

The Swiss Pfandbrief® - Pfandbriefbank and Pfandbriefzentrale in Focus

Moody's Swiss Breakfast

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schweizerischen Kantonalbanken AG

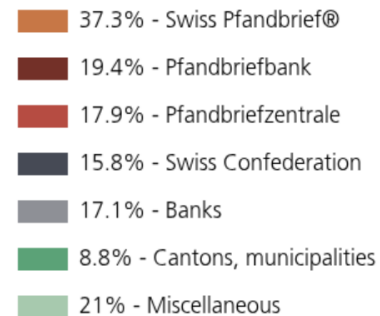


Agenda

1. Swiss Pfandbriefe[®] in the CHF capital market
2. The Swiss Pfandbrief[®] and its system structure
3. Benefits for investors and member banks
4. Outlook
5. Appendix and Disclaimer

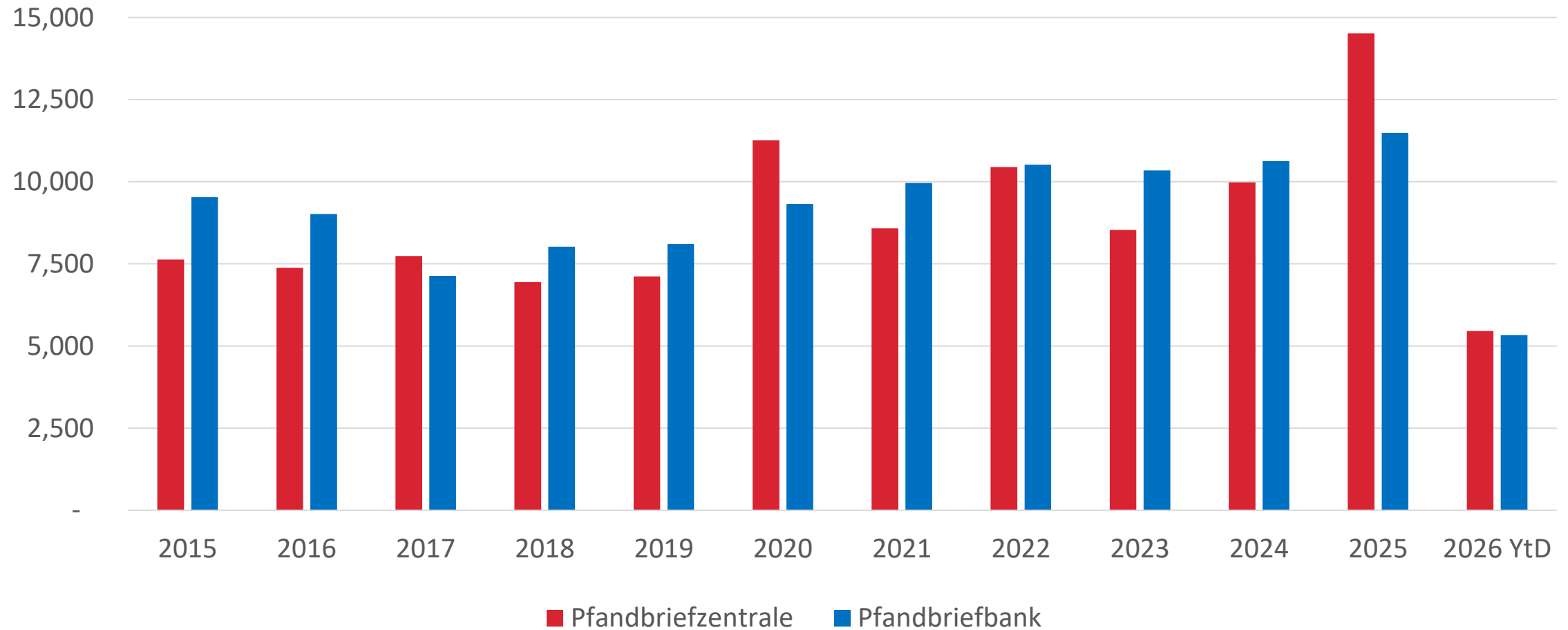
Swiss Pfandbriefe® in the CHF capital market

