to which they apply):

- BCV staff (default probability pool);
- Private banking (default probability pool);
- Retail (default probability statistical scores);

<sup>14</sup>BCV does not net out on- or off-balance-sheet items (except for securities financing transactions and derivatives, which are discussed in the "Counterparty credit risk" section).

- SMEs (several default probability statistical scores, depending on the nature of the client and the data available);
- Large corporates (expert default-probability scores);
- Banks (expert default-probability scores);
- Municipalities in Vaud Canton (expert default-probability scores).

The Bank has also defined and implemented a system of rules governing the transmission of internal ratings for counterparties that are related in terms of credit risk. The scores are accompanied by the analyst assessment rules.

All these models, with the exception of the rating model for bank counterparties, generate an estimate of the probability of default without using external ratings. When assessing default risk, the rating model used for bank counterparties takes into account, among other factors, the ratings issued by the main ratings agencies (Moody's, Fitch, and Standard & Poor's).

The Bank determined the scope of application of its models by grouping together similar counterparties; i.e., counterparties that could all default for related reasons and for which the Bank has a set of common data that can be used for modeling. The scope of its models matches these groups where they present a material, coherent risk.

Internal loss given default (LGD) and exposure at default (EAD) models are used to calculate regulatory capital requirements for retail portfolios.

LGD is the economic loss to the Bank if a counterparty defaults. The economic loss is calculated as the difference between the Bank's exposure to the counterparty at the time of default and the present value of all cash flows that the Bank stands to receive from the counterparty after its default. The Bank's internal LGD model factors in both the loss on the exposure and the workout costs. LGD is calculated by loan tranche, as each tranche is secured by different collateral (e.g., real estate, other securities, and guarantees); there may also be a portion not secured by collateral. Each tranche is given a loss rate. The LGD for the total loan is generally the weighted average of the loss rates for each tranche, including any unsecured tranches. The loss rates for each type of collateral are determined using data from a recessionary period in Vaud Canton (the early 1990s) to include the downturn characteristics required by regulators. A counterparty's LGD is separate from its probability of default (PD).

The credit conversion factors (CCFs) used for the Bank's internal EAD model are either calculated using a conservative approach (100% for undrawn credit limits) or based on prudential CCFs (contingent liabilities).

#### *Use of ratings*

In addition to being used to calculate regulatory capital requirements under the F-IRB approach, internal ratings are used for numerous purposes (in the front, middle, and back offices). Here are the main uses:

- Decision-making support when credit facilities and other commitments are granted or renewed;
- Defining lending authority and the intensity of monitoring;
- Setting risk-adjusted prices;
- Creating provisions;
- Monitoring the performance of business units;
- Analyzing risk on the lending book;
- Strategic planning.

The scope of application of certain models for internal needs goes significantly beyond the scope of the corresponding F-IRB approval. Internal LGD/EAD models are used to estimate the expected loss on most of the Bank's credit portfolios and not only on the retail portfolios. Furthermore, internal rating models for default risk are used for a number of portfolios for which the Bank does not intend to seek IRB approval.

#### *Managing and integrating the reduction in credit risk*

The principles used to recognize and value collateral are the same for the portfolios for which BCV has obtained F-IRB approval for calculating regulatory capital requirements as for the rest of its lending portfolio.

### *Rating system's control mechanism*

The rating system's control mechanism obeys the principles of the Bank's internal control system. It is composed of three levels of internal oversight. The first two levels are under the responsibility of the Executive Board, while the third level falls under the Board of Directors:

- Level 1: operational and managerial oversight of business activities, in accordance with the chain of command.
- Level 2: monitoring the appropriateness and effectiveness of level 1 by independent entities.
- Level 3: periodic independent review of levels 1 and 2 by the Internal Audit Department.

For the rating models (PD, LGD, and EAD), or other models affecting the assessment of credit risk, three steps are defined. The objectives and responsibilities for each step are as follows:

#### **Step 1: initial validation**

Key components of the initial validation include monitoring the following: the logic of the design; the quality of the data; the selection of variables; the modeling process; the development of results; documentation; programming; and implementation.

Preparatory work for the initial validation is conducted by the units responsible for developing the models as part of their development and improvement work. Operational and managerial oversight of this work (level 1) is also done by these units.

The Validation of Rating Models unit, under the CFO's responsibility, challenges and monitors in both qualitative and quantitative terms the development and improvement work and the initial validation (level 2 oversight) and issues an opinion for the purposes of the initial validation by the Executive Board's Risk Management Committee (EBRMC).

The unit does this using documents drawn up by the unit responsible for developing the models, explaining the main choices made in the design process and describing the quantitative methods used and the results obtained. The documents also indicate the results expected from the models using a set of standardized indicators for explanatory power (for PD models) and indicators of the degree of prudence. The design document for each model is tailored to the type and complexity of the model in question (i.e., whether it is based on a statistical calculation or an expert assessment).

As part of its monitoring work, the Validation of Rating Models unit issues a report of this assessment and its conclusions.

The EBRMC is responsible for the initial validation of a new or improved model, and, by extension, for authorizing its implementation. It bases its validation decisions on reports from the unit responsible for developing the models that summarize the design documents, and on reports from the Validation of Rating Models unit that summarize the findings of the unit's independent assessment and include a recommendation for the initial validation.

#### **Step 2: monitoring the use of models**

This refers to the application of models in the Bank's credit and piloting processes.

For the credit process, analysts from the Credit Management Division and the front office are responsible for using the models and thus for calculating the estimators produced by the models. Analysts and the front office are also responsible for ensuring that the estimators are appropriately used in the context of credit decisions (decisions to grant credit as well as pricing decisions). These activities are subject to operational and managerial oversight which is defined by the analysts and the front office (level 1).

For piloting needs, various departments use the estimators produced by these models in the lending process. The Risk Management Department in particular uses rating models to analyze and monitor risk on the loan book and to calculate capital requirements.

#### **Step 3: ongoing validation**

Key components of ongoing validation include ensuring appropriate use of the models and compliance with structural and design-related hypotheses, and backtesting performance (precision and discriminating capacity).

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Preparatory work for ongoing validation is conducted by the units responsible for developing the models. These units also propose any necessary measures to be taken in response to the results obtained. Operational and managerial oversight of this work (level 1) is carried out by these units.

As during the initial validation, the Validation of Rating Models unit, under the supervision and responsibility of the CFO, challenges and monitors in both qualitative and quantitative terms the ongoing validation (level 2) and issues an opinion on the results of the ongoing validation and the measures proposed, for ongoing validation by the EBRMC.

The unit does this using documents drawn up by the unit responsible for developing the models that describe all the models and characterize their results using a set of standardized indicators for explanatory power (for PD models) and indicators of the degree of prudence.

As part of its monitoring work, the Validation of Rating Models unit issues a report of this assessment and its conclusions.

The EBRMC is responsible for the ongoing validation of a model and for possible measures to be taken in this regard. It is therefore responsible for authorizing a model's continued use, including constraints and measures to be taken. It bases its validation decisions on reports from the unit responsible for developing the models that summarize the ongoing-validation documents, and on reports from the Validation of Rating Models unit that summarize the findings of the unit's independent assessment and include a recommendation for the ongoing validation.

***Operational principle behind model validation***

The core principle underlying the activities of the Validation of Rating Models unit is “close, but independent.” Proximity is achieved by involving the unit in the entire process, starting with the initial steps taken by the design teams, both through regular support and regular discussions. Independence is achieved through the use of operational principles overseen by the EBRMC itself.

**Table 13. IRB approach – Credit-risk exposure by portfolio and PD range**

In CHF millions, at 30 June 2025, BCV Group, CR6

	a	b	c	d	e	f	g	h	i	j	k	l
PD range	On- balance- sheet exposure	Off- balance- sheet exposure	Average CCF	EAD post- CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density	EL	Provisions
<b>3 Banks and securities firms (F-IRB)</b>												
0.00 to <0.15	519	119	31%	555	0.05%	89	45%	2.32	147	27%	0	
0.15 to <0.25	30	8	51%	34	0.21%	8	45%	2.21	19	57%	0	
0.25 to <0.50	115	55	26%	129	0.37%	43	45%	1.06	76	59%	0	
0.50 to <0.75	9	1	26%	9	0.57%	2	45%	2.46	9	96%	0	
0.75 to <2.50	2	-	-	2	1.22%	2	45%	1.03	2	101%	0	
2.50 to <10.00	88	36	23%	97	5.74%	25	45%	0.94	159	164%	2	
10.00 to <100.00	-	-	-	-	-	-	-	-	-	-	-	
100.00 (default)	-	-	-	-	-	-	-	-	-	-	-	
<b>Subtotal</b>	<b>764</b>	<b>218</b>	<b>29%</b>	<b>826</b>	<b>0.78%</b>	<b>169</b>	<b>45%</b>	<b>1.96</b>	<b>412</b>	<b>50%</b>	<b>3</b>	<b>2</b>
<b>4 Non-central govt. public-sector entities and multilateral development banks (F-IRB)</b>												
0.00 to <0.15	941	522	16%	1,009	0.06%	236	44%	3.66	272	27%	0	
0.15 to <0.25	55	11	10%	56	0.21%	7	44%	3.45	30	54%	0	
0.25 to <0.50	-	-	-	-	-	-	-	-	-	-	-	
0.50 to <0.75	-	-	-	-	-	-	-	-	-	-	-	
0.75 to <2.50	-	0	10%	0	1.22%	1	45%	1.10	0	81%	0	
2.50 to <10.00	-	-	-	-	-	-	-	-	-	-	-	
10.00 to <100.00	-	-	-	-	-	-	-	-	-	-	-	
100.00 (default)	-	-	-	-	-	-	-	-	-	-	-	
<b>Subtotal</b>	<b>996</b>	<b>534</b>	<b>16%</b>	<b>1,065</b>	<b>0.06%</b>	<b>244</b>	<b>44%</b>	<b>3.65</b>	<b>302</b>	<b>28%</b>	<b>0</b>	<b>0</b>
<b>7 Corporates – other lending (F-IRB)</b>												
0.00 to <0.15	2,022	1,310	23%	2,317	0.09%	407	40%	2.40	504	22%	1	
0.15 to <0.25	755	285	26%	827	0.21%	146	40%	2.43	300	36%	1	
0.25 to <0.50	665	234	22%	712	0.37%	130	39%	2.12	323	45%	1	
0.50 to <0.75	336	152	28%	377	0.57%	86	40%	2.12	210	56%	1	
0.75 to <2.50	777	235	24%	824	1.25%	212	39%	2.02	601	73%	4	
2.50 to <10.00	80	20	15%	83	4.62%	27	39%	1.99	86	103%	1	
10.00 to <100.00	18	1	17%	18	21.00%	6	27%	2.23	22	125%	1	
100.00 (default)	31	1	25%	31	100.00%	13	47%	2.41	17	53%	15	
<b>Subtotal</b>	<b>4,684</b>	<b>2,238</b>	<b>23%</b>	<b>5,190</b>	<b>0.51%</b>	<b>1,026</b>	<b>39%</b>	<b>2.28</b>	<b>2,062</b>	<b>40%</b>	<b>25</b>	<b>22</b>

	a	b	c	d	e	f	g	h	i	j	k	l
PD range	On-balance-sheet exposure	Off-balance-sheet exposure	Average CCF	EAD post-CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density	EL	Provisions
<b>9 Mortgage-backed retail exposure</b>												
0.00 to <0.15	9,925	60	100%	9,985	0.10%	18,997	13%	2.50	293	3%	1	
0.15 to <0.25	4,911	37	100%	4,948	0.21%	6,779	16%	2.50	322	7%	2	
0.25 to <0.50	3,105	48	100%	3,153	0.37%	3,803	19%	2.52	381	12%	2	
0.50 to <0.75	922	19	100%	941	0.57%	1,187	19%	2.54	156	17%	1	
0.75 to <2.50	1,536	27	99%	1,563	1.30%	1,992	18%	2.51	418	27%	4	
2.50 to <10.00	269	3	97%	272	4.96%	278	19%	2.50	165	61%	3	
10.00 to <100.00	18	0	100%	18	21.00%	26	22%	2.50	22	124%	1	
100.00 (default)	73	0	100%	73	100.00%	81	-	2.50	71	98%	2	
<b>Subtotal</b>	<b>20,757</b>	<b>195</b>	<b>100%</b>	<b>20,952</b>	<b>0.36%</b>	<b>33,142</b>	<b>15%</b>	<b>2.51</b>	<b>1,829</b>	<b>9%</b>	<b>15</b>	<b>5</b>
<b>11 Other retail exposure</b>												
0.00 to <0.15	574	452	99%	1,023	0.11%	2,272	25%	1.54	66	6%	0	
0.15 to <0.25	102	62	95%	161	0.21%	784	54%	2.11	36	23%	0	
0.25 to <0.50	74	33	90%	104	0.37%	407	60%	2.03	37	36%	0	
0.50 to <0.75	38	20	91%	56	0.57%	185	70%	1.92	30	54%	0	
0.75 to <2.50	109	95	97%	201	1.28%	561	53%	1.66	117	58%	1	
2.50 to <10.00	23	5	90%	27	4.72%	110	62%	2.16	24	91%	1	
10.00 to <100.00	2	0	99%	2	21.00%	21	62%	2.15	3	142%	0	
100.00 (default)	14	2	97%	16	100.00%	82	-	2.15	7	40%	10	
<b>Subtotal</b>	<b>936</b>	<b>670</b>	<b>98%</b>	<b>1,590</b>	<b>0.41%</b>	<b>4,422</b>	<b>36%</b>	<b>1.67</b>	<b>321</b>	<b>20%</b>	<b>13</b>	<b>12</b>
<b>Total</b>	<b>28,137</b>	<b>3,854</b>	<b>39%</b>	<b>29,623</b>	<b>0.39%</b>	<b>39,004</b>	<b>22%</b>	<b>2.45</b>	<b>4,926</b>	<b>17%</b>	<b>56</b>	<b>41</b>

In Tables 13 and 15, the average PD and average LGD subtotals do not include defaulted exposure.

The segmentation of the Bank's default rating system into groups of counterparties is adapted to the Bank's risk management needs and to its business activities. Within the Bank, both the initial and ongoing model validations are conducted according to these groups. The validation process is distinct from the exposure categorization set forth under the final Basel III Accord.

The "Banks and securities firms (F-IRB)" portfolio is covered by the bank rating model. The "Non-central government public-sector entities and multilateral development banks (F-IRB)" portfolio is covered by the rating model for Vaud municipalities. The "Corporates – other lending (F-IRB)" portfolio is covered by three rating models (for large corporates, SMEs, and joint and several co-debtors). The "Mortgage-backed retail exposure" portfolio is covered by three rating models (one for retail customers, one for BCV employees, and one for private banking clients). The "Other retail exposure" portfolio is covered by four rating models (one for retail customers, one for BCV employees, one for private banking clients, and one for SMEs).

**Table 14. IRB approach – RWA flow statements of credit-risk exposure**  
In CHF millions, BCV Group, CR8

	a
	<b>RWA amount</b>
<b>1 RWA at end of previous reporting period</b>	<b>7,292</b>
2 Asset size	+30
3 Asset quality	-29
4 Model updates	0
5 Methodology and policy	-2,355
6 Acquisitions and disposals	0
7 Foreign exchange movements	-11
8 Other	0
<b>9 RWA at end of reporting period</b>	<b>4,926</b>

The amount of risk-weighted assets determined using the IRB approach (excluding specialized lending) decreased by CHF 2.366bn in the first half of 2025 owing to changes resulting from the entry into force of the final Basel III Accord, including the elimination of the scaling factor of 1.06 and of Bank-specific multipliers. FINMA's application of the sector output floor to the mortgage loan portfolio in Switzerland resulted in a CHF 1.821bn increase in risk-weighted assets that is not included in Table 14 (see **Erreur ! Source du renvoi introuvable.**, row 5a).

**Table 15. IRB approach – Backtesting of PD per portfolio**

In CHF millions, at 31 December 2024, BCV Group, CR9

a	b	d	e	f	g	h	i	j
PD range	Weighted average PD	Arithmetic average PD by obligors	Number of obligors		Defaulted obligors in the year	Of which: new defaulted obligors in the year	Average historical annual default rate, 2010-2024	
			End of previous year	End of year				
3 Banks and securities firms (F-IRB)								
0.00 to <0.07	0.03%	0.04%	102	76	-	-	-	
0.07 to <0.28	0.20%	0.15%	18	22	-	-	-	
0.28 to <1.44	0.66%	0.57%	21	38	-	-	-	
1.44 to <4.30	3.41%	3.41%	8	5	-	-	-	
4.30 to <8.99	7.08%	7.08%	31	32	1	-	0.28%	
8.99 to <100.00	-	-	-	-	-	-	-	
100.00 (default)	-	-	-	-	-	-	-	
Subtotal	1.08%	1.57%	180	173	1	-	0.02%	
5 Non-central govt. public-sector entities and multilateral development banks (F-IRB)								
0.00 to <0.07	0.05%	0.05%	207	215	-	-	-	
0.07 to <0.28	0.13%	0.13%	34	32	-	-	-	
0.28 to <1.44	0.37%	0.37%	5	1	-	-	-	
1.44 to <4.30	-	-	-	-	-	-	-	
4.30 to <8.99	-	-	-	-	-	-	-	
8.99 to <100.00	-	-	-	-	-	-	-	
100.00 (default)	-	-	-	-	-	-	-	
Subtotal	0.06%	0.06%	246	248	-	-	-	
9 Corporates – other lending (F-IRB)								
0.00 to <0.07	0.05%	0.05%	60	69	-	-	-	
0.07 to <0.28	0.14%	0.14%	423	462	-	-	0.03%	
0.28 to <1.44	0.66%	0.66%	347	350	-	-	0.15%	
1.44 to <4.30	2.26%	2.28%	70	81	-	-	1.80%	
4.30 to <8.99	6.03%	6.39%	14	14	1	-	8.00%	
8.99 to <100.00	21.00%	21.00%	5	2	2	-	22.83%	
100.00 (default)	100.00%	100.00%	12	10	-	-	-	
Subtotal	0.50%	0.63%	930	988	3	-	0.56%	



a	b	d	e	f	g	h	i	j
				Number of obligors				
		Weighted	Arithmetic	End of	End of	Defaulted obligors	Of which: new	Average historical
PD range	average PD	average PD	by obligors	previous	year	in the year	defaulted obligors	annual default
				year			in the year	rate, 2010-2024
<b>11 Mortgage-backed retail exposure</b>								
0.00 to <0.07	0.05%	0.05%		7,014	6,986	2	-	0.05%
0.07 to <0.28	0.15%	0.15%		18,370	18,553	25	-	0.07%
0.28 to <1.44	0.54%	0.55%		6,100	6,689	23	-	0.23%
1.44 to <4.30	2.35%	2.27%		785	761	4	-	0.99%
4.30 to <8.99	6.52%	6.43%		158	155	7	-	3.95%
8.99 to <100.00	21.00%	21.00%		21	21	2	-	14.14%
100.00 (default)	100.00%	100.00%		63	83	-	-	-
<b>Subtotal</b>	<b>0.37%</b>	<b>0.30%</b>		<b>32,512</b>	<b>33,249</b>	<b>62</b>	<b>-</b>	<b>0.18%</b>
<b>13 Other retail exposure</b>								
0.00 to <0.07	0.05%	0.05%		68	67	-	-	0.26%
0.07 to <0.28	0.12%	0.14%		2,561	2,617	8	-	0.16%
0.28 to <1.44	0.78%	0.65%		837	846	25	-	0.72%
1.44 to <4.30	2.22%	2.22%		264	270	10	-	2.38%
4.30 to <8.99	6.24%	6.20%		54	60	5	-	6.43%
8.99 to <100.00	21.00%	21.00%		29	20	10	-	20.51%
100.00 (default)	100.00%	100.00%		78	80	-	-	-
<b>Subtotal</b>	<b>0.39%</b>	<b>0.60%</b>		<b>3,892</b>	<b>3,960</b>	<b>57</b>	<b>-</b>	<b>0.97%</b>
<b>Total</b>	<b>0.40%</b>	<b>0.34%</b>		<b>37,761</b>	<b>38,618</b>	<b>123</b>	<b>-</b>	<b>0.30%</b>

b		c
Internal rating	PD range	External rating equivalent
B1	0.00 to <0.07	AAA/Aaa to A-/A3
B2	0.07 to <0.28	BBB+/Baa1 to BBB/Baa2
B3	0.28 to <1.44	BBB-/Baa3 to BB-/Ba3
B4	1.44 to <4.30	B+/B1
B5	4.30 to <8.99	B/B2 to B-/B3
B6	8.99 to <100.00	CCC+/Caa1 to C/C
B7	100.00 (default)	D

Within the IRB scope, the average number of defaults in the period analyzed (2010 to 2024) was lower than the expected number based on the PD rating models. The difference is mainly due to the conservative nature of the models and to general economic growth during the period.

#### 4.2.3.2 Slotting approach for specialized lending

The Bank uses slotting criteria for the financing of income-producing real estate (real-estate professionals) and for commodities financing (trade finance). For these two categories, FINMA has authorized BCV to assign preferential risk weights to “strong” and “good” exposures (final Basel III Accord, Chapter CRE33.4).

For real-estate professionals (except real-estate development), the slots are determined on the basis of the probability of default (PD), loss given default (LGD), and exposure at default (EAD) models that are internally applied to each credit exposure in the real-estate professionals category. A specific mechanism used to calculate capital requirements has been set up to determine the PD of real-estate professionals in order to reduce the sensitivity of regulatory capital to the business cycle.

For real-estate development projects intended for sale, a slot is allocated directly to each credit exposure without applying the PD, LGD, and EAD models used for other exposures in the real-estate professionals category. A similar direct slotting system is in place for trade finance transactions.

These slotting systems meet the supervisory slotting criteria for specialized lending in Chapter CRE33 of the final Basel III Accord.

**Table 16. IRB approach – Specialized lending under the simple risk-weight method**

In CHF millions, at 30 June 2025, BCV Group, CR10<sup>15</sup>

Regulatory category	On-balance-sheet amount	Off-balance-sheet amount	RW	Exposure amount			RWA	Expected loss
				CF	IPRE	Total		
Strong	7,747	931	50%	398	7,669	8,067	4,033	0
Good	2,855	250	70%	482	2,537	3,019	2,113	12
Satisfactory	321	84	115%	83	278	361	415	10
Weak	10	0	250%	0	9	10	24	1
Default	15	-	–	7	7	15	7	7
<b>Total</b>	<b>10,948</b>	<b>1,264</b>		<b>971</b>	<b>10,500</b>	<b>11,471</b>	<b>6,593</b>	<b>31</b>

Lending to real-estate professionals under the slotting criteria method amounted to CHF 10.500bn at 30 June 2025, up by around CHF 126m in the first half of 2025. The vast majority (97%) of the Bank's real-estate exposure is in the “strong” and “good” slots. This is because this exposure is mainly associated with financing for real-estate investors that is adequately secured by property.

The Bank's trade-finance exposure decreased by CHF 191m in the first half of 2025. 91% of trade-finance transactions are in the “strong” and “good” slots, as they are secured by recognized collateral (especially cash and merchandise).

#### 4.2.4 Standardized approach

FINMA defines the risk weightings to be applied for exposure calculated using the SA-BIS by type of counterparty (CAO, Annexes 2 and 3). In this case, FINMA authorizes the use of external ratings (CAO, Article 64) provided that:

<sup>15</sup> This table does not include remaining maturities since preferential weights have been applied.

1. The ratings are supplied by ratings agencies recognized by FINMA.
2. External ratings are applied systematically by the Bank using a precise and specific approach.
3. Where the Bank uses external ratings to determine the risk weightings for a category of positions, the entire category must in principle be weighted through the use of external ratings.

The Bank uses external ratings to determine the risk weightings of almost all counterparties for which the SA-BIS is applied and which have an external rating from a ratings agency recognized by FINMA. These counterparties are essentially counterparties for debt securities in the financial investments portfolio. For corporate clients with no external rating, a weighting of 100% (“no rating”) is used.

The exposure calculated under the standardized approach consists primarily of exposure to the SNB and the Swiss Federal Government (49%; weighting of 0%). Bonds from the Central Mortgage-Bond Institution and the Mortgage-Bond Bank of Swiss Mortgage Institutions (weighting of 10%), account for 19% of the exposure calculated using the standardized approach. The remaining positions are commercial loans that are outside the scope of the parent company’s F-IRB approach (i.e., SMEs that do not have financial statements or that only have loans that are secured by cash, securities, or a joint and several loan guarantee as described in Article 3 of Switzerland’s Covid-19 Joint and Several Loan Guarantee Ordinance, insurance companies, and investment funds), credit exposures at the Bank’s subsidiaries, equity securities, and non-counterparty-related assets.

The impact of risk mitigation measures is low in the scope of the SA-BIS. This is due to the predominance of exposure to the SNB, the Central Mortgage-Bond Institution, the Mortgage-Bond Bank of Swiss Mortgage Institutions, and the Swiss federal and cantonal governments, which are generally not secured by financial guarantees. The Bank recognizes the Export Risk Guarantees provided by the Swiss Export Risk Insurance (SERV) program. The amount covered by these guarantees is less than CHF 2m.

**Table 17. Standardized approach – Credit-risk exposure and credit-risk mitigation (CRM) effects**

In CHF millions, at 30 June 2025, BCV Group, CR4

Asset class	a	b	c	d	e	f
	Exposure pre-CCF and pre-CRM		Exposure post-CCF and post-CRM		RWA	RWA density
	On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount		
1 Central governments, central banks, and supranational institutions	10,706	20	10,706	2	0	0%
2 Non-central govt. public-sector entities	1,418	400	1,418	100	335	22%
3 Multilateral development banks	325	-	325	-	-	-
4 Banks	575	200	575	96	166	25%
5 Covered bonds	4,058	-	4,058	-	406	10%
Of which: Swiss mortgage bonds	4,058	-	4,058	-	406	10%
6 Corporates	559	558	521	87	403	66%
7 Subordinated debt, equity, and other capital	31	0	31	0	77	250%
8 Retail	321	406	126	76	175	87%
9 Real estate	1,142	391	1,075	120	619	52%
Of which: owner-occupied residential real estate	609	211	555	84	208	33%
Of which: other residential real estate	219	11	207	1	140	67%
Of which: owner-occupied commercial real estate	122	164	122	34	110	70%
Of which: other commercial real estate	190	5	190	1	159	83%
Of which: land acquisition, development, and construction	2	0	2	0	3	150%
10 Defaulted exposures	19	1	18	0	16	88%
11 Other assets	563	-	563	-	475	84%
<b>12 Total</b>	<b>19,719</b>	<b>1,976</b>	<b>19,417</b>	<b>481</b>	<b>2,671</b>	<b>13%</b>

**Table 18. Standardized approach – Exposure by asset class and risk weight**

In CHF millions, exposure after applying the credit conversion factors and risk-mitigation measures

at 30 June 2025, BCV Group, CR5a<sup>16</sup>

Asset class / Risk weight	a	b	c	d	e	f	g	j
	0%, 10% and 15%	20% and 25%	30% and 35%	40%, 45%, 50% and 55%	60%, 70%, 75%, 80% and 85%	90%, 100%, 110% and 115%	130%, 150% and 250%	Total exposure
1 Central governments, central banks, and supranational institutions	10,708	-		-		0	0	10,708
2 Non-central govt. public-sector entities		1,414		104		-	-	1,518
3 Multilateral development banks	325	-	-	-		-	-	325
4 Banks		618	-	-	28	25	-	671
5 Covered bonds	4,058	-	-	-		-	-	4,058
Of which: Swiss mortgage bonds	4,058							4,058
6 Corporates		199		80	30	298	-	608
7 Subordinated debt, equity, and other capital							31	31
8 Retail				-	110	92		202
9 Real estate	-	250	403	94	356	17	76	1,195
Of which: owner-occupied residential real estate	-	250	324	42	22	-	-	639
Of which: other residential real estate			78	53	35	-	43	208
Of which: owner-occupied commercial real estate	-	-	-	-	139	17	-	156
Of which: other commercial real estate					159	-	31	191

<sup>16</sup>Past-due loans with a 0% risk weight (column a, row 10) are past-due loans to counterparties that are guaranteed by a central government; the risk weight for central governments is applied to these loans in accordance with the substitution approach. Columns h and i are not included because they are not relevant for BCV.

	Of which: land acquisition, development, and construction					-	2	2	
10	Defaulted exposures	4				12	3	19	
11	Other assets	88	0			475	-	563	
12	Total	14,854	2,482	403	278	524	918	109	19,898

**Table 19. Standardized approach – Exposure by credit conversion factor and risk weight**  
In CHF millions, at 30 June 2025, BCV Group, CR5b<sup>17</sup>

	a	b	c	d
	On-balance sheet exposure	Off-balance sheet exposure (pre-CCF)	Weighted average CCF	Exposure post-CCF and post-CRM
Risk weight				
1 Less than 40%	17,784	832	34%	18,068
2 40% to 70%	560	167	20%	594
3 75%	80	380	17%	144
4 85%	62	21	10%	64
5 90% to 100%	823	487	20%	918
6 105% to 130%	-	-	0%	-
7 150%	77	10	11%	78
8 250%	31	0	100%	31
<b>11 Total</b>	<b>19,417</b>	<b>1,898</b>	<b>25%</b>	<b>19,898</b>

### 4.3 Counterparty credit risk

The Bank's counterparty credit risk (CCR) exposure includes securities financing transactions and derivative transactions. The framework for such exposure is set forth in the RMPS as well as in a BCV directive on collateralized contracts, which addresses governance, risk-taking limits, collateral eligibility, monitoring, and reporting.

#### *Securities financing transactions (SFTs)*

The majority of the Bank's SFTs are repo and reverse repo agreements. The Bank also began conducting securities borrowing transactions in 2017, but this is a marginal activity.

The Bank uses repo and reverse repo agreements to manage liquidity. These agreements are processed using a triparty system in which the triparty agent (SIX) is responsible for clearing. Throughout the lifetime of a repurchase agreement, the triparty agent carries out margin calls at least once per day to account for any change in the market value of the securities and any thresholds, and directly carries out any necessary transfers using securities or cash held with the triparty agent.

The Bank's repo and reverse repo agreements are based on standard contracts such as the GMRA or the Swiss Master Agreement for Repo Trades. Collateral eligibility is determined by the triparty agent SIX (SNB basket). Collateral must meet the eligibility criteria set forth in the BCV directive (e.g., be a readily marketable stock, a bond with a rating of at least BBB- or equivalent, or a security independent of the counterparty's solvency).

SFT counterparties are banks, insurance companies, and large corporates. Limits are granted according to the lending process and lending authority described in Section 4.1. They are monitored daily on an individual basis. The Bank monitors the quality of securities received daily as collateral using a portfolio approach, with particular attention paid to risk concentration.

When calculating capital requirements, the Bank's exposure is determined using the comprehensive approach (CAO, Article 62.1(b)). Capital requirements are determined using the IRB or SA-BIS approach depending on the type of counterparty.

<sup>17</sup> Rows 9 and 10 are not included because they are not relevant for BCV.

*Non-centrally cleared OTC derivatives*

Limits for OTC derivatives (including forward contracts) that are not centrally cleared (cleared bilaterally) are mainly granted to bank counterparties in order to carry out trading operations and interest-rate-risk hedging transactions. They are also granted to companies or public-sector entities so that they can hedge typically against exchange-rate and interest-rate risk.

These limits are granted according to the lending process and lending authority described in Section 4.1. They are monitored daily on an individual basis.

In principle, the Bank handles OTC derivative transactions only on the basis of ISDA netting agreements or an equivalent agreement. For its main bank counterparties in terms of pre-settlement exposure, the Bank takes the necessary measures to ensure that OTC derivative transactions can be carried out in accordance with a credit support annex (CSA) for collateral management. Alternatively, blocked cash deposits can be set up as a risk mitigant for OTC derivative exposure.

Credit-risk exposure is measured according to the principle of “positive mark-to-market value plus add-on.” The add-on is determined by type of underlying and by maturity, on the basis of internal models. These models are based on the standardized approach for counterparty credit risk (SA-CCR) but are slightly more conservative. Where the Bank has entered into an ISDA netting agreement with the counterparty, contracts with negative mark-to-market values can be taken into account to reduce credit-risk exposure. Where the Bank has entered into a CSA collateral management agreement with the counterparty, credit-risk exposure is determined according to the same principle, taking into account the amount of the cash collateral and based on a reduced add-on, in order to take into consideration the frequency of revaluation and the option to make margin calls.

When calculating capital requirements, the Bank’s derivatives exposure is determined according to the SA-CCR (as specified in Article 3 *et seq.* of FINMA Ordinance on the Credit Risks of Banks and Securities Firms (CreO-FINMA)), taking account of netting and collateral management agreements. Capital requirements are determined according to the appropriate approach (IRB or SA-BIS), which since 1 January 2013 includes the credit valuation adjustment (CVA).