- Pfandbrief institutions are **among the largest issuers** in the CHF bond market
- Swiss Pfandbriefe® are a **core asset class** alongside Swiss Confederation bonds
- **High secondary market liquidity** on SIX Swiss Exchange
- Recognised as:
 - SNB repo-eligible
 - HQLA Level 2a for LCR purposes



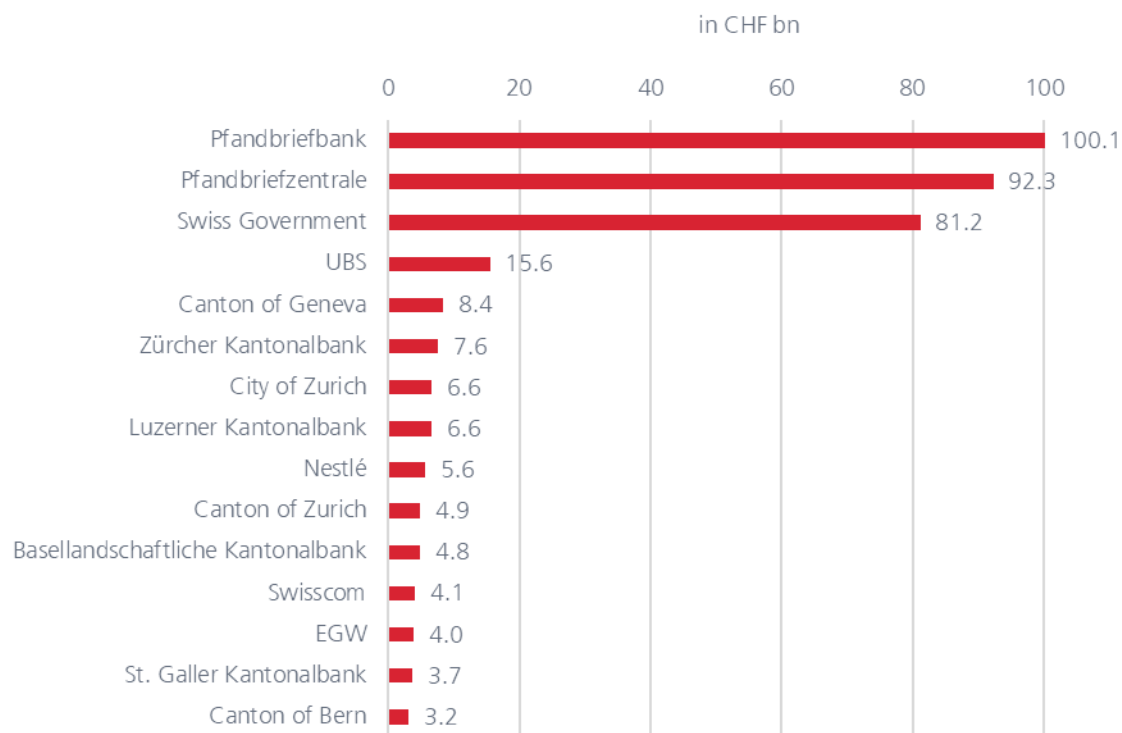
As of 31.12.2025

Comparison PFZ and PFB – amount issued

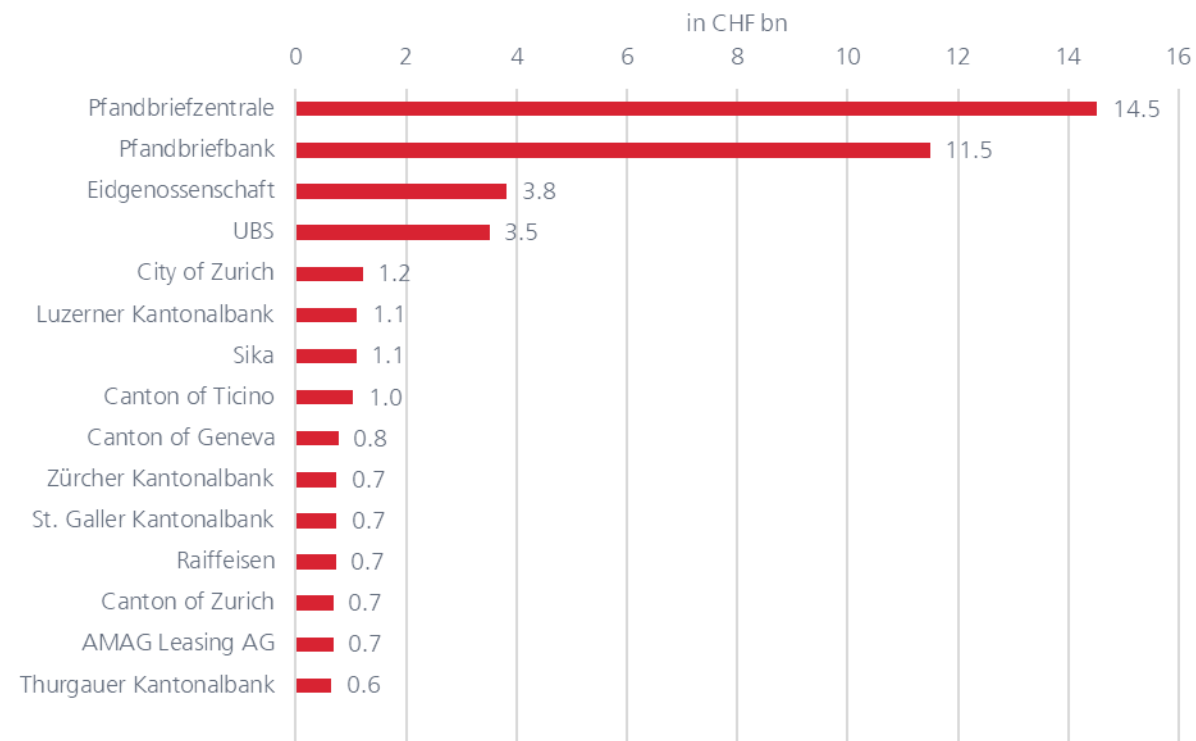