**Table 20. IRB approach – CCR exposure by portfolio and PD range**

In CHF millions, at 30 June 2025, BCV Group, CCR4

	a	b	c	d	e	f	g
PD range	EAD post-CRM	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density
<b>3 Banks (F-IRB)</b>							
0.00 to <0.15	338	0.07%	49	45%	0.75	57	17%
0.15 to <0.25	19	0.21%	7	45%	0.14	6	31%
0.25 to <0.50	8	0.37%	5	45%	1.41	5	64%
0.50 to <0.75	5	0.57%	4	45%	0.08	3	59%
0.75 to <2.50	1	0.86%	1	45%	0.45	1	79%
2.50 to <10.00	-	-	-	-	-	-	-
10.00 to <100.00	-	-	-	-	-	-	-
100.00 (default)	-	-	-	-	-	-	-
<b>Subtotal</b>	<b>371</b>	<b>0.09%</b>	<b>66</b>	<b>45%</b>	<b>0.72</b>	<b>71</b>	<b>19%</b>
<b>4 Other public-sector entities and multilateral development banks (F-IRB)</b>							
0.00 to <0.15	73	0.05%	2	45%	4.62	23	32%
0.15 to <0.25	-	-	-	-	-	-	-
0.25 to <0.50	-	-	-	-	-	-	-
0.50 to <0.75	-	-	-	-	-	-	-
0.75 to <2.50	-	-	-	-	-	-	-
2.50 to <10.00	-	-	-	-	-	-	-
10.00 to <100.00	-	-	-	-	-	-	-
100.00 (default)	-	-	-	-	-	-	-
<b>Subtotal</b>	<b>73</b>	<b>0.05%</b>	<b>2</b>	<b>45%</b>	<b>4.62</b>	<b>23</b>	<b>32%</b>
<b>7 Corporates – other lending (F-IRB)</b>							
0.00 to <0.15	66	0.09%	24	40%	0.53	8	13%
0.15 to <0.25	28	0.21%	8	40%	1.01	8	28%
0.25 to <0.50	15	0.37%	8	40%	0.54	5	35%
0.50 to <0.75	1	0.57%	5	40%	0.25	0	42%
0.75 to <2.50	4	1.36%	17	40%	1.40	3	77%
2.50 to <10.00	-	-	-	-	-	-	-
10.00 to <100.00	-	-	-	-	-	-	-
100.00 (default)	-	-	-	-	-	-	-
<b>Subtotal</b>	<b>114</b>	<b>0.21%</b>	<b>61</b>	<b>40%</b>	<b>0.68</b>	<b>25</b>	<b>22%</b>
<b>11 Other retail exposure</b>							
0.00 to <0.15	2	0.11%	19	68%	0.53	0	18%
0.15 to <0.25	0	0.21%	7	62%	0.38	0	26%
0.25 to <0.50	0	0.37%	47	98%	0.31	0	59%
0.50 to <0.75	0	0.57%	2	98%	0.35	0	76%
0.75 to <2.50	0	1.80%	12	98%	0.53	1	119%
2.50 to <10.00	0	7.08%	0	98%	0.30	0	151%
10.00 to <100.00	-	-	-	-	-	-	-
100.00 (default)	-	-	-	-	-	-	-
<b>Subtotal</b>	<b>3</b>	<b>0.49%</b>	<b>88</b>	<b>77%</b>	<b>0.49</b>	<b>1</b>	<b>43%</b>
<b>Total</b>	<b>487</b>	<b>0.12%</b>	<b>215</b>	<b>44%</b>	<b>0.71</b>	<b>97</b>	<b>20%</b>

**Table 21. Standardized approach – CCR exposure by regulatory portfolio and risk weight**  
In CHF millions, at 30 June 2025, BCV Group, CCR3

	a	b	c	d	e	f	g	h
<b>Asset class / Risk weight</b>	<b>0%, 10%, and 15%</b>	<b>20% and 25%</b>	<b>30% and 35%</b>	<b>40%, 45%, and 50%</b>	<b>75%, 80%, and 85%</b>	<b>90% and 100%</b>	<b>130% and 150%</b>	<b>Total CCR exposure</b>
1 Central governments, central banks, and supranational institutions	17	-	-	-	-	-	-	17
2 Non-central govt. public-sector entities	-	-	-	15	-	-	-	15
3 Multilateral development banks	14	-	-	-	-	-	-	14
4 Banks	-	-	0	-	-	-	-	0
5 Corporates	-	-	-	-	-	66	-	66
6 Regulatory retail portfolios	-	-	-	-	-	6	-	6
7 Other assets	-	-	-	-	-	-	-	-
<b>8 Total</b>	<b>31</b>	<b>-</b>	<b>0</b>	<b>15</b>	<b>-</b>	<b>71</b>	<b>-</b>	<b>117</b>

CCR positions for which risk-weighted assets are calculated using the standardized approach consist of derivative positions and repo agreements with supranational institutions, insurance companies, and investment funds.

**Table 22. Composition of collateral for CCR exposure**In CHF millions, at 30 June 2025, BCV Group, CCR5<sup>18</sup>

	a	b	c	d	e	f
	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
Type of collateral	Segregated	Non-segregated	Segregated	Non-segregated		
1 Cash in CHF	-	19	-	157	2,233	-
2 Cash in other currencies	-	161	-	45	50	171
3 Swiss sovereign debt	-	-	24	5	8	257
4 Other sovereign debt	-	-	-	32	-	-
5 Government agency debt	-	-	-	-	5	71
6 Corporate bonds	-	-	355	55	37	2,122
7 Equity securities	-	-	-	-	-	-
8 Other collateral	-	-	-	-	107	-
<b>9 Total</b>	<b>-</b>	<b>180</b>	<b>379</b>	<b>294</b>	<b>2,439</b>	<b>2,622</b>

*Risks inherent in credit valuation adjustments (CVAs)*

Over-the-counter derivative positions are exposed to a risk of loss in market value in the event that the counterparty's credit quality deteriorates (CVA risk). The Bank hedges this risk through capital requirements calculated using the reduced basic approach (CAO, Article 77h.1(a)) since 1 January 2025. Valuation adjustments are calculated based on the economic sector and the counterparty's external credit rating; internal ratings are not used.

In accordance with Article 155 of CrEO-FINMA, the Bank does not calculate capital requirements for CVA risk on derivatives that are offset by central counterparties, on SFTs, or on internal Group positions.

<sup>18</sup>This table includes collateral received and posted for SFTs and derivative transactions. It does not include collateral posted to central banks and other institutions that form part of the financial market infrastructure for the purposes of securing credit lines and payment and settlement transactions.

**Table 1: Reduced basic approach for CVA risk (BA-CVA)**

In CHF millions, at 30 June 2025, BCV Group, CVA1

	a	b	a-1	b-1
	30/6/2025		31/12/2024	
	Components	Minimum capital requirements (BA-CVA)	Components	Minimum capital requirements
1 Aggregation of systematic components of CVA risk	44		13	
2 Aggregation of idiosyncratic components of CVA risk	12		6	
<b>3 Total</b>		<b>16</b>		<b>19</b>

*Centrally cleared derivatives*

Centrally cleared derivatives include exchange-traded derivatives (ETDs) and OTC derivatives cleared by a central counterparty.

Exchange-traded derivatives whose settlement is guaranteed by a central counterparty (see Table 24, row 4) mainly relate to transactions on behalf of clients (investment funds, banks, companies, and individuals). Nostro positions make up a small portion of the total exposure to central counterparties. The contracts traded are mainly options and futures on equities and major indexes. The major organized markets are Eurex, the Chicago Mercantile Exchange, and LIFFE.

OTC derivatives cleared by a central counterparty are interest-rate swaps used to manage the Bank's interest-rate risk and cleared by Eurex (see Table 24, row 3).

The Bank's exposure to central counterparties results from derivative positions, initial margins, variation margins, and default fund contributions. For derivatives, the exposure is determined according to the SA-CCR (CreO-FINMA, Article 3 *et seq.*); other exposures are determined using the comprehensive approach (as specified in CAO, Article 62.1(b)). This type of exposure is subject to a credit limit if it gives rise to credit risk for the Bank.

Capital requirements for these positions have been calculated since Basel III came into force on 1 January 2013.

**Table 24. Exposure to central counterparties (CCPs)**

In CHF millions, at 30 June 2025, BCV Group, CCR8

	a	b
	<b>EAD post-CRM</b>	<b>RWA</b>
1 Total exposure to qualified central counterparties (QCCPs)		15
2 Exposure for trades at QCCPs (excl. initial margin and default fund contributions)	295	6
3 Of which: OTC derivatives	286	6
4 Of which: exchange-traded derivatives	9	0
7 Segregated initial margin	516	
8 Non-segregated initial margin	14	0
9 Pre-funded default fund contributions	53	8

## 5. MARKET RISK

### 5.1 Market risk in the trading book

#### *Strategy and process*

All trading activities are managed within the Asset Management & Trading Division. A distinction is made between the trading portfolio, which includes all the trading teams' positions, and the financial management nostro portfolio, which is composed of the nostro positions managed by the Asset Management Department.

The Trading Department carries out market transactions in equities, fixed-income instruments, forex, and precious metals on behalf of internal and external counterparties. It has also acquired expertise in structured products. The Trading Department is active along the entire structured product value chain, from issuing to market-making. Since BCV completely withdrew from proprietary equity-derivative trading at the end of 2009, the Trading Department has focused primarily on customer-driven transactions.

The Asset Management Department is responsible for the financial management nostro portfolio. While this portfolio used to focus on providing a return, it was given a new role under the Bank's strategy and significantly reduced in 2009 and early 2010. It is now used to assist in the creation of new Asset Management funds, while keeping risk-taking to a minimum. This portfolio may be invested in stocks, bonds, simple derivatives, structured products, funds, and funds of funds. All of these positions (apart from those in funds and funds of funds) are on recognized exchanges or representative markets.

#### *Structure and organization*

All new Asset Management & Trading products and instruments must be approved by the Division's Product and Instrument Committee (PIC). This committee is chaired by the Executive Board member in charge of the Asset Management & Trading Division and includes the Division's department heads, the CRO (right of veto), and the head of the Back Office Department (right of veto). The process ensures that before a product is launched, all requirements have been met in the areas of risk management, ALM, treasury management, back offices, legal, compliance, tax, and IT.

For all trading positions, the overnight monitoring of market risk is under the responsibility of the Market Risk Unit within the Risk Management Department. The Market Risk Unit also defines the risk control measures and monitors the appropriateness of risk control for new trading products.

#### *Risk assessment*

Various techniques are used to measure risk exposure on the Asset Management & Trading Division's trading portfolio:

- Historical overnight Value-at-Risk (VaR) with a one-day time horizon and a confidence level of 99%;
- Analysis of potential losses using static stress tests;

- Sensitivity metrics such as delta, gamma, vega, theta, and rho.

Limit utilization is controlled and reported daily by the Market Risk Unit.

Various techniques are used to measure risk in the Asset Management & Trading Division's financial management nostro portfolio:

- Historical VaR with a six-month time horizon and a confidence level of 99%;
- Analysis of potential losses using static stress tests and dynamic six-month stress tests.

Market-risk-weighted assets correspond to the minimum capital requirements multiplied by 12.5. Minimum capital requirements for market risk on BCV's trading book are determined based on market values (mark-to-market) and in accordance with the simplified standardized approach under the final Basel III Accord (CAO, Article 82.1(a)) without the use of in-house models. For options trading, the calculation is based on the delta-plus method: the market value of the underlying is multiplied by the delta for the options positions. This method also takes gamma and vega into account. Listed equity securities in the subsidiaries' banking book are included in the prudential trading book when calculating capital requirements (as set out in CAO, Article 5.3(d), without exception). Hedge-fund positions in the financial management nostro portfolio are not included in the capital-requirement calculations for the trading book (stable exposure, around CHF 0.2m). These positions are calculated using the regulatory approach intended for equity investments in funds in the banking book in accordance with Article 4b(f) of the CAO.

The minimum capital requirements for positions in the trading book exposed to interest-rate risk accounted for the largest portion of risk-weighted assets at 30 June 2025. Of these assets, the largest portion was made up of currency swaps for customer-driven forex trading. The minimum capital requirements for equity positions result from remaining positions held as part of the Bank's structured products business, from the Bank's role as market maker for real-estate investment funds, and from nostro positions managed by the Asset Management Department. Most of the increase in the minimum capital requirements in the first half of 2025 (CHF 6m of CHF 7m) is due to the switch from the standardized approach under the previous version of Basel III to the simplified standardized approach under the final Basel III Accord. The most significant impact is on outright fixed-income and equity products.

**Table 25. Market risk under the simplified standardized approach**

In CHF millions, BCV Group, MR3<sup>19</sup>

	a	a-1	c	c-1
	Outright products		Options	
	30/6/2025	31/12/2024	Delta-plus method	
	30/6/2025	31/12/2024	30/6/2025	31/12/2024
1 Interest-rate risk	9	7	-	-
2 Equity risk	6	1	0	0
3 Commodity risk	0	-	0	0
4 Forex and gold price risk	1	1	0	0
<b>6 Total</b>	<b>16</b>	<b>9</b>	<b>0</b>	<b>0</b>

<sup>19</sup> Columns b and d are not included because they are not relevant for BCV.

## 5.2 Risk on equity securities in the banking book

Equity securities in the banking book are recorded on the balance sheet in the line items Financial investments and Non-consolidated holdings.

### *Strategy and processes*

Financial investments are composed of strategic holdings with a long time horizon that are acquired in accordance with the Bank's strategy. The Bank defined an upper limit of CHF 200m for these equity securities and, in principle, does not invest directly in private-equity positions.

The authority to acquire and change long-term holdings is held by the Executive Board for holdings of up to CHF 20m and the Board of Directors for larger amounts. The Board of Directors has responsibility for setting up and selling subsidiaries.

### *Risk assessment*

Equity securities included in Financial investments are mainly listed or unlisted shares and fund units that are not held for trading purposes or for long-term investment. They are valued at lower of cost or market.

The "Non-consolidated holdings" line item comprises corporate equity securities, which are held as long-term investments irrespective of voting rights. It also includes the Group's infrastructure-related holdings, particularly joint ventures. They are stated at cost, less any required impairment. The Group's main non-consolidated holdings at 30 June 2025 were investments in financial companies (a 13.6% stake in the Swiss Central Mortgage-Bond Institution, a 4.8% stake in Viseca Payment Services SA, a 3.2% stake in TWINT, and a 2.5% stake in SIX).

Capital requirements are determined for both equity securities recorded under Financial investments and those entered under Non-consolidated holdings. A 250% risk weighting is applied to shareholdings of more than 10% in financial companies (below threshold 3 under CAO, Article 40), while the weightings set out in Annex 4 of the CAO are applied to all other equity securities. As an exception to Article 5.3(d) of the CAO, the regulatory approach applied to the banking book is used for the parent company's listed equity securities carried under Financial investments, as these positions meet the required conditions (CAO, Articles 5.2 and 5.4). Equity securities carried under Financial investments<sup>20</sup> are strategic holdings with a long time horizon that are acquired in accordance with the Bank's strategy; they are managed by the Accounting Department, and all transactions (buy and sell) are the responsibility of the Executive Board or the Board of Directors, depending on the amount (threshold: CHF 20m).

## 5.3 Interest-rate risk in the banking book

### 5.3.1 Management of interest-rate risk in the banking book

Interest-rate risk in the banking book (IRRBB) is defined here as the potential loss in the Bank's net interest income (NII) or economic value of equity (EVE) arising from the effects that an adverse change in interest rates could have on the Bank's banking-book positions (on- and off-balance sheet).

The main IRRBB risk factors for the Bank are:

- Instantaneous and progressive changes in the yield curve;
- Changes in customer behavior, including customer allocation among different financial instruments.

The Bank's IRRBB exposure is of three types:

- Gap risk – Mismatches within the term structure of banking-book positions (i.e., among volumes and repricing maturities) for the assets, liabilities, and off-balance-sheet positions in the Bank's banking book;
- Behavioral option risk – Positions, especially non-maturity deposits, that could be affected by competitive pricing practices or changes in customer behavior;
- Basis risk – The risk arising from an imperfect correlation in the adjustment of rates earned and paid

<sup>20</sup>Balance-sheet value of CHF 9.5m and market value of CHF 52.8m at 30 June 2025

on different instruments with otherwise similar rate-change characteristics.

#### *Strategy and processes*

The Board of Directors establishes the Bank's principles for managing risk and decides on the risk-taking strategy it will pursue, which includes the target profile for IRRBB. This target profile is defined in the Bank's Financial Strategy and reviewed annually as part of its Financial Management Policy (FMP). The target profile is defined within limits that are expressed in the form of equity duration. Those limits are approved by the Board of Directors.

#### *Structure and organization*

The Executive Board is responsible for organizing and implementing IRRBB management. The Executive Board delegates management of this type of risk to its Asset and Liability Management Committee (ALCO). This committee meets monthly. It is chaired by the CEO and comprises four other Executive Board members, including the CFO.

In the Finance & Risks Division, IRRBB management is centralized within the ALM & Financial Management (ALM-FM) Department, which reports directly to the CFO. This department is responsible for:

- Defining and maintaining the models and principles used to manage IRRBB as part of the Bank's Financial Strategy. These models and principles are approved by the Model Validation team, the Executive Board's Risk Management Committee, and the Board of Directors.
- Producing monthly reports on IRRBB management and presenting them to the ALCO. This report is also presented to the Executive Board and the Audit and Risk Committee each quarter and to the Board of Directors every six months.

#### *Risk assessment*

The ALM-FM Department continuously manages interest-rate risk for the parent company's entire banking book, and, at each month-end, calculates the sensitivity indicators for its equity capital. Interest-rate risk in the trading book represents a market risk and is outside the scope of IRRBB.

Interest-rate risk relating to the activities of Piguet Galland & Cie SA is managed independently by its Executive Board under the supervision of BCV Group. Each quarter, the interest-rate position for the entire Group is determined by the ALM-FM Department, in accordance with the approach used by the parent company. It is then presented to the ALCO, the Executive Board, and the Audit & Risk Committee; it is also presented to the Board of Directors every six months. At 30 June 2025, in terms of sensitivity, the parent company's IRRBB accounted for 98% of the Group's IRRBB exposure.

#### *Risk measurement*

The Bank measures and monitors IRRBB using two types of indicators:

- Static indicators, which measure the sensitivity of the net present value of the banking book:
  - The present value of equity;
  - The sensitivity of the economic value of equity to a 100bp change in interest rates;
  - The duration of equity;
  - The VaR of the net present value of equity;
  - Key rate durations;
  - Future changes in the value and duration of equity.
- Dynamic indicators, which are based on interest-rate and balance-sheet scenarios for the current year and subsequent two years. The results of these simulations are used to calculate NII forecasts and the NII at risk over rolling 12-, 24-, and 36-month periods. The NII at risk is a measure of the sensitivity of NII to fluctuations in interest rates.

#### *Scenarios*

IRRBB is measured using standard scenarios that combine an interest-rate scenario with a balance-sheet simulation that considers the impact of new business production in order to incorporate assumptions about customer behavior. The projected interest rates are calculated at various confidence intervals so as to cover a wide range of possible interest-rate movements; these confidence intervals



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are based on historical interest-rate data dating back to 1988. The interest-rate scenarios that the Bank uses are:

- Spike scenario: A spike in interest rates, with a 99% confidence interval;
- Probable scenario: The most likely movements in interest rates over the next three years, according to expert estimates. The Bank also generates Probable+ and Probable- scenarios at 66% confidence intervals around the Probable scenario;
- Crash scenario: A sharp decrease in interest rates, with a 99% confidence interval;
- Inversion scenario: An inversion of the yield curve based on expert estimates.

To measure its ability to withstand extreme changes in interest rates, the Bank also conducts ad-hoc stress tests in response to market conditions.

#### *Risk mitigation*

IRRBB hedging decisions are made by the ALCO and executed on the market by the ALM-FM Department's Treasury team. Interest-rate swaps are currently the main type of hedging instrument used. Any options positions in the banking book are systematically hedged through market transactions.

All hedging instruments must be matched to a fixed-rate position in the banking book; these hedges are recognized under accrual accounting.

Every quarter, the ALM-FM Department tests the effectiveness of the hedges by making sure that the hedge ratio is high enough for the associated derivatives to be classified as hedging instruments.

**Table 26. Interest-rate risk – Quantitative information on the structure of positions, and maturity repricing**At 30 June 2025, parent company, IRRBBA1<sup>21</sup>

		a	b	c	d	e	f	g
		Volume in CHF millions			Average repricing maturity (in years)		Longest repricing maturity (in years) assigned to non-maturity positions	
		Total	Of which CHF	Of which other currencies	Total	Of which CHF	Total	Of which CHF
<b>Positions with a set repricing maturity</b>	Due from banks	484	260	-	0.9	1.6		
	Loans and advances to customers	5,019	4,594	-	3.3	3.5		
	Money-market mortgage loans	449	449	-	0.0	0.0		
	Fixed-rate mortgage loans	33,340	33,339	-	4.0	4.0		
	Financial investments	6,470	5,557	-	5.9	6.1		
	Other assets	-	-	-				
	Receivables on interest-rate derivatives	12,879	9,388	-	0.4	0.4		
	Due to banks	-4,869	-4,075	-	0.2	0.2		
	Customer deposits	-6,763	-5,312	-	0.3	0.4		
	Medium-term notes	-5	-5	-	1.4	1.4		
	Bonds and mortgage-backed bonds	-10,383	-10,383	-	6.3	6.3		
	Other liabilities	-	-	-				
	Liabilities on interest-rate derivatives	-12,912	-11,760	-	3.8	3.8		

<sup>21</sup> As the Bank's swap positions (interest-rate and FX swaps) have two legs – a receivables leg and a payables leg – they are recorded under both "Receivables on interest-rate derivatives" and "Liabilities on interest-rate derivatives." Column c ("Of which other currencies") gives positions in other currencies that account for over 10% of balance-sheet assets or liabilities.

		a	b	c	d	e	f	g
		Volume in CHF millions			Average repricing maturity (in years)		Longest repricing maturity (in years) assigned to non-maturity positions	
		Total	Of which CHF	Of which other currencies	Total	Of which CHF	Total	Of which CHF
<b>Positions with no set repricing maturity</b>	Due from banks	256	64	-	0.0	0.0	-	-
	Loans and advances to customers	1,090	340	-	0.3	0.8	7.0	7.0
	Variable-rate mortgage loans	185	185	-	2.6	2.6	10.0	10.0
	Other sight receivables	9,981	9,983	-	-	-	-	-
	Customer sight deposits	-19,763	-18,003	-	1.6	1.6	6.0	6.0
	Other sight liabilities	-1,040	-301	-	-	-	-	-
	Callable but non-transferrable customer savings deposits	-10,899	-10,804	-	1.8	1.8	5.0	5.0
<b>Total</b>		<b>3,518</b>	<b>3,518</b>	<b>-</b>	<b>7.6</b>	<b>7.7</b>	<b>-</b>	<b>-</b>

### 5.3.2 Prescribed modeling and parametric assumptions used to calculate the values in Table IRRBB1

The values given in Table IRRBB1 (Table 26) have been calculated in accordance with DisO-FINMA. The six interest-rate scenarios used are those given in FINMA Circular 2019/2, “Interest-rate risk – banks.” The following sections describe the key modeling and parametric assumptions used to calculate changes in the economic value of equity ( $\Delta EVE$ ) and changes in net interest income ( $\Delta NII$ ) as per regulatory requirements.

#### *Calculation of $\Delta EVE$*

Cash flows from fixed-rate positions are calculated using the interest rates on these positions. These calculations are aggregated by month using a median date.

The Bank includes non-maturity exposures in its calculation of static indicators using replication models. The main features of these models are:

- A parameter designed to smooth out the monthly volatility inherent in these types of exposures. This parameter is calculated using the monthly volume above the 3-month or 12-month rolling average (depending on the type of exposure). It is updated at one-month intervals.
- A simulation of the core stable volume of exposures, which is done using an interest-rate replication model for the rates applied to customers.
- This interest-rate replication model is based on market interest rates with repricing maturities spanning from one month to ten years (the average and the longest repricing maturities are given in Table IRRBBA1).
- The models are calibrated every year using a 10-year calculation window. Periods when a zero interest rate is applied to customers are omitted.

The benchmark interest rates used to discount the cash flows for the calculation of EVE are based on the interest-rate-risk hedging instruments used. For the Swiss franc, the interest rates used are the SAR up to 1 month and the SARON-based mid-swap rate beyond 1 month. For the euro, the interest rates used are the Euribor up to 12 months and the Euribor mid-swap rate beyond 12 months. For the US dollar, the interest rates used are the Secured Overnight Financing Rate (SOFR) and the SOFR-based mid-swap rate. For pound sterling, the interest rates used are the Sterling Overnight Index Average (SONIA) and the SONIA-based mid-swap rate. For the Japanese yen, the interest rates used are the Tokyo Overnight Average Rate (TONAR) and the TONAR-based mid-swap rate.

Intermediate interest rates are calculated using linear interpolation.

#### *Calculation of $\Delta NII$*

The repricing of fixed-rate exposures is based on the initial maturities of exposures that will reach their term in the next 12 months.

Cash flows from new fixed-rate positions are calculated using the interest rates on the new positions as follows:

Market interest rate for the term of the position + Additional funding rate + Expected margin

Where:

- Market interest rate is the rate taken from the simulated rate curve (same benchmark interest rates as for the calculation of EVE).
- Additional funding rate is the spread at each maturity that the Bank must pay above the benchmark interest rates for its senior and covered debt funding.
- Expected margin is based on recent and projected trends, taking into account business objectives and competitive pressure.

For exposures with variable rates set by the Bank (mainly sight deposits and savings accounts), the interest rates are modeled using historical data that compare market rates to customer rates. These historical data are used in stress tests to determine the interest rate that would be applied to customers after an interest-rate shock.

*Behavioral and automatic option risks*

Customers who pay a loan off early are charged an early redemption fee, which is calculated by multiplying the outstanding amount on the loan by an interest rate equal to the difference between the rate on the loan and the Bank's replacement rate for the remaining term of the loan. This policy ensures that the Bank does not incur any losses when customers pay off their loans early. As a result, the Bank does not use any specific models for early repayments.

The Bank applies the same policy to early withdrawals on term deposits, meaning the Bank does not use any specific models for these deposits either.

The Bank currently has no on- or off-balance-sheet positions that include embedded automatic options such as loans with a cap or floor, interest-rate options, and swaptions.

Any instruments on the balance sheet that include embedded automatic options would be accounted for as delta-weighted positions.

*Foreign currencies*

The vast majority of positions on the Bank's balance sheet are in CHF. The main foreign currencies are EUR and USD, which accounted for 4.0% and 2.2% of balance-sheet positions, respectively, at 30 June 2025. All foreign-currency exposures are fully included in the calculation of static indicators (as are CHF exposures). For dynamic indicators, a simplified calculation is used, although in keeping with DisO-FINMA. In the first half of 2025, the NII from foreign-currency transactions, excluding treasury-management transactions, amounted to 14% of total NII.

*Differences in the assumptions used to calculate indicators*

The main differences in the assumptions used to calculate the Bank's internal indicators vs. those used to calculate the indicators given in Table IRRBB1 are as follows:

- The NII values in Table IRRBB1 are calculated using a constant balance sheet, but internal indicators are calculated using a range of different balance-sheet scenarios based on different interest rates. This enables the Bank to account for how customer behavior may change in response to higher or lower interest rates;
- The NII values in Table IRRBB1 are calculated to reflect the effects of an instantaneous interest-rate shock, while internal indicators are calculated assuming the upwards or downwards pressure on interest rates occurs linearly over the first six months of the simulation;
- The NII values in Table IRRBB1 are calculated for a rolling 12-month period, while internal NII indicators are calculated for the current year and the subsequent two years.

**Table 27. Interest-rate risk – Quantitative information on the economic value of equity and net interest income**

In CHF millions, at 30 June 2025, parent company, IRRBB1

	a	b	c	d
	<b>ΔEVE</b>		<b>ΔNII</b>	
Period	30/6/2025	31/12/2024	30/6/2025	31/12/2024
Parallel up	-527	-505	85	53
Parallel down	574	553	25	47
Steeper	-216	-211		
Flattener	106	106		
Short rate up	-91	-84		
Short rate down	95	88		
Maximum	-527	-505	25	47

  

Period	30/6/2025	31/12/2024
Tier 1 capital	3,508	3,490

The economic value of equity is sensitive to a change in interest rates. The maximum sensitivity increased slightly in the first half of 2025.

Regarding the change in NII, neither of the two scenarios tested would lead to a decline in NII relative to the Bank's core scenario at 30 June 2025. This is because interest rates are now at 0% following the steep declines since 2024, especially in short-term interest rates (reflecting the 175 bp rate cut by the SNB). The drop in interest rates negatively impacted the simulated NII for the next 12 months. As a result, applying the parallel down scenario to interest rates at 30 June 2025 would bring the entire interest-rate curve into negative territory. Under such a scenario, in the first few months, the Bank could offset the impact of the negative interest rates on loans and on derivative hedging instruments in two ways: with the gains obtained from depositing cash with the SNB, assuming there is an exemption cap; and with negative-interest-rate commissions on certain customer deposits, as occurred in 2015–2022.

In the parallel up scenario, NII would be higher relative to the Bank's core scenario. This is due to the higher income from interest-rate swaps used as hedging instruments and to a smaller increase in the interest paid on customer deposits, as shown in Swiss banks' pricing behavior in 2022–2023.

## 5.4 Liquidity risk

### *Strategy and processes*

The Board of Directors sets out the principles for managing liquidity risk and the target liquidity-risk profile. The liquidity-risk profile is expressed through metrics such as the liquidity coverage ratio (LCR) and other indicators used to analyze the balance sheet's structure. The target liquidity-risk profile is reviewed annually by the ALCO.

### *Structure and organization*

The Executive Board delegates responsibility for managing liquidity risk to the ALCO, which does so in accordance with the principles set out by the Board of Directors. Every month, the ALCO monitors liquidity risk via the monthly ALCO report. The reports are also submitted to the Executive Board and the Board of Directors every quarter.

Within the Finance & Risks Division, the ALM-FM Department, which includes ALM and Treasury, is responsible for the centralized and operational management of liquidity risk.

- Treasury manages the parent company's liquidity position on a daily basis and ensures that the internal LCR limit is complied with. Treasury is also the counterparty for Group subsidiaries when managing their liquidity positions.

- ALM submits proposals to the ALCO concerning strategic balance-sheet management (e.g., long-term borrowings and financial investments) and draws up the ALCO reports.
- ALM is also in charge of determining and maintaining liquidity-risk management principles and models. The principles are approved by the ALCO and the Board of Directors, while models are approved by the EBRMC.

#### *Risk assessment*

There are two types of liquidity-risk metrics:

- Static metrics, which calculate the risk on a given date in order to assess the risk level instantaneously and monitor changes over time;
- Dynamic metrics, which calculate the risk on future dates in order to anticipate changes in the risk level. Dynamic metrics are determined by simulating changes in balance-sheet items over the following three years using three different scenarios of how the Bank's business could develop.

The following metrics are calculated both statically and dynamically and analyzed by the ALCO in order to assess the Bank's liquidity position and the robustness of its balance sheet:

- Basel III liquidity ratios (LCR and NSFR);
- The net funding requirements of the Bank's business lines;
- The long-term funding plan.

Other static indicators are also monitored by the ALCO:

- Maturities distribution/concentration for long-term borrowings;
- Funding costs on the interbank and bond markets.

In addition to these risk metrics, stress tests are conducted to quantify the impact that different adverse scenarios would have on the Bank's liquidity position over a given time. These stress tests are the starting point for determining the target liquidity-risk profile.

#### *Funding structure*

BCV is funded primarily by client deposits. These account for 63% of total liabilities and shareholders' equity and come in the form of savings, sight deposits, term deposits, and medium-term notes.

Long-term borrowings account for 17% of total liabilities and shareholders' equity. Most long-term borrowings are mortgage-backed bonds issued through the Central Mortgage-Bond Institution, which represents a stable source of long-term funding. Other long-term borrowings are made for diversification purposes.

Unsecured amounts due to banks make up 6% of total liabilities and shareholders' equity. Secured amounts due to banks (i.e., repurchase agreements) account for 4%.

The remaining items are shareholders' equity (6%) and other liabilities (around 4%).

#### *Contingency funding plan*

Pursuant to Article 10 of the Swiss Federal Liquidity Ordinance, the Bank has a contingency funding plan in place to cover a potential liquidity shortage. The plan has three components:

- An early warning system that determines the risk level using specific and systemic risk indicators;
- Escalation rules stipulating the management level that must be informed depending on how the situation develops;
- Checklists setting out the procedure to be followed, the measures to be taken by each business line, and the responsibilities of those tasked with managing the liquidity shortage.

The contingency funding plan is reviewed annually by the ALCO.

#### *Liquidity coverage ratio (LCR)*

The LCR is an international regulatory standard set out in the Basel III Accord. It became mandatory on 1 January 2015. The LCR ensures that a bank has enough liquidity to withstand a 30-calendar-day liquidity stress scenario. It is the ratio between the amount of high-quality liquid assets (HQLA) available

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and potential net cash outflows over a 30-day period. The term net cash outflows is defined as the total potential cash outflows (such as withdrawals from sight deposits and non-renewals of borrowings with a maturity of less than 30 days) less the total potential cash inflows (such as the repayment of receivables with a maturity of less than 30 days) in a stress situation. The minimum requirement for the LCR is 100%.

The average LCR for all BCV Group currencies was 134% in the first quarter of 2025 and 133% in the second quarter of 2025.

The Bank's SIC account makes up 56% of its HQLA. The remaining HQLA are primarily Swiss-issued securities that have a credit rating of between AAA and AA- (Central Mortgage-Bond Institution, the Mortgage-Bond Bank, the Swiss Federal Government and cantonal governments) and that are eligible as collateral for SNB open-market transactions.

Withdrawals from retail and corporate client deposits account for around 87% of total potential cash outflows. This reflects the fact that client deposits are the Bank's primary source of funding and also therefore the primary source of potential fund outflows in the event of a liquidity run.

Other cash outflows relate mainly to:

- Derivatives maturing within 30 days and margin calls relating to credit support annexes;
- The undrawn part of credit facilities granted to clients;
- Contingent liabilities (e.g., guarantees and letters of credit).

Loans to clients and banks maturing within 30 days account for around 82% of potential cash inflows. The remaining cash inflows primarily come from derivatives maturing within 30 days.

The LCR in CHF is higher than the LCR for all currencies combined, as almost all HQLA are denominated in CHF (cash deposited at the SNB). Conversely, the LCR in EUR and USD is lower than the LCR for all currencies combined.