Largest issuers and outstanding CHF bonds in the domestic segment

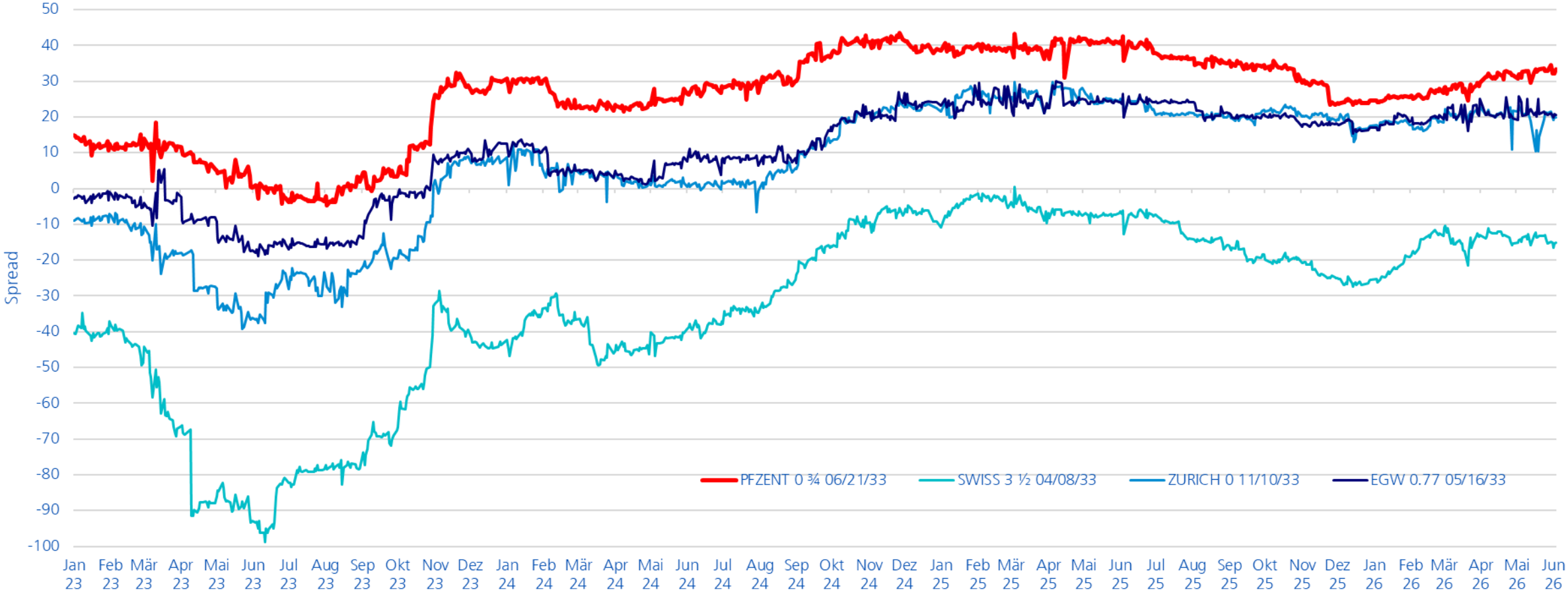
The 15 largest borrowers in CHF



The 15 most active issuers in 2025



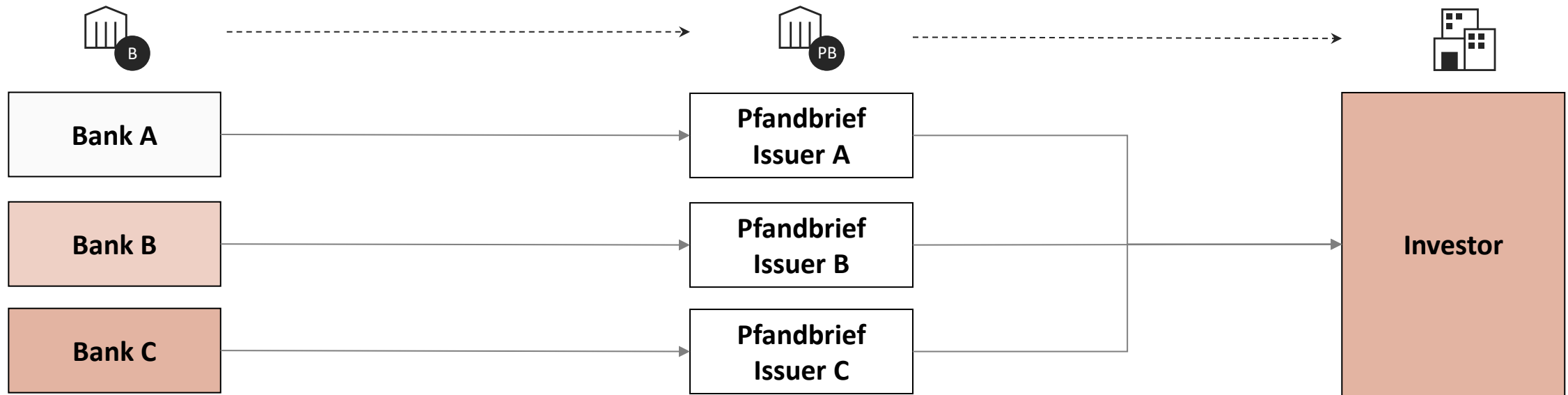
Spread Evolution



The Swiss Pfandbrief® at a glance

- Statutory covered bond under the **Pfandbrief Act** (PfG, 1930; latest amendments 2023)
- Issued exclusively by **two specialized institutions**:
 - Pfandbriefzentrale der schweizerischen Kantonalbanken AG (PFZ)
 - Pfandbriefbank schweizerischer Hypothekarinstitute AG (PFB)
- **Legal purpose** (Art. 1 PfG): “...to provide the landowner with long-term loans secured by a mortgage at interest rates that are as stable and reasonable as possible.”
- Strictly **CHF-denominated**; backed by **first-class Swiss residential mortgage** loans
- **Impeccable payment record** since 1931 – no losses or missed payments

European Pfandbrief system



Debtor:

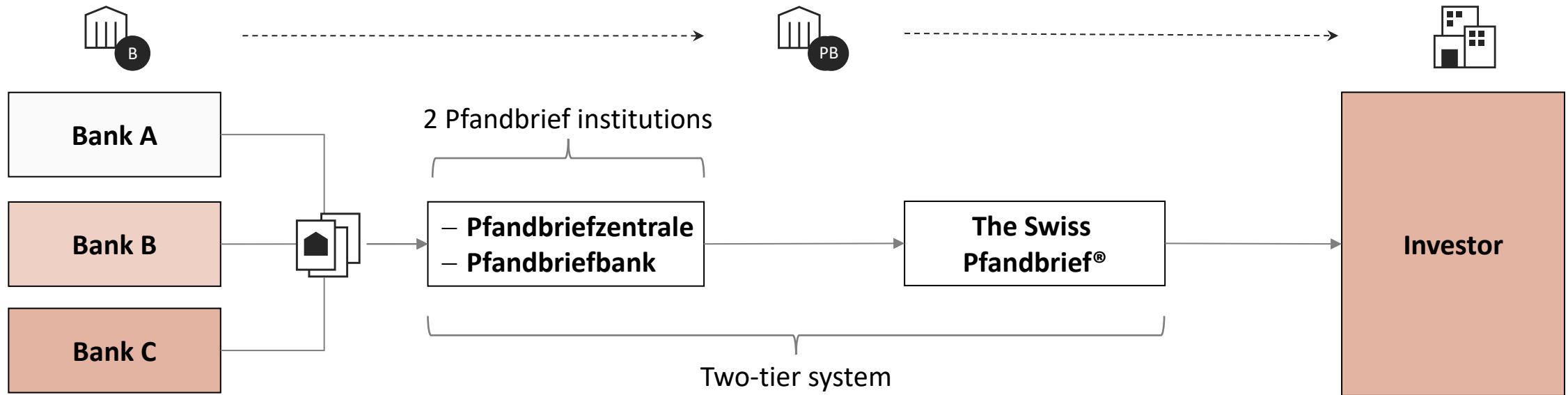
A bank that meets the legal requirements for issuing Pfandbriefe.



Coverage:

Mortgage loans secured by real estate liens or public debtors. (Transfer to a special purpose entity.)

Swiss Pfandbrief system – two-tier structure



Debtor:

One of the two institutions authorised to issue Pfandbriefe under the Pfandbrief Act.



Coverage:

First-class real estate liens located in Switzerland. The pledge and debt claim remain on the balance sheet of the member bank (with obligation to «ring-fence» them).

Congruence principle – no derivatives needed

No discrepancy between

1) Currency

Loans and Pfandbrief® bond in CHF

2) Term

Same maturity of loan and Pfandbrief® bond

3) Amount

Identical amount of loan and Pfandbrief® bond

4) Interest

With the exception of a surcharge used to finance business activities, identical interest rates between the loan and the Pfandbrief® bond

Security chain and bank insolvency safeguards

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The Pfandbrief Act (PfG) requires that the coverage of the Pfandbrief institutions' debt claims against the member banks and the interest payable thereon must be guaranteed at all times

The security chain for Pfandbriefe® consists of the following elements:

- The Pfandbrief institution is liable in the first instance with its capital.
- Secondly, the member banks are liable for their loan drawdowns.
- PFZ specific: 21 of the 24 cantonal banks are guaranteed by the respective cantons for their obligations.
- The debtors of mortgages are liable to the member banks,
- and their cover objects are liable for the covered bond claims.

In addition, Bank insolvency law (since 1 Jan 2023):

- Pfandbrief loans are explicitly excluded from FINMA payment extensions and bail-in measures
- In case of member bank insolvency:
 - Pfandbrief loans do not fall due (Art. 40a PfG)
 - Separation of loans and cover; appointed agent continues full and timely servicing

Benefits for member banks

- Low all-in cost: Attractive AAA refinancing due to economies of scale.
- Optimized ALM: Long-term, stable funding for asset-liability management.
- Flexibility: Choice of maturities; loan sizes from under CHF 1 million to several hundred million; smaller, frequent fundings reduce cliff effects.
- Processes: Standardised, fast and transparent execution.
- Availability: High issuance frequency (around 10–12 transactions per year).
- Security & reliability: Over 90 years of predictable access to funding; first-class reputation.
- Diversification of funding: AAA capital market access also for smaller banks.