**Table 28. Liquidity coverage ratio (LCR)**

In CHF millions, BCV Group, LIQ1

		Q2 2025		Q1 2025	
		Total unweighted value	Total weighted value	Total unweighted value	Total weighted value
<b>High-Quality Liquid Assets (HQLA)</b>					
<b>1</b>	<b>Total HQLA</b>		<b>11,813</b>		<b>11,574</b>
<b>Cash outflows</b>					
2	Retail deposits	23,672	1,921	23,071	1,820
3	Of which: stable deposits	7,844	392	7,796	390
4	Of which: less-stable deposits	15,828	1,529	15,275	1,430
5	Unsecured wholesale funding	16,432	7,132	16,400	7,352
6	Of which: operational deposits (all counterparties) and deposits in networks of cooperative banks	2,470	617	1,855	464
7	Of which: non-operational deposits (all counterparties)	13,939	6,491	14,521	6,865
8	Of which: unsecured debt	24	24	24	24
9	Secured wholesale funding		26		7
10	Additional requirements	3,532	1,040	3,224	1,024
11	Of which: cash outflows related to derivative exposure and other collateral requirements	1,613	718	1,450	722
13	Of which: cash outflows related to credit and liquidity facilities	1,920	322	1,774	302
14	Other contractual funding obligations	267	264	216	214
15	Other contingent funding obligations	2,467	123	2,299	115
<b>16</b>	<b>Total cash outflows</b>		<b>10,506</b>		<b>10,533</b>
<b>Cash inflows</b>					
17	Secured lending (e.g., reverse repos)	0	-	2	-
18	Inflows from fully performing exposure	1,934	1,399	1,940	1,461
19	Other cash inflows	224	224	419	419
<b>20</b>	<b>Total cash inflows</b>	<b>2,158</b>	<b>1,623</b>	<b>2,361</b>	<b>1,881</b>
<b>Adjusted values</b>					
<b>21</b>	<b>Total HQLA</b>		<b>11,813</b>		<b>11,574</b>
<b>22</b>	<b>Total net cash outflows</b>		<b>8,883</b>		<b>8,652</b>
<b>23</b>	<b>LCR</b>		<b>133%</b>		<b>134%</b>

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*Net stable funding ratio (NSFR)*

The NSFR is the other liquidity-related international regulatory standard set out in the Basel III Accord. It became mandatory on 1 July 2021. The NSFR is the ratio of available stable funding, in the form of deposits, wholesale funding, and capital, to required stable funding for assets, primarily in the form of loans, over a one-year time horizon. It limits overreliance on short-term wholesale funding, and encourages better assessment of funding risk across all on- and off-balance-sheet items. The minimum requirement for the NSFR is 100%.

BCV Group's NSFR was 121% at 31 March 2025 and 122% at 30 June 2025.

Around 66% of available stable funding is in the form of deposits from private clients, SMEs, and non-financial companies. Interbank borrowing and other liabilities account for around 25%, and shareholders' equity makes up the remaining 9%. Close to 85% of required stable funding is in the form of mortgage loans and loans to non-financial companies. The remaining 15% is made up of off-balance-sheet assets and other on-balance-sheet assets.

**Table 29. Net stable funding ratio (NSFR)**In CHF millions, BCV Group, LIQ2<sup>22</sup>

	a	b	c	d	e	a-1	b-1	c-1	d-1	e-1
	30/6/2025					31/3/2025				
	Unweighted value by residual maturity				Weighted value	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	≥ 6 months to < 1 year	≥ 1 year		No maturity	< 6 months	≥ 6 months to < 1 year	≥ 1 year	
<b>Available stable funding (ASF)</b>										
1 Capital:										
2 Regulatory capital	-	-	-	3,783	3,783	-	-	-	3,642	3,642
3 Other capital instruments	-	-	-			-	-	-		
4 Retail deposits and deposits from small business customers:										
5 Stable deposits	-	7,856			7,463	-	7,816			7,426
6 Less stable deposits	-	14,860	50	1,028	14,448	-	14,325	53	1,048	13,988
7 Wholesale funding:										
8 Operational deposits	-	1,815			907	-	1,615			807
9 Other wholesale funding	-	8,819	588	508	5,031	-	9,756	845	408	5,436
10 Liabilities with matching interdependent assets	-					-				
11 Other liabilities:										
12 NSFR derivative liabilities			-					-		
13 All other liabilities and equity not included in the above categories	-	10,698	1,213	9,334	10,424	-	10,590	904	9,487	10,225
<b>14 Total ASF</b>					<b>14,448</b>					<b>41,525</b>

<sup>22</sup> The unweighted values of payables and receivables with no fixed maturity are included in column b (< 6 months). Row 23 shows the amount of residential mortgage loans that are eligible for the 65% weighting when calculating stable funding as set out in Annex 5 of the Swiss Federal Liquidity Ordinance (numbers 5.1, 5.1a and 5.3), together with mortgage loans pledged to the Central Mortgage-Bond Institution. Row 20 shows the breakdown of loans not included in rows 18, 19, or 23. Detailed information on lines 21 and 22 is not available.

		a	b	c	d	e	a-1	b-1	c-1	d-1	e-1
		30/6/2025					31/3/2025				
		Unweighted value by residual maturity				Weighted value	Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	≥ 6 months to < 1 year	≥ 1 year		No maturity	< 6 months	≥ 6 months to < 1 year	≥ 1 year	
Required stable funding (RSF)											
15	Total NSFR high-quality liquid assets (HQLA)					1,295					1,292
16	Deposits held at other financial institutions for operational purposes	-	33			16	-	63			31
17	Performing loans and securities:										
18	Performing loans to financial institutions secured by Level 1 and 2a HQLAs	-					-				
19	Performing loans to financial institutions secured by non-Level 1 and 2a HQLAs and unsecured performing loans to financial institutions	-	682	71	1,156	1,302	-	1,625	52	1,033	1,310
20	Performing loans to nonfinancial corporate clients, retail and small business customers, central governments, central banks, subordinated regional companies, non-central govt. public-sector entities, and multilateral development banks, of which:	-	2,690	348	10,876	9,951	-	2,556	343	10,760	9,791
21	With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	-	-	-	-	-	-	-	-	-	-
22	Performing residential mortgages, of which:										
23	With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	-	461	27	24,941	19,348	-	236	34	24,883	19,234
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	485	1	709	845	-	514	0	714	864
25	Assets with matching interdependent liabilities	-					-				
26	Other assets:										
27	Physical traded commodities, including precious metals	-				359	-				296
28	Assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties		-	-	-	-		-	-	-	-
29	NSFR derivative assets		-	621	-	18		-	534	-	9
30	NSFR derivative liabilities after deduction of variation margin posted		-	109	-	109		-	74	-	74
31	All other assets not included in the above categories	-	883	0	225	1,108	-	1,168	1	204	1,373

32	Off-balance-sheet items		5,765	-	-	119		5,771	-	-	113
33	<b>Total RSF</b>					<b>34,471</b>					<b>34,386</b>
34	<b>NSFR</b>					<b>122%</b>					<b>121%</b>

## 6. OPERATIONAL RISK

The Bank takes a comprehensive approach to managing operational risk in general (see Section 6.1), and has designed specific approaches to the key risks managed by Compliance (see Section 6.2) and Security (see Section 6.3) in particular.

### 6.1 Overview

#### *Strategy and processes*

The Bank's operational-risk management concept is based on the Basel Committee's principles of best practice and is in keeping with FINMA Circular 2023/01 on operational risks and resilience.

It is designed to mitigate operational risk factors by identifying areas for improvement and strengthening the Bank's operational and management control systems. In particular, the Bank aims to reduce its exposure to:

- Breaches of laws, regulations, standards, and Bank directives, including the potential occurrence of a control-related risk event (i.e., resulting from a design flaw in the internal control system, non-compliant implementation of that system, or a lack of rigor in carrying out internal controls);
- Erroneous or malicious actions taken by employees, suppliers, bank counterparties, customers, or other parties external to the Bank;
- Inadequacies of IT systems (e.g., applications, interfaces, and hardware) and communication systems (e.g., telephone, fax, email, and social networks);
- Inappropriate infrastructure;
- An organizational structure that is not adapted to the Bank's activities, both in terms of processes (methods, procedures, organizational structure, etc.) and governance (rules, policies, directives, manuals, etc.);
- Natural hazards.

Operational risk factors can give rise to risk events. The Bank categorizes potential risk events as follows:

- Non-compliance, that is, a failure to comply with laws, regulations, standards, and Bank directives;
- Internal fraud;
- External fraud, including cyberattacks that specifically target the Bank's clients;
- Events related to human resources;
- Events linked to customer relations and business practices;
- Loss of operating resources;
- Failure of information systems, including potential cyberattacks that specifically target the Bank;
- Events related to transaction and process management.

#### *Structure and organization*

The Operational Risk Unit within the Finance & Risks Division's Risk Management Department is in charge of conducting periodic analyses to monitor the Bank's operational-risk profile and gathering and analyzing information on operational incidents that have occurred. This unit develops the methods used for managing operational risk and submits them for approval to the Executive Board's Risk Management Committee. The unit is also responsible for implementing these methods. In addition, the Operational Risk Unit contributes to creating and implementing assessment methods and tools for the Bank's operational internal control system.

#### *Risk reviews and analysis of incidents*

Periodic reviews are carried out to assess how well the main operational risks are managed. These are supplemented by ad-hoc reviews, for instance if a potential new threat arises, if FINMA submits a specific request, or if a major risk event materializes at another bank. These reviews and analyses are conducted by the Risk Management department and by functional skills centers (e.g., the Compliance

and Security departments). The aim of the reviews is to reveal possible improvements to the Bank's risk-management system, and particularly to operational and managerial controls.

In addition to identifying risks, the Bank exhaustively and systematically gathers information on and analyzes the main operational events arising from the Bank's activities. These events are recorded in a dedicated operational-risk-management application. In order to monitor the Bank's operational-risk profile, tolerance limits are set for operational events (i.e., number and financial impact) and for various indicators relating to the main operational-risk threats. Operational events and tolerance limits are monitored via the Bank's risk reports, which fall under the responsibility of the CRO (see Section **Erreur ! Source du renvoi introuvable.**).

If an important operational-risk event occurs, the Bank bases its response on clearly defined incident-management measures, such as the Business Continuity Plan (BCP).

The Bank has determined its regulatory capital requirements for operational risk in accordance with the standardized approach under the final Basel III Accord (CAO, Article 90). The minimum capital requirements at 30 June 2025 were calculated by multiplying the business indicator by 12%. The business indicator is the sum of the "interest and dividend component," the "services component," and the "financial component" under Article 92 of the CAO (see Table 2). The data required for this calculation come from the Accounting Department's IT system. Internal losses resulting from operational-risk events are not taken into account when calculating capital requirements (i.e., the internal loss multiplier (ILM) is set at 1), because the business indicator is below CHF 1.25bn (CHF 1.18bn at 30 June 2025).

**Table 2. Business indicator and subcomponents**

In CHF millions, BCV Group, OR2<sup>23</sup>

	a	b	c
<b>BI and its subcomponents</b>	<b>12/24</b>	<b>12/23</b>	<b>12/22</b>
<b>1 Interest, lease, and dividend component</b>	<b>550</b>		
1a - Interest and lease income	1,024	978	553
1b - Interest and lease expense	464	376	84
1c - Interest-earning assets	47,499	43,919	43,801
1d - Dividend income	7	7	6
<b>2 Services component</b>	<b>440</b>		
2a - Fee and commission income	435	398	404
2b - Fee and commission expense	66	59	60
2c - Other operating income	24	25	33
2d - Other operating expense	4	3	7
<b>3 Financial component</b>	<b>193</b>		
- Net P&L on the trading book	195	190	189
- Net P&L on the portion of the banking book used to calculate the minimum capital requirements for operational risk	3	-	-1
<b>4 BI</b>	<b>1,183</b>		
<b>5 Business indicator component (BIC)</b>	<b>142</b>		

<sup>23</sup>Lines 6a and 6b are not included because no activities have been divested.

**Table 3. Minimum capital requirements for operational risk**

In CHF millions, BCV Group, OR3

	a
	31/12/2024
1 Business indicator component (BIC)	142
2 Internal loss multiplier (ILM)	1
<b>3 Minimum capital requirements for operational risk (ORC)</b>	<b>142</b>
<b>4 Operational risk RWA</b>	<b>1,774</b>

## 6.2 Key compliance risks

### *Strategy and processes*

The key risks managed by Compliance relate to the risks inherent in money laundering and the financing of terrorism, in market abuse, and in conducting a business relationship with – or receiving or transferring funds for – an individual or legal entity that is subject to economic sanctions, or that is tax non-compliant. It also covers the respective control-related risks, such as the possibility that there is a design flaw in the internal control system, that implementation of the internal control system is non-compliant, or that internal controls are not rigorously carried out. These control-related risks stem from the Bank's regulatory requirement to have due diligence systems in place in order to mitigate compliance risk.

The Bank's approach to these inherent risks is in line with its position as a full-service bank with solid local roots. BCV's client relationships are representative of its locally focused core businesses and the other business activities that BCV conducts as a full-service bank, either because these activities offer strong synergies with the Bank's core businesses or because they offer solid profitability (e.g., trade finance). In all its business activities, the Bank prioritizes high-quality client relationships and does not enter into client relationships if there is a higher inherent risk in terms of money laundering and the financing of terrorism, market abuse, economic sanctions, and tax compliance.

To manage control-related risks, the Bank makes sure that the internal control system it sets up and implements is in line with its risk profile and relevant reference standards. It also ensures that the system is properly applied throughout the Bank. The internal control system is periodically reviewed so that it remains adapted to the above inherent risks as they evolve.

### *Structure and organization*

The Compliance Department is responsible for setting up, implementing, monitoring, and adapting the internal regulations and control system needed to combat money laundering and the financing of terrorism, monitor market abuse, and comply with economic sanctions. The Department also carries out the necessary controls in the area of investor protection. It is actively involved in raising employees' awareness of the respective obligations and performs independent checks to ensure that internal regulations are in line with the Bank's activities.

### *Risk reviews and analysis of incidents*

The Bank is inherently exposed to the key risks managed by Compliance (i.e., money laundering and the financing of terrorism, market abuse, economic sanctions, and tax compliance) when it provides banking services such as administering accounts, accepting funds, and executing transactions for clients. The Bank is also exposed to these risks when it decides whether to take on a client based on characteristics such as the client's place of domicile, the size of their assets, their lending commitments, and their business activities.

The Bank assesses its exposure to the risks inherent in money laundering and the financing of terrorism, economic sanctions, market abuse, and tax compliance on a yearly basis. As part of this process, it



categorizes client relationships and transactions based on money-laundering and terrorist-financing risk factors.

The Bank is also exposed to control-related compliance risks arising from the choices it makes concerning:

- The principles and methods used to detect, record, categorize, analyze, and clarify compliance risks;
- Its expertise in accepting and reviewing client relationships and transactions, and the related support and control processes;
- The skills and experience of those involved in the control system, and the tools made available to them.

The Bank periodically assesses its control-related compliance risks based on key performance indicators. It looks in particular at the level of compliance with quality standards and money-laundering and terrorist-financing clarification deadlines; how operational-risk controls are carried out and any related delays or non-compliance issues; and the internal and external audits, particularly in terms of criticality, specific issues that arise, and any postponements.

### 6.3 Key security risks

#### *Strategy and processes*

The key risks managed by Security cover risks to IT security and to physical security:

- IT security risks, particularly risks relating to cybercrime, arise from exposure to the IT systems, data, and operations needed for the Bank to run smoothly.
- Physical security risks relate to the safety of people – clients, employees, partners, and external service providers – and the security of infrastructure, i.e., buildings and other premises containing Bank property, and all of the equipment that the Bank needs to operate.

The Bank is constantly evolving its security system to keep pace with these threats.

#### *Structure and organization*

The Security Department is responsible for setting up, implementing, monitoring, and adapting the system that keeps the Bank's operations, IT systems, and data secure, and the people, infrastructure, and assets within the Bank safe and secure. It also makes sure that measures put in place to manage crisis situations and ensure business continuity remain effective and adequate over time.

#### *Risk reviews and analysis of incidents*

The Bank's level of exposure to each of the main types of risk event is assessed in terms of risk type.

In particular, cyberattack scenarios are identified, compiled, and mapped out by network zone (i.e., the internet, the demilitarized network zone, and the Bank's internal network). In this way, any weaknesses or shortcomings in the security system can be detected and recorded. The Security Department re-assesses the Bank's level of exposure on a quarterly basis. Data-breach scenarios are also identified and recorded. A catalog is kept of security measures and controls used to reduce the likelihood of risk events occurring and mitigate their impact. The controls needed for each data-breach scenario are identified from this catalog, and the residual risk is determined. The scenarios and catalog of measures and controls are reviewed annually.

### 6.4 Principles governing the Bank's internal control system (ICS)

The Bank's internal control system (ICS) was developed in accordance with the recommendations of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the Basel Committee, and pursuant to FINMA Circulars 2017/1 on corporate governance and 2023/1 on operational risk and resilience. The purpose of the ICS is to ensure that the Bank's activities are in line with its overall objectives. More specifically, the ICS enables the Bank to:

- Achieve its performance objectives in terms of both profit and controlling profit fluctuations;

- Provide reliable information both internally and externally;
- Comply with legal, regulatory, and self-regulatory requirements.