Benefits for investors

- AAA rating: Swiss Pfandbriefe® have been rated Aaa by Moody's for more than 20 years.
- Market (primary/secondary) liquidity: High liquidity thanks to large issue volumes.
- Security: High-quality, diversifying investment with strong protection structures.
- High degree of predictability: Regular issuances – publicly known issuance calendar
- Simplicity: Exclusive focus on Pfandbrief business, resulting in a low risk profile.
- Diversification: Borrowers and collateral across different banks and regions.
- Short-term liquidity: Swiss Pfandbriefe® are SNB-repo eligible.
- LCR benefit: Qualify as HQLA assets for the LCR liquidity buffer.

Outlook

- Swiss Pfandbrief® remains a core high-quality CHF covered bond asset class
- Two specialized, strictly regulated issuers
- Very conservative cover pools and substantial over-collateralization
- Continued focus on transparency, sustainability and close dialogue with investors, supervisor, SNB and rating agencies

Appendix

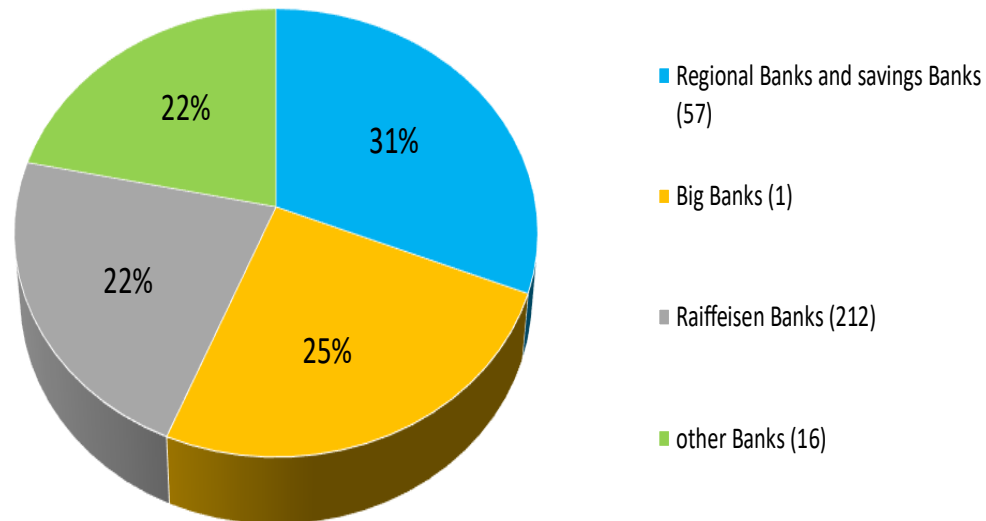
Pfandbriefbank

Overview

Founded	1930
Legal form, registered office	Public limited company, registered office in Zurich
Shareholders	286 banks (100%)
Board	7 members (5 members of the management boards of the banks, 1 independent member and 1 member of the Board of Directors is appointed by the Federal Council)
Auditor	PwC, Zurich
Supervision	Swiss Financial Market Supervisory Authority (FINMA), Bern

Pfandbriefbank – Shareholder structure

Shareholders



• Major Shareholders

UBS Switzerland AG, Zürich	25.00%
Migros Bank AG, Zürich	10.96%
Valiant Bank AG, Bern	9.92%
Bank Cler AG, Basel	4.34%
Baloise Bank AG, Solothurn	2.46%

Financial and ESG-Ratings - Pfandbriefbank

Rating

	2025	2024	2023	2022	2021
Moody's (bond loans)	Aaa	Aaa	Aaa	Aaa	Aaa
Zurich Cantonal Bank (issuer)	AAA	AAA	AAA	AAA	AAA

Sustainability rating

	2025	2024	2023	2022	2021
MSCI ESG	AA	AA	A	A	A
ISS ESG	C Prime	C Prime	C Prime	C Prime	C Prime