The Bank has an overall ICS along with an operational ICS.

The overall ICS is designed to ensure that the Bank's risk appetite is in keeping with its risk-taking capacity and that the overall risk-management framework appropriately addresses the risks identified. It comprises a set of measures and procedures that structure the Bank's operations and the orientation of its business. They include: robust governance mechanisms; a clearly defined organizational structure; coherent business goals that will ensure the Bank's longevity; established operating procedures for the Executive Board, the Board of Directors, and their committees; regular reviews of the Bank's overall and business-specific strategies, financial strategy, and risk policy (including key risk limits); and reports that are in line with the Bank's business activities and risk-management framework.

In terms of procedures, implementing an overall risk-management framework involves assigning tasks, responsibilities, and decision-making authority to employees and managers, and setting out the limits, deadlines, procedures, and rules to be followed and the forms and other documents to be used. The overall risk-management framework therefore touches upon all aspects of the Bank's operations.

The operational ICS ensures that managers and other employees comply with the operational procedures governing their work. Department heads are responsible for implementing and updating the procedures for their department and the related operational ICS, with the relevant Division head having ultimate responsibility in this regard.

The operational ICS covers execution-related operational risks (EOR) and the controls put in place to mitigate them. An EOR arises from potential errors, failures or non-compliance with rules, limits or documentation requirements. EORs with Bank-wide relevance are referred to as key EORs. Controls are set up and documented at Bank level for each key EOR. These controls always include operational oversight by employees, conducted in the course of their work, and managerial oversight, conducted at each management level (up to the department head) to ensure that the previous level of oversight was properly carried out.

The ICS comprises three levels. The Executive Board is responsible for the first two levels (the Executive Board's ICS), while the Board of Directors oversees the third level:

- Level one: operational oversight (1a) and managerial oversight (1b) based on the chain of command;
- Level two: controlling the appropriateness and effectiveness of level-one oversight by entities independent of the chain of command (e.g., Risk Management and Compliance);
- Level three: periodic reviews of levels one and two by the Internal Audit Department, which is responsible for determining the principles, content, and schedule for these reviews.

The Executive Board assigns extensive oversight responsibility to managers, with centralized functional units providing support. The Executive Board also ensures the requisite separation of tasks to prevent conflicts of interest between level-1 and level-2 oversight.

Executive Board members collectively and individually attach great importance to ensuring that the operational ICS is of a high quality, effective, and adapted to the Bank's needs, and implement the operational ICS rigorously, thereby serving as an example for department heads and all other Bank employees.

The operational ICS is set up and implemented factoring in the Bank's organizational structure, the characteristics of its business lines and functions, its risk levels, and the need to make effective use of the know-how available within the Bank.

## 7. CLIMATE-RELATED RISK

The Bank's approach to managing climate-related risks is described in more detail in the climate-risk appendix of its 2024 Sustainability Report.

### 7.1 Introduction

The socioeconomic impacts of the physical hazards caused by climate change and of the transition to a low-carbon economy are increasing and can affect all economic agents, including the financial sector and banks.

The Bank integrates climate-related risk into its risk management framework in order to protect its interests and those of its customers. In keeping with the recommendations of supervisory authorities (i.e., FINMA and the Basel Committee), the Bank considers the physical hazards caused by acute and chronic climate events and the transition to a low-carbon economy – which is being driven in particular by changing legislation and societal expectations and by economic and technological developments – to be risk factors that could impact all categories of risk to which the Bank is exposed: strategic and business risk, credit risk, market risk, and operational risk.

As a full-service bank with solid local roots, BCV is exposed to climate-related risk factors in various ways. The main sources of exposure taken into account are:

- its lending activities, including mortgage financing and corporate financing, as well as trade finance
- its trading and investment activities, i.e., client-driven investments and proprietary assets;
- its operations, in particular the buildings it uses for its banking activities.

For each source of exposure, the Bank uses a specific approach to assess and monitor the associated climate-related risk factors. That approach is based on various time horizons that can exceed 10 years (short term: 0 to 3 years; medium term: 3 to 10 years; and long term: more than 10 years).

### 7.2 The Bank's overall exposure to climate-related risk factors

BCV's exposure to climate-related risk is very low. That stems from the fact that BCV operates primarily in Vaud Canton, which has a strongly services-oriented economy; the transition to a low-carbon economy has less of an impact on the services sector. In addition, BCV does not have significant operations in regions that are particularly exposed to physical hazards.

Based on current estimates, the potential impact of climate related risk factors is well below that of the main risk factors for BCV's banking activities, such as a rise in interest rates, a sharp increase in the value of the Swiss franc, or a marked decline in immigration in the Canton of Vaud.

A summary of the assessment of the Bank's overall exposure to climate-related risk factors is discussed below with regard to the Bank's business activities and operational procedures (more detailed information about our exposures, mitigation measures, methodologies and monitoring approach is set out in our sustainability report starting on page 122).

#### 7.2.1 Exposure to climate-related risk factors in lending activities

BCV's lending activities mainly comprise mortgage financing and corporate financing in the Canton of Vaud and, to a limited extent, trade finance. The mortgage lending business has little exposure to transition risk (relating to regulatory changes in heating and construction standards, for example) and very limited exposure to physical risk (i.e., through loans on properties in regions subject to natural hazards). The proportion of loans granted to companies in sectors most exposed to the energy transition is considered low; these loans are not concentrated in any one sector, and no loans are granted to companies involved in the production of fossil-fuel energy.

The overall impact of climate-related risk factors on potential credit losses at the Bank is considered

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very low and well below that of other risk factors affecting lending, such as a rise in interest rates, a sharp increase in the value of the Swiss franc, or a marked decline in immigration in the Canton of Vaud.

#### 7.2.2 Exposure to climate-related risk factors in client investments

As part of its asset-management activities, BCV makes investments at the request of its individual and institutional clients. The value of these client-driven investments may be affected by climate-related risk factors, such as stricter laws on greenhouse gas emissions, adverse public-image trends for certain business sectors or companies, changes in the value of resources, and extreme weather events like storms and heatwaves. These client-driven investments are considered to have only a very low overall exposure to market risk factors related to the energy transition. This is based on the results of the PACTA climate compatibility test run by the Swiss Federal Office for the Environment (SFOE), in which BCV took part for the third time in 2024. The 2024 test showed that BCV's portfolios have low overall exposure to the most carbon-intensive sectors of the economy and are less exposed than an aggregate portfolio of all banks participating in the test.

With regard to asset management activities, the Bank's reputation could be affected by controversies such as accusations of greenwashing. To mitigate this risk, BCV has introduced control processes and systems along its entire asset-management value chain, in accordance with FINMA guidelines and the recommendations of Asset Management Association Switzerland (AMAS), Swiss Sustainable Finance (SSF), and the Swiss Bankers Association (SBA).

#### 7.2.3 Exposure to climate-related risk factors in the Bank's operations

With regard to its operations, and in particular the buildings it uses for its banking activities, BCV has very little exposure to climate-related risk. The Bank has taken various measures over the past several years to reduce its carbon footprint, especially when it comes to heating its buildings. It also encourages employees to commute using public transportation or by walking or biking.

## 8. APPENDIX

**Table 32. Key metrics**

In CHF millions, BCV Group, full table, KM1

	a	c	e
	30/6/2025	31/12/2024	30/6/2024
<b>Available capital</b>			
1 Common Equity Tier 1 (CET1)	3,534	3,519	3,464
2 Tier 1 (T1)	3,534	3,519	3,464
3 Total capital	3,554	3,539	3,489
<b>Risk-weighted assets (RWA)</b>			
4 Total RWA	19,259	20,894	20,349
4a Total pre-floor RWA (CAO, Art. 45a.3)	19,259	n.a.	n.a.
<b>Risk-based capital ratios (as % of RWA)</b>			
5 CET1 ratio	18.4%	16.8%	17.0%
5b CET1 ratio (pre-floor)	18.4%	n.a.	n.a.
6 Tier 1 ratio	18.4%	16.8%	17.0%
6b Tier 1 ratio (pre-floor)	18.4%	n.a.	n.a.
7 Total capital ratio	18.5%	16.9%	17.1%
7b Total capital ratio (pre-floor)	18.5%	n.a.	n.a.
<b>Additional CET1 buffer requirements (Basel Committee; as % of RWA)</b>			
8 Capital conservation buffer requirement (2.5%)	2.5%	2.5%	2.5%
9 Countercyclical buffer requirement (extended; CAO, Art. 44a)	-	-	-
11 Total of bank CET1 specific buffer requirements	2.5%	2.5%	2.5%
12 CET1 available after meeting the bank's minimum capital requirements (i.e., after the CET1 allocated to cover minimum capital requirements)	10.5%	8.9%	9.1%
<b>Capital ratio requirements (as % of RWA; CAO, Annex 8)</b>			
12a Capital buffer (CAO, Annex 8)	4.0%	4.0%	4.0%
12b Countercyclical buffer (CAO, Art. 44 and 44a)	1.0%	1.0%	1.0%
12c CET1 requirement in accordance with Annex 8 of the CAO plus the countercyclical buffer (CAO, Art. 44 and 44a)	8.8%	8.8%	8.8%
12d Tier 1 requirement in accordance with Annex 8 of the CAO plus the countercyclical buffer (CAO, Art. 44 and 44a)	10.6%	10.6%	10.6%
12e Total regulatory capital requirement in accordance with Annex 8 of the CAO plus the countercyclical buffer (CAO, Art. 44 and 44a)	13.0%	13.0%	13.0%
<b>Basel III leverage ratio</b>			
13 Total Basel III leverage ratio exposure measure	64,120	63,442	63,601
14 Basel III leverage ratio (Tier 1 capital as % of total Basel III leverage ratio exposure measure, including the impact of any applicable temporary exemption of central bank reserves)	5.5%	5.5%	5.4%

14b	Basel III leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	5.5%	n.a.	n.a.
14e	Minimum capital requirements (CAO, Art. 42), i.e., the higher of the following two amounts: 1. minimum capital requirements under Art. 42.1(a and b), CAO (3% of the Basel III leverage ratio exposure measure and 8% of RWA); 2. minimum capital of CHF 10m (BO, Art. 15) for banks and CHF 1.5m (FinIO, Art. 69.1) for securities firms	1,924	n.a.	n.a.
<b>Net stable funding ratio (NSFR)</b>				
18	Available stable funding	42,057	40,314	39,484
19	Required stable funding	34,471	34,072	33,035
20	NSFR	122%	118%	120%

	a	b	c	d	e
	Q2 2025	Q1 2025	Q4 2024	Q3 2024	Q2 2024
<b>Liquidity coverage ratio (LCR)</b>					
15 Total high-quality liquid assets (HQLA)	11,813	11,574	11,404	12,286	12,455
16 Total net cash outflow	8,883	8,652	9,173	9,186	9,732
17 LCR	133%	134%	124%	134%	128%

## 8.1 Reconciliation of financial statements and regulatory exposure

**Table 33. Reconciliation of regulatory capital to balance sheet**

In CHF millions, BCV Group, CC2<sup>24</sup>

	a	a-1	c
	Balance sheet as in published financial statements		Reference
	30/6/2025	31/12/2024	
<b>Assets</b>			
Cash and cash equivalents	10,053	10,614	
Due from banks	734	1,139	
Reverse repurchase agreements	-	-	
Loans and advances to customers	6,387	5,959	
Mortgage loans	34,774	34,207	
Trading portfolio assets	428	317	
Positive mark-to-market values of derivative financial instruments	430	510	
Other financial assets at fair value	1,167	1,131	
Financial investments	6,570	6,065	

<sup>24</sup>Column b, "Under regulatory scope of consolidation," is not included because the numbers are identical to those in column a, "Balance sheet as in published financial statements."

Accrued income and prepaid expenses	112	113	
Non-consolidated holdings	87	87	
Tangible fixed assets	365	379	
Intangible assets	-	-	
Other assets	113	111	
Capital not paid in	-	-	
<b>Total assets</b>	<b>61,219</b>	<b>60,629</b>	
<b>Liabilities</b>			
Due to banks	3,589	5,941	
Repurchase agreements	2,255	1,253	
Customer deposits	38,565	37,672	
Trading portfolio liabilities	1	1	
Negative mark-to-market values of derivative financial instruments	552	517	
Other financial liabilities at fair value	1,920	1,564	
Medium-term notes	5	4	
Bonds and mortgage-backed bonds	10,287	9,444	
Accrued expenses and deferred income	198	215	
Other liabilities	69	80	
Provisions	16	12	
<b>Total liabilities</b>	<b>57,458</b>	<b>56,703</b>	
<b>Shareholders' equity</b>			
Reserves for general banking risks	666	666	
Share capital	86	86	
Of which: amount eligible as CET1 capital	86	86	a
Statutory reserves, voluntary reserves, retained earnings, and net profit (loss) for the period	3,024	3,188	
Treasury shares	-15	-13	
Minority interests shown in the consolidated financial statements	0	0	
<b>Total shareholders' equity</b>	<b>3,762</b>	<b>3,927</b>	

**Table 34. Composition of regulatory capital**In CHF millions, BCV Group, full table, CC1<sup>25</sup>

	a	a-1	b
	Amounts		References
	30/6/2025	31/12/2024	
<b>Common Equity Tier 1 (CET1)</b>			
1 Issued and paid-in capital, fully eligible	86	86	a
2 Retained earnings, including reserves for general banking and net profit (loss) for the period	3,459	3,442	
3 Capital reserve, currency translation reserve, and other reserves	34	33	
5 Minority interests eligible as CET1	0	0	
6 <b>CET1 before regulatory adjustments</b>	<b>3,579</b>	<b>3,561</b>	
<b>CET1 regulatory adjustments</b>			
12 IRB shortfall of provisions to expected losses	30	29	
16 Net long position in own CET1 instruments	15	13	
18 Amount exceeding threshold 1 (10%) for CET1-eligible non-significant investments in the common stock of other financial entities	-	-	
19 Amount exceeding threshold 2 (10%) for CET1-eligible significant investments in the common stock of other financial entities	-	-	
22 Amount exceeding threshold 3 (15%)	-	-	
28 <b>Total regulatory adjustments to CET1</b>	<b>45</b>	<b>43</b>	
29 <b>Net CET1</b>	<b>3,534</b>	<b>3,519</b>	
<b>Additional Tier 1 capital (AT1)</b>			
36 <b>AT1 before regulatory adjustments</b>	-	-	
43 <b>Total regulatory adjustments to AT1</b>	-	-	
44 <b>Net AT1</b>	-	-	
45 <b>Net Tier 1 capital</b>	<b>3,534</b>	<b>3,519</b>	
<b>Tier 2 capital (T2)</b>			
46 Issued and paid-in instruments, fully eligible, net of amortization (CAO, Art. 30.2)	-	-	
48 Minority interests eligible as T2	-	-	
50 Valuation adjustments; provisions and impairment for prudential reasons; compulsory reserves on financial investments	20	20	
51 <b>T2 before regulatory adjustments</b>	<b>20</b>	<b>20</b>	
<b>T2 regulatory adjustments</b>			
52 Net long position in own T2 instruments	-	-	
57 <b>Total regulatory adjustments to T2</b>	-	-	
58 <b>Net T2</b>	<b>20</b>	<b>20</b>	
59 <b>Total regulatory capital (Net T1 &amp; Net T2)</b>	<b>3,554</b>	<b>3,539</b>	
60 <b>Total risk-weighted assets (RWA)</b>	<b>19,259</b>	<b>20,894</b>	
<b>Capital ratios (as % of RWA)</b>			
61 CET1 ratio (row 29)	18.4%	16.8%	

<sup>25</sup>The calculation of regulatory capital at 30 June includes 70% of first-half net profit after deducting 50% of the dividend distributed for the 2024 financial year. Rows not applicable to BCV are not included. The “Impact of transitional arrangements” column is not included because BCV does not apply any transitional arrangements.



62	T1 ratio (row 45)	18.4%	16.8%
63	Total capital ratio (row 59)	18.5%	16.9%
64	Specific CET1 buffer (capital conservation buffer + extended countercyclical buffer (CAO, Art. 44a) + capital buffer for systemically important banks)	2.5%	2.5%
65	Of which: in accordance with Basel minimum standards	2.5%	2.5%
68	CET1 available to meet buffer requirements in accordance with Basel minimum standards (row 64), after deducting the CET1 covering minimum requirements	10.5%	8.9%
68a	CET1 total requirement in accordance with Annex 8 of the CAO plus the countercyclical buffer	8.8%	8.8%
68b	Of which: countercyclical buffer in accordance with CAO, Art. 44 and 44a	1.0%	1.0%
68c	CET1 available	18.4%	16.8%
68d	T1 total requirement in accordance with Annex 8 of the CAO plus the countercyclical buffer	10.6%	10.6%
68e	T1 available	18.4%	16.8%
68f	Total regulatory capital requirement in accordance with Annex 8 of the CAO plus the countercyclical buffer (CAO, Art. 44 and 44a)	13.0%	13.0%
68g	Regulatory capital available	18.5%	17.0%
<b>Amounts below the thresholds for deduction (before risk weighting)</b>			
72	Non-significant investments in the common stock of other financial entities	23	23
73	Significant investments in the common stock of financial entities (CET1-eligible)	313	313
<b>Applicable caps on the inclusion of value adjustments in Tier 2 capital (T2)</b>			
78	T2-eligible value adjustments on exposures subject to the IRB approach (prior to application of cap)	-	-
79	Cap for inclusion of T2 value adjustments under the IRB approach	70	73

**Table 35. Main features of regulatory capital instruments**In CHF millions, BCV Group, CCA<sup>26</sup>

		<b>Quantitative or qualitative information</b>
1	Issuer	Banque Cantonale Vaudoise (BCV), corporation organized under public law, founded by the Vaud Cantonal Parliament on 19 December 1845
2	Unique identifier	ISIN CH0531751755
3	Governing laws of the instrument	Cantonal Act Governing the Organization of Banque Cantonale Vaudoise; BCV's articles of association; Swiss Code of Obligations
<b>Regulatory treatment</b>		
4	Transitional rules under CAO	CET1
5	Post-transitional rules under CAO	CET1
6	Eligible at solo/group/group and solo	Group and solo
7	Instrument type	Equity
8	Amount recognized in regulatory capital (currency in millions, as of most recent reporting date)	86
9	Par value of instrument	CHF 1
10	Accounting classification	Share capital
11	Original date of issuance	31 December 1995
12	Perpetual or dated	Perpetual
14	Issuer call subject to prior supervisory approval	No
<b>Coupons and dividends</b>		
17	Fixed or variable coupon or dividend	Variable
19	Existence of a dividend stopper, where the absence of a dividend indicates a dividend waiver for ordinary shares	No
20	Fully discretionary, partially discretionary, or mandatory	Fully discretionary
21	Existence of step-up or other incentive to redeem	No
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
30	Writedown feature	No
36	Non-compliant transitioned features under Basel minimum standards as set out in Annex 1 of the CAO	No

<sup>26</sup>Rows not used are not included.

**Table 36. Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories**In CHF millions, at 30 June 2025, BCV Group, LI1<sup>27</sup>

	a	c	d	f	g
	Carrying values				
	As reported in published financial statements	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to market risk framework	Not subject to capital requirements or subject to deduction from capital
<b>Assets</b>					
Cash and cash equivalents	10,053	10,052	2		
Due from banks	734	530	204		
Reverse repurchase agreements					
Loans and advances to customers	6,387	6,264	123		
Mortgage loans	34,774	34,774			
Trading portfolio assets	428			428	
Positive mark-to-market values of derivative financial instruments	430		430	430	
Other financial assets at fair value	1,167	0		1,167	
Financial investments	6,570	6,570	2,197		
Accrued income and prepaid expenses	112	112			
Non-consolidated holdings	87	87			
Tangible fixed assets	365	365			
Intangible assets					
Other assets	113	113			
<b>Total assets</b>	<b>61,219</b>	<b>58,866</b>	<b>2,957</b>	<b>2,024</b>	
<b>Liabilities</b>					
Due to banks	3,589		180		3,409
Repurchase agreements	2,255		2,255		
Customer deposits	38,565		0		38,565
Trading portfolio liabilities	1			1	
Negative mark-to-market values of derivative financial instruments	552		552	552	
Other financial liabilities at fair value	1,920			1,920	
Medium-term notes	5				5
Bonds and mortgage-backed bonds	10,287				10,287
Accrued expenses and deferred income	198				198
Other liabilities	69				69

<sup>27</sup>Column b is not included since the accounting scope of consolidation is identical to the regulatory scope of consolidation.

Provisions	16	-			16
<b>Total liabilities</b>	<b>57,458</b>	<b>-</b>	<b>2,987</b>	<b>2,473</b>	<b>52,550</b>

Exposures relating to the following line items are assessed across several risk categories:

- Mark-to-market values of derivative financial instruments: derivative transactions generate both counterparty credit risk and market risk;
- Financial investments: bonds used in repo transactions or held as collateral with other financial institutions generate both credit risk and counterparty credit risk.

**Table 37. Main sources of differences between regulatory exposure amounts and carrying values in financial statements**

In CHF millions, at 30 June 2025, BCV Group, LI2

	a	b	d	e
	Items subject to:			
	Total	Credit risk framework	CCR framework	Market risk framework
<b>1 Asset carrying value under regulatory scope of consolidation (as per Table LI1)</b>	<b>63,847</b>	<b>58,866</b>	<b>2,957</b>	<b>2,024</b>
2 Liabilities carrying value under regulatory scope of consolidation (as per Table LI1)	5,460	-	2,987	2,473
3 Total net amount under regulatory scope of consolidation	58,387	58,866	-30	-449
4 Off-balance sheet amounts	7,096	2,553	-	-
5 Differences in the valuation of securities financing transactions (regulatory haircut)	138	-	138	-
6 Differences in the valuation of derivatives transactions (due to regulatory add-ons)	354	-	354	-
7 Differences due to consideration of value adjustments and provisions	90	90	-	-
8 Other valuation differences	29	29	-	-
<b>10 Exposure amounts considered for regulatory purposes</b>	<b>66,093</b>	<b>61,537</b>	<b>462</b>	<b>-449</b>

Differences between the values reported in the financial statements and the regulatory amounts can be attributed to the following factors:

- Off-balance-sheet positions (contingent liabilities and undrawn revocable and irrevocable credit limits);
- Valuation differences for repo transactions (exposure after regulatory haircut);
- Provisions that are deducted from total exposure amounts according to the accounting standard applied at BCV;
- Add-ons to derivative positions and forward contracts.

Assets in the trading book are measured at fair value based on their prices in liquid markets. Fair values are checked daily by the Market Risk Unit within the Risk Management Department (see Section 5.1). Given the valuation method that the Bank uses, no prudential valuation adjustments are made (and, as such, Table PV1 is not applicable).

**Table 38. Asset encumbrance**  
In CHF millions, BCV Group, ENC

	a	a-1	b	b-1	c	c-1	d	d-1
	<b>Encumbered assets, excl. central bank facilities</b>		<b>Central bank facilities</b>		<b>Unencumbered assets, excl. central bank facilities</b>		<b>Total</b>	
	<b>30/6/25</b>	<b>31/12/24</b>	<b>30/6/25</b>	<b>31/12/24</b>	<b>30/6/25</b>	<b>31/12/24</b>	<b>30/6/25</b>	<b>31/12/24</b>
Cash and cash equivalents	2	1	-	-	10,052	10,612	10,053	10,614
Due from banks	204	339	-	-	530	800	734	1,139
Loans and advances to customers	125	12	95	125	6,168	5,821	6,387	5,959
of which: Covid-19 loans	2	4	95	125	2	1	98	130
Mortgage loans	10,388	9,715	-	-	24,386	24,493	34,774	34,207
of which: mortgages pledged to the Central Mortgage- Bond Institution of Swiss Cantonal Banks	10,388	9,715	-	-	-	-	10,388	9,715
Financial investments	2,847	1,831	3,642	4,151	80	83	6,570	6,065

CHF 10.388bn in mortgage loans is pledged to cover loans from the Central Mortgage-Bond Institution of Swiss Cantonal Banks. Financial investments include CHF 2.847bn in encumbered securities and CHF 3.642bn in securities eligible to be held with the SNB, CHF 173m of which are pledged to the SNB in the event that overnight liquidity requirements are tightened (this facility was not in use at 30 June 2025). The remaining amount, CHF 3.469bn, may be pledged to the SNB for intraday funding and is

thus shown in the “Central bank facilities” column. The Bank provides a total of CHF 327m in cash collateral, of which CHF 204m is to banking counterparties and CHF 123m is to institutional clients. These amounts are shown in the “Encumbered assets, excluding central bank facilities” column for the “Due from banks” and “Loans and advances to customers” rows. The Covid-19 facility represents SNB funding for the Bank’s Covid-19 loans. CHF 95m in Covid-19 loans were pledged at 30 June 2025.

## 8.2 Modeled versus standardized approach

**Table 4. Comparison of modeled and standardized RWA, by risk type**

In CHF millions, BCV Group, CMS1

	a	b	c	d
<b>Risk type</b>	<b>RWA for modeled approaches that banks have supervisory approval to use</b>	<b>RWA for portfolios where standardized approaches are used</b>	<b>Total actual RWA (a + b)</b>	<b>RWA calculated using full standardized approach (i.e., for the output floor under CAO, Art. 45a.3)</b>
1 Credit risk (excluding CCR)	13,340	2,671	16,011	21,369
2 CCR	152	93	245	358
3 CVAs for derivatives and securities financing transactions		198	198	198
5 Market risk	-	207	207	207
6 Operational risk		1,774	1,774	1,774
7 Residual RWA	-	823	823	823
<b>8 Total</b>	<b>13,492</b>	<b>5,767</b>	<b>19,259</b>	<b>24,729</b>

Total risk-weighted assets as calculated under the modeled approach accounts for 78% of risk-weighted assets as calculated under the standardized approach, which is above the 72.5% output floor (the transitional arrangements are not used). The differences between the risk-weighted positions calculated under the modeled approach and those calculated under the standardized approach can be fully attributed to the credit risk and counterparty credit risk, which were calculated using the IRB approach. For an explanation of the difference in the credit risk calculations (row 1 in the table above), see the next table.

**Table 5:**  
**Comparison of modeled and standardized RWA for credit risk, by asset class**  
 In CHF millions, BCV Group, CMS2

Asset class	a	b	c	d
	RWA for modeled approaches that banks have supervisory approval to use	RWA for column (a) if re-computed using the standardized approach	Total actual RWA	RWA calculated using full standardized approach (i.e., for the output floor under CAO, Art. 45a.3)
1 Central governments, central banks, and supranational institutions	-	-	0	0
4 Banks	412	264	578	430
5 Non-central govt. public-sector entities and multilateral development banks	302	496	637	831
6 Corporates – specialized lending	6,593	6,241	6,658	6,306
7 Of which: specialized lending, under supervisory slotting approach	6,593	6,241		6,241
10 Corporates – other lending	2,062	4,096	3,083	5,117
11 Of which: other lending, under F-IRB approach	2,062	4,096		4,096
13 Retail	2,150	7,600	2,683	8,133
14 Of which: retail mortgages	1,829	7,155		7,155
15 Of which: qualifying revolving retail	-	-		-
16 Of which: other retail	321	445		445
17 Equity			77	77
18 Others	1,821	-	2,296	475
<b>19 Total</b>	<b>13,340</b>	<b>18,698</b>	<b>16,011</b>	<b>21,369</b>

Risk-weighted assets as calculated under the IRB approach are less than those calculated under the standardized approach for the Retail and Corporates asset classes, excluding specialized lending, because the IRB risk weightings are more precise in their inclusion of lower risks related to counterparty solvency and to the amounts BCV stands to receive if the counterparty defaults. For the “Corporates - specialized lending” asset class, the slotting approach takes into account the higher risk of unexpected loss in connection with income-producing real estate and Trade Finance positions. The “Others” asset class shows the impact of the sector output floor applied by FINMA for the mortgage loan portfolio in Switzerland.

### 8.3 Leverage ratio

**Table 41. Summary comparison of accounting assets vs. leverage ratio exposure measure**

In CHF millions, BCV Group, LR1

	30/6/2025	31/12/2024
1 Total consolidated assets as per published financial statements	61,219	60,629
5 Adjustment for fiduciary assets recognized on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-	-
8 Adjustment for derivative financial instruments	334	404
9 Adjustment for SFTs	1	0
10 Adjustment for off-balance-sheet items	2,611	2,451
11 Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	-45	-43
12 Other adjustments	-	-
<b>13 Leverage ratio exposure measure</b>	<b>64,120</b>	<b>63,442</b>

The decrease in total assets mainly reflects a decline in amounts due from banks and in cash and cash equivalents (see Table 33). The difference between the financial assets reported on the balance sheet and the leverage ratio exposure measure stems primarily from off-balance-sheet transactions (CHF 2.611bn at 30 June 2025). Starting with the Q1 2019 financial statements, the leverage ratio for derivatives exposures is calculated using the SA-CCR.

**Table 42. Leverage ratio common disclosures**

In CHF millions, BCV Group, LR2

	30/06/2025	31/12/2024
<b>On-balance-sheet exposure</b>		
1 On-balance-sheet exposure (excluding derivatives and SFTs, but including collateral)	58,546	58,874
2 Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework	-	-
3 Deduction of receivables assets for cash variation margin provided in derivatives transactions	-321	-340
4 Adjustment for securities received under SFTs that are recognized as an asset	-	-
5 Value adjustments associated with on-balance sheet exposures that are deducted from Tier 1 capital (T1)	-	-
6 Assets deducted in determining T1	-45	-43
<b>7 Total on-balance-sheet exposures within the leverage ratio framework, excluding derivatives and SFTs</b>	<b>58,180</b>	<b>58,491</b>
<b>Derivative exposure</b>		
8 Replacement cost associated with all derivatives transactions, including those with central counterparties (net of eligible cash variation margin and/or with bilateral netting)	260	328
9 Add-ons associated with all derivatives transactions	824	927
10 Deduction relating to exposure to QCCPs if there is no obligation to reimburse the client in the event of the QCCP defaulting	-	-
11 Adjusted effective notional amount of written credit derivatives, after deduction of negative replacement values	-	-



12	Adjusted effective notional offsets of bought/written credit derivatives and add-on deductions for written credit derivatives	-	-
<b>13</b>	<b>Total derivative exposure</b>	<b>1,085</b>	<b>1,254</b>
<b>SFT exposure</b>			
14	Gross SFT assets with no recognition of netting, except in the event of novation with qualified central counterparties, adjusted for sales accounting transactions	2,244	1,245
15	Netted amounts of cash payables and cash receivables relating to SFT counterparties	-	-
16	CCR exposure for SFT assets	1	0
17	Agent transaction exposure for SFT assets	-	-
<b>18</b>	<b>Total SFT exposure</b>	<b>2,245</b>	<b>1,245</b>
<b>Other off-balance-sheet exposure</b>			
19	Off-balance-sheet exposure at gross national amounts before application of CCFs	9,547	7,306
20	Adjustments for conversion to credit equivalent amounts	-6,937	-4,855
21	Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital	-	-
<b>22</b>	<b>Total off-balance-sheet exposure</b>	<b>2,611</b>	<b>2,451</b>
<b>Capital and total exposure</b>			
<b>23</b>	<b>T1</b>	<b>3,534</b>	<b>3,519</b>
<b>24</b>	<b>Total exposure</b>	<b>64,120</b>	<b>63,442</b>
<b>Leverage ratio</b>			
<b>25</b>	<b>Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)</b>	<b>5.5%</b>	<b>5.5%</b>
<b>25a</b>	<b>Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)</b>	<b>5.5%</b>	<b>5.5%</b>
<b>26</b>	<b>National minimum leverage ratio requirement</b>	<b>1,924</b>	<b>1,903</b>
<b>27</b>	<b>Applicable leverage buffers</b>	<b>3.0%</b>	<b>3.0%</b>

The difference between the amount of total accounting assets on the balance sheet and the balance-sheet exposure used to calculate the leverage ratio (row 1 of Table 42) is due to the Bank's repo agreements (CHF 2.244bn at 30 June 2025) and derivatives (mark-to-market value of CHF 260m at 30 June 2025).

## 8.4 Disclosure map, analytical classifications, and abbreviations

### 8.4.1 Disclosure map

The relationships between the tables in DisO-FINMA and those in this report are described below.