Pfandbriefzentrale

Overview

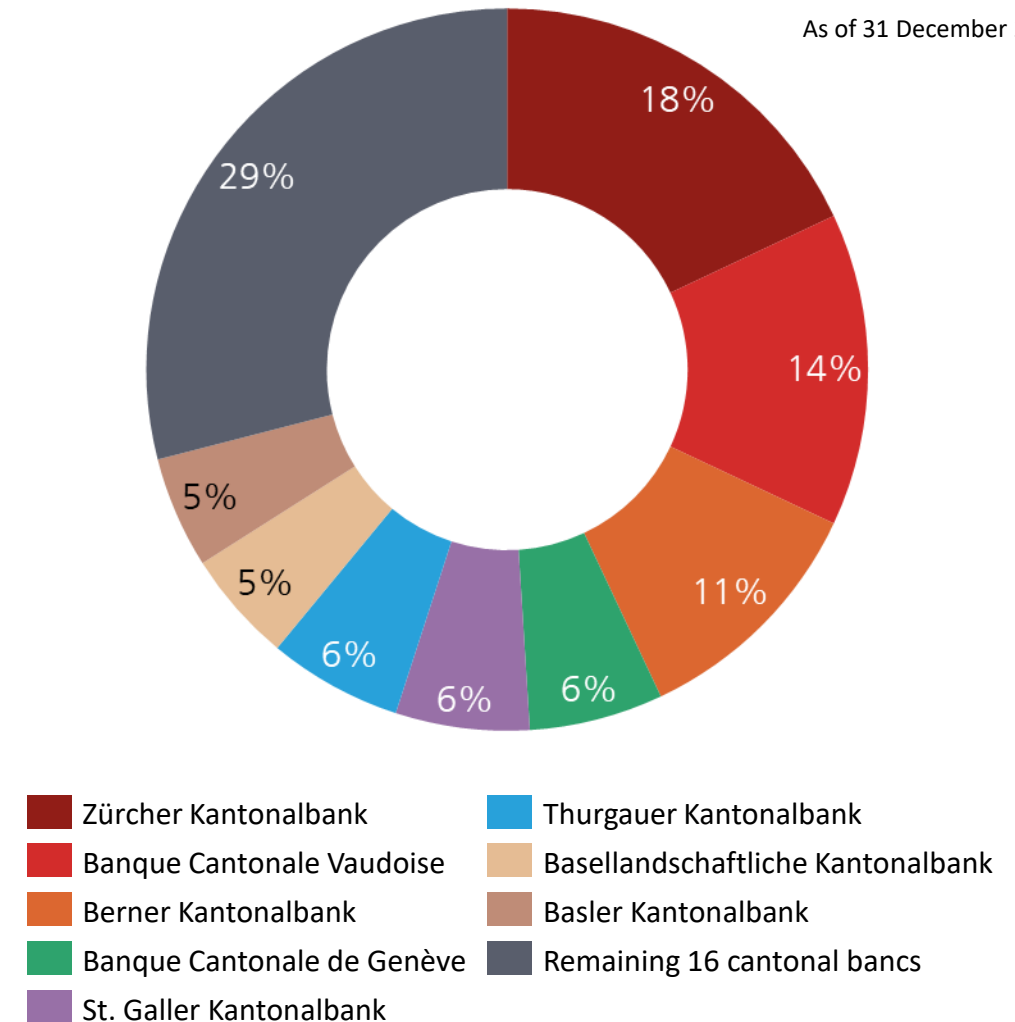
Founded	1931
Legal form, registered office	Public limited company, registered office in Zurich
Shareholders	All 24 cantonal banks (100%)
Board	10 members (9 members of the management boards of the cantonal banks, 1 member of the Board of Directors is appointed by the Federal Council)
Executive	Zurich Cantonal Bank, Zurich
Auditor	Ernst & Young AG, Zurich
Supervision	Swiss Financial Market Supervisory Authority (FINMA), Bern

Pfandbriefzentrale – Shareholder structure

Shareholders

- All 24 Swiss cantonal banks are shareholders (two cantons do not have their own cantonal bank)
- 21 cantonal banks have an explicit, unrestricted state guarantee from their canton
- Of the three cantonal banks without a state guarantee (Bern, Geneva, and Vaud), the Berner Kantonalbank and the Banque Cantonale Vaudoise are majority-owned by their respective cantons
- Stable and transparent business models of the cantonal banks
- Balanced shareholder structure