**Table 43. Disclosure map**

Basel reference code	Description	BCV table no.	Frequency under FINMA	Comment
<b>Overview</b>				
KM1	Key metrics	2, 32 and 47	Semiannual	
OVA	Bank risk management approach	Sec. 3	Annual	
OV1	Overview of RWA	4	Semiannual	

CCyB1	Geographical distribution of credit exposure used in the extended countercyclical buffer under Basel minimum standards	Annual	Not required for BCV
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**Linkages between financial statements and regulatory exposure**


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CCA	Main features of regulatory capital instruments	35	Annual	
CC1	Composition of regulatory capital	3 and 34	Annual	Updated half-yearly
CC2	Reconciliation of regulatory capital to balance sheet	33	Annual	
LIA	Explanations of differences between accounting and regulatory exposure amounts	Sec. 8.1	Annual	
LI1	Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories	36	Annual	
LI2	Main sources of differences between regulatory exposure amounts and carrying values in financial statements	37	Annual	
ENC	Asset encumbrance	38	Annual	
PV1	Prudential valuation adjustments		Annual	No prudential valuation adjustments

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**Leverage ratio**


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LR1	Summary comparison of accounting assets vs leverage ratio exposure measure	41	Annual	Updated half-yearly
LR2	Leverage ratio common disclosures	42	Annual	

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**Credit risk**


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CRA	General qualitative information about credit risk	Sec. 4	Annual	
CR1	Credit quality of assets	10	Annual	Updated half-yearly
CR2	Changes in stock of defaulted loans and debt securities	11	Annual	
CRB	Additional disclosure related to the credit quality of assets	Sec. 4	Annual	Updated half-yearly
CRC	Qualitative disclosure requirements related to credit risk mitigation (CRM) techniques	Sec. 4	Annual	
CR3	CRM techniques – overview	12	Annual	Updated half-yearly
CRD	Qualitative disclosure on the Bank's use of external credit ratings under the standardized approach for credit risk	Sec. 4	Annual	

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CR4	Standardized approach – credit risk exposure and CRM effects	17	Annual	
CR5	Standardized approach – exposure by asset class and risk weight	18 and 19	Annual	Updated half-yearly
CRE	Qualitative disclosures related to IRB models	Sec. 4	Annual	Updated half-yearly
CR6	IRB approach – credit risk exposure by portfolio and probability of default (PD) range	13	Semiannual	
CR7	IRB approach – effect on RWA of credit derivatives used as CRM techniques		Semiannual	No credit derivatives
CR8	RWA flow statements of credit risk exposure under IRB approach	14	Semiannual	
CR9	IRB approach – backtesting of PD per portfolio	15	Annual	
CR10	IRB approach – specialized lending and equities under the simple risk weight method	16	Semiannual	
CCRA	Qualitative disclosure related to counterparty credit risk	Sec. 4.3	Annual	
CCR1	Counterparty credit risk: analyses by approach	n.a.		Not required for cat. 3 bank
CCR3	Standardized approach – CCR exposure by regulatory portfolio and risk weight	21	Annual	Updated half-yearly
CCR4	IRB approach – CCR exposure by portfolio and PD range	20	Semiannual	
CCR5	Composition of collateral for CCR exposure	22	Annual	Updated half-yearly
CCR6	Credit derivatives exposures		Annual	No credit derivatives
CCR7	RWA flow statements of CCR exposure under the Internal Model Method (IMM)		Semiannual	IMM approach not used at BCV
CCR8	Exposure to central counterparties (CCPs)	24	Annual	Updated half-yearly
CVAA	CVA risk: general qualitative information on CVA risk management	Sec. 4.3	Annual	
CVA1	CVA risk: reduced basic approach (BA-CVA)	23	Annual	Updated half-yearly
CVA2	CVA risk: full basic approach (BA-CVA)		Annual	Full BA-CVA not applied at BCV
CVAB	CVA risk: qualitative information on the use of the advanced approach (A-CVA)		Annual	A-CVA not applied at BCV

CVA3	CVA risk: quantitative information on the use of the advanced approach (A-CVA)		Annual	
CVA4	CVA risk: change in RWA under the advanced approach (A-CVA)		Annual	
CMS1	Comparison of modeled and standardized RWA by risk type	39	Semiannual	
CMS2	Comparison of RWA for credit risk calculated under the IRB approach and under SA-BIS, by asset class	40	Semiannual	
<b>Market risk and liquidity</b>				
SECA	Qualitative disclosure requirements related to securitization exposure		Annual	
SEC1	Securitization exposure in the banking book		Annual	
SEC2	Securitization exposure in the trading book		Annual	
SEC3	Securitization exposure in the banking book and associated regulatory capital requirements – bank acting as originator or sponsor		Annual	No securitization
SEC4	Securitization exposure in the banking book and associated regulatory capital requirements – bank acting as investor		Annual	
MRA	General qualitative disclosure requirements related to market risk	Sec. 5	Annual	
MR1	Market risk under the standardized approach (SA)		Annual	Standard approach not used at BCV (simplified standard approach used)
MRB	Qualitative disclosures for banks using the Internal Models Approach (IMA)		Annual	IMA approach not used at BCV
MR2	RWA flow statements of market risk exposure under the IMA		Semiannual	
MR3	Market risk under the simplified standardized approach	25	Annual	Updated half-yearly
IRRBBA	IRRB risk management objectives and policies	Sec. 5.3	Annual	
IRRBBA1	Quantitative information on the structure of IRRBB positions and maturity repricing	26	Annual	Updated half-yearly

IRRBB1	Quantitative information on the economic value of equity and net interest income	27	Annual	
LIQA	Liquidity risk management	Sec. 5.4	Annual	
LIQ1	Liquidity coverage ratio	28	Semiannual	
LIQ2	Net stable funding ratio	29	Semiannual	
<b>Operational risk</b>				
ORA	General qualitative information about operational risk management	Sec. 6	Annual	
OR1	Historical losses		Annual	Not required for BCV
OR2	Business indicator and subcomponents	30	Annual	
OR3	Minimum capital requirements for operational risk	31	Annual	
<b>Remuneration</b>				
REMA	Remuneration policy		Annual	
REM1	Remuneration awarded during the financial year		Annual	Not required for BCV
REM2	Special payments		Annual	
REM3	Deferred remuneration		Annual	

### 8.4.2 Analytical classifications

This section describes the different analytical classifications used in this document that are not already defined within the framework of the final Basel III Accord.

**Table 44. Final Basel III Accord asset classes**

<b>Asset class</b>	<b>Description</b>
Central governments, central banks, and supranational institutions	The Swiss national government, BIS, central banks, multilateral development banks eligible for a 0% risk weighting, and foreign governments
Banks	Bank counterparties
Swiss mortgage bonds	Securities issued by the Central Mortgage-Bond Institution of Swiss Cantonal Banks and the Mortgage-Bond Bank of Swiss Mortgage Institutions
Non-central govt. public-sector entities and multilateral development banks (F-IRB)	Cantonal governments and municipal authorities
Corporates – specialized lending (F-IRB)	Real-estate financing for counterparties rated with the “real-estate professionals” rating model, together with trade-finance transactions
Corporates – other lending (F-IRB)	Companies that do not meet the retail criteria, the Mortgage-Bond Bank of Swiss Mortgage Institutions, and the Central Mortgage-Bond Institution
Mortgage-backed retail exposure	Mortgage-backed exposure to individuals and companies that meet the retail criteria
Other retail exposure	Other exposure to individuals and companies that meet the retail criteria
Other positions	Non-counterparty-related assets and equity securities

**Table 45. Risk segments**

<b>Type of counterparty</b>	<b>Description</b>
<b>Retail</b>	Individuals with no business loan who have a mortgage loan of up to CHF 1.2m or assets of less than CHF 250,000 invested in an asset allocation fund
<b>Private banking</b>	Individuals with no business loan who meet at least one of the following criteria: a mortgage loan of over CHF 1.2m, assets of more than CHF 250,000, or an advisory and/or discretionary management agreement
<b>SMEs</b>	Small and medium-sized businesses, excluding real-estate professionals and trade-finance counterparties, that do not meet the criteria for “large corporates”
<b>Real-estate professionals</b>	Counterparties whose main professional activity is investing in real estate for their own account

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<b>Large corporates</b>	Listed companies that use the capital markets and have complex financial needs (e.g., syndicated loans, international exposure, etc.)
<b>Public-sector entities</b>	Swiss national, cantonal, and municipal governments
<b>Trade finance</b>	Non-bank counterparties involved in trade-finance activities
<b>Banks</b>	Bank counterparties, including central counterparties since 1 January 2013

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**Table 46. Supervisory slotting and PD rating model (scope of F-IRB approach)**

<b>BCV rating model</b>	<b>Description</b>
<b>BCV staff</b>	Individuals who are BCV employees
<b>Private banking</b>	Individuals or groups of individuals with no commercial loans and with at least CHF 300,000 in assets with BCV or who are financed exclusively with Lombard loans
<b>Retail</b>	Individuals or groups of individuals with no commercial loans and who do not meet the criteria for “Private banking” or “BCV employees”
<b>SME</b>	Small and mid-sized businesses
<b>Large corporates</b>	Large businesses
<b>Banks</b>	Banking institutions
<b>Vaud municipalities</b>	Municipalities in Vaud Canton
<b>Real-estate professionals</b>	Counterparties whose main professional activity is investing in real estate for their own account
<b>Trade finance</b> (supervisory slotting criteria for specialized lending)	Transactions to finance international commodities trading
<b>Real-estate development</b> (supervisory slotting criteria for specialized lending)	Transactions to finance real-estate development

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### 8.4.3 List of abbreviations

<b>ALCO</b>	Asset and Liabilities Management Committee
<b>ALM</b>	Asset and Liability Management
<b>ALM-FM</b>	The Bank's ALM and Financial Management Department
<b>BCV</b>	Banque Cantonale Vaudoise
<b>BIS</b>	Bank for International Settlements
<b>BO</b>	Swiss Federal Ordinance on Banks and Savings Banks
<b>BoD</b>	Board of Directors
<b>CAO</b>	Swiss Federal Ordinance of 1 June 2012 concerning capital adequacy and risk diversification for banks and securities traders (known as the “Capital Adequacy Ordinance”)
<b>CCF</b>	Credit conversion factor
<b>CCO</b>	Chief Credit Officer
<b>CCP</b>	Central counterparty, an institution that acts as an intermediary between two parties to secure a transaction by becoming the counterparty to the buyer and the seller
<b>CCR</b>	Counterparty credit risk
<b>CEO</b>	Chief Executive Officer
<b>CF</b>	Commodities finance
<b>CFO</b>	Chief Financial Officer
<b>CreO-FINMA</b>	FINMA Ordinance of 6 March 2024 on the Credit Risks of Banks and Securities Firms
<b>CRM</b>	Credit risk mitigation
<b>CSA</b>	Credit Support Annex, an optional annex for ISDA netting agreements
<b>CVA</b>	Credit valuation adjustment, a capital requirement aimed at covering the risk of loss in market value as a result of deterioration in the counterparty's credit quality
<b>ΔEVE</b>	Change in the economic value of equity
<b>ΔNII</b>	Change in net interest income



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<b>EAD</b>	Exposure at default
<b>EBCC</b>	Executive Board Credit Committee
<b>EBRMC</b>	Executive Board Risk Management Committee
<b>EL</b>	Expected loss
<b>ESG</b>	Environmental, social, and governance
<b>EURIBOR</b>	Euro Interbank Offered Rate, the set of benchmark rates published by the European Money Markets Institute for unsecured interbank funding in euros for periods of up to 12 months
<b>F-IRB</b>	Foundation internal ratings-based approach
<b>FinIO</b>	Swiss Federal Ordinance on Financial Institutions
<b>FINMA</b>	Swiss Financial Market Supervisory Authority
<b>FINMA-AO</b>	FINMA accounting ordinance of 31 October 2019
<b>GMRA</b>	Global Master Repurchase Agreement of the Public Securities Association/International Securities Market Association (PSA/ISMA)
<b>HQLA</b>	High-quality liquid assets
<b>ICS</b>	Internal control system
<b>ID</b>	BCV's "in default" provisioning category
<b>IMA</b>	Internal Models Approach
<b>IMM</b>	Internal Model Method
<b>IPRE</b>	Income-producing real estate
<b>IRB</b>	Internal ratings-based
<b>IRRBB</b>	Interest-rate risk in the banking book
<b>ILM</b>	Internal loss multiplier, a coefficient that reflects the extent to which operational events affect the calculation of risk-weighted assets
<b>ISDA</b>	International Swaps and Derivatives Association
<b>LCR</b>	Liquidity coverage ratio
<b>LGD</b>	Loss given default

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<b>LIBOR</b>	London Interbank Offered Rate
<b>NII</b>	Net interest income
<b>NSFR</b>	Net stable funding ratio
<b>DisO-FINMA</b>	FINMA Ordinance of 6 March 2024 on the Disclosure Obligations of Banks and Securities Firms
<b>OTC</b>	Over the counter
<b>PD</b>	Probability of default
<b>QCCP</b>	Qualified central counterparty
<b>RD</b>	BCV's "reputed to be in financial difficulty" provisioning category
<b>RMPS</b>	BCV's Risk Management Policy and Strategy
<b>RWA</b>	Risk-weighted assets
<b>SAR</b>	Swiss Average Rate, the Swiss benchmark rate for repos
<b>SARON</b>	Swiss Average Rate Overnight, the Swiss benchmark rate for overnight repos
<b>SFT</b>	Securities financing transaction
<b>SIC</b>	Swiss Interbank Clearing
<b>SNB</b>	Swiss National Bank
<b>SOFR</b>	Secured Overnight Financing Rate, the benchmark rate published by the US Federal Reserve for secured overnight interbank funding
<b>SONIA</b>	Sterling Overnight Interbank Average rate, the benchmark rate published by the Bank of England for unsecured interbank funding in pound sterling
<b>SRI</b>	Socially responsible investing
<b>SA-BIS</b>	International Standardized Approach in accordance with the CAO
<b>SA-CCR</b>	Standardized approach for measuring counterparty credit risk
<b>TCFD</b>	Task Force on Climate-related Financial Disclosures
<b>TONAR</b>	Tokyo Overnight Average Rate, the benchmark rate published by the Bank of Japan for unsecured interbank funding in yen
<b>VaR</b>	Value at risk

## 8.5 Parent-company disclosures

When capital and liquidity requirements are calculated at group level, the Group is generally only required to provide consolidated disclosures (known as the disclosure exemption).

Under DisO-FINMA, the Bank is nevertheless required to disclose the following parent-company figures.

**Table 47. Main parent-company figures**

In CHF millions, at 30 June 2025, KM1

	a	c	e
	30/6/2025	31/12/2024	30/6/2024
<b>Available capital</b>			
1 Common Equity Tier 1 (CET1)	3,508	3,490	3,438
2 Tier 1 (T1)	3,508	3,490	3,438
3 Total capital	3,528	3,509	3,463
<b>Risk-weighted assets (RWA)</b>			
4 Total RWA	19,000	20,773	20,249
4a Total pre-floor RWA (CAO, Art. 45a.3)	19,000	n.a.	n.a.
<b>Risk-based capital ratios as % of RWA</b>			
5 CET1 ratio	18.5%	16.8%	17.0%
5b CET1 ratio (pre-floor)	18.5%	n.a.	n.a.
6 Tier 1 ratio	18.5%	16.8%	17.0%
6b Tier 1 ratio (pre-floor)	18.5%	n.a.	n.a.
7 Total capital ratio	18.6%	16.9%	17.1%
7b Total capital ratio (pre-floor)	18.6%	n.a.	n.a.
<b>Additional CET1 buffer requirements (Basel Committee; as % of RWA)</b>			
8 Capital conservation buffer requirement	2.5%	2.5%	2.5%
9 Countercyclical buffer requirement	-	-	-
11 Total of bank CET1 specific buffer requirements	2.5%	2.5%	2.5%
12 CET1 available after meeting the bank's minimum capital requirements (i.e., after the CET1 allocated to cover minimum capital requirements)	10.6%	8.9%	9.1%
<b>Capital ratio requirements (as % of RWA; CAO, Annex 8)</b>			
Minimum requirement (CAO, Art. 42)	8.0%	8.0%	8.0%
12a Total capital buffer (CAO, Annex 8)	4.0%	4.0%	4.0%
CET1 buffer (CAO, Annex 8)	3.3%	3.3%	3.3%
12b Countercyclical buffers (CAO, Art. 44 and 44a)	1.0%	1.0%	1.0%
12c CET1 requirement in accordance with Annex 8 of the CAO plus the countercyclical buffer (CAO, Art. 44 and 44a)	8.8%	8.8%	8.8%
12d Tier 1 requirement in accordance with Annex 8 of the CAO plus the	10.6%	10.6%	10.6%

		countercyclical buffer (CAO, Art. 44 and 44a)			
	12e	Total regulatory capital requirement in accordance with Annex 8 of the CAO plus the countercyclical buffer (CAO, Art. 44 and 44a)	13.0%	13.0%	13.0%
		Additional capital (CAO, Art. 45)	1.0%	1.0%	1.0%
		Total FINMA capital requirement	14.0%	14.0%	14.0%
<b>Basel III leverage ratio</b>					
	13	Total Basel III leverage ratio exposure measure	63,155	62,876	62,547
	14	Basel III leverage ratio (Tier 1 capital as % of total Basel III leverage ratio exposure measure, including the impact of any applicable temporary exemption of central bank reserves)	5.6%	5.6%	5.5%
14b		Basel III leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	5.6%	n.a.	n.a.
14e		Minimum capital requirements (CAO, Art. 42), i.e., the higher of the following two amounts: 1. minimum capital requirements under Art. 42.1(a and b), CAO (3% of the Basel III leverage ratio exposure measure and 8% of RWA); 2. minimum capital of CHF 10m (BO, Art. 15) for banks and CHF 1.5m (FinIO, Art. 69.1) for securities firms	1,895	n.a.	n.a.
<b>Net stable funding ratio (NSFR)</b>					
	18	Available stable funding	41,208	39,495	38,601
	19	Required stable funding	33,896	33,510	32,479
	20	NSFR	122%	118%	119%

	a	b	c	d	e	
	Q2 2025	Q1 2025	Q4 2024	Q3 2024	Q2 2024	
Liquidity coverage ratio (LCR)						
15	Total high-quality liquid assets (HQLA)	11,589	11,323	11,186	12,046	12,188
16	Total net cash outflow	8,784	8,527	9,070	9,059	9,613
17	LCR	132%	133%	123%	133%	127%

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