As of 31 December 2025



Financial and ESG-Ratings - Pfandbriefzentrale

Rating

	2025	2024	2023	2022	2021
Moody's (bond loans)	Aaa	Aaa	Aaa	Aaa	Aaa
Zurich Cantonal Bank (issuer)	AAA	AAA	AAA	AAA	AAA

Sustainability rating

	2025	2024	2023	2022	2021
MSCI ESG	AAA	AAA	A	A	A
ISS ESG	C Prime	C Prime	C Prime	C Prime	C Prime

Coverage principles for Pfandbriefe®

Requirements and framework conditions to be observed – PFZ example



Cantonal banks

- **Mortgage-covered loans limited** to a maximum of 35% of the cantonal bank's domestic mortgage portfolio
- **Interest income** on mortgage receivables must be 10% higher than the interest payable on loans
- **Pledge coverage** for the capital must at all times be 15% higher than the loans drawn down
- **Monitoring** of the cover pool with immediate replenishment obligation
- **Quarterly reporting of cover** to the Pfandbriefzentrale
- **Annual audit** of the cover pool by an external auditor



Pfandbriefzentrale

- **Additional over-collateralisation** of 10% may be demanded by the management of the Pfandbriefzentrale at any time and without giving reasons
- **The cover value** may be reduced at any time by the management of the Pfandbriefzentrale

Similar coverage principles apply at Pfandbriefbank, with its own valuation and business regulations.

Risk management

Real estate market risk – collapse of property prices - PFZ example

Mitigating measures



The pledged objects are broadly diversified across Switzerland. They can be mortgaged up to a maximum of 2/3 (or including a 15% cover margin, the LTV is effectively limited to 58%). Obligation to provide additional cover in the event of non-compliance in accordance with the Pfandbrief Act and the regulations of the Pfandbriefzentrale.



With an LTV (mortgage-covered loan to lending value ratio) of 40% as at 31 December 2025, PFZ's cover pool has a solid value buffer. Since it was first calculated on a quarterly basis (31 December 2018), the ratio has remained stable at around 40%.



The regulatory limit on mortgage-covered loans (including any covered bonds) to 35% of each credit institution's domestic mortgage portfolio and the obligation to provide additional cover in accordance with the Pfandbrief Act make it easier to arrange additional coverage.

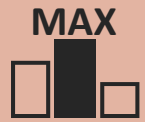


The gradual reduction of the MFH share over many years has led to a reduction from 44.0% to 31% as at 31 December 2025. The sub-portfolio of owner-occupied residential property has grown accordingly. The share of real estate with up to 30% commercial use remains insignificant (4%).

Risk management

Illiquidity risk (I/II) – PFZ example

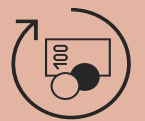
Mitigating measures



Restriction of bond loan maturities to a maximum of CHF 1.2 billion



The business regulations **limit the maturity of loans per bank** to CHF 300 million within 30 days.



A **repo agreement** enables the short-term procurement of several hundred million Swiss francs in liquidity.



Existence of a credit facility that can be drawn down in the form of fixed advances with a term of up to 12 months.

Risk management

Illiquidity risk (II/II) – PFZ example

Mitigating measures



The sale of securities is an absolute **worst-case scenario**.



Short-term call on the unpaid share capital possible by means of credit facilities with subsequent offsetting.

Monitoring and supervision

PFZ example

- Pfandbrief Act (PfG) of 25 June 1930 (as amended on 1 January 2023)
(enacted by the Federal Assembly)
- Pfandbrief Ordinance (PfV) of 23 January 1931 (as amended on 1 January 2025)
(issued by the Federal Council)
- Articles of Association of the Pfandbriefzentrale dated 28 June 2024
(issued by the Annual General Meeting, approved by the Federal Council)
- Valuation regulations of the Pfandbriefzentrale dated 2 April 2025
(issued by the Board of Directors, approved by the Federal Council on 27 August 2025)
- Business regulations of the Pfandbriefzentrale
(issued by the Board of Directors)
- Organisational regulations of the Pfandbriefzentrale
(issued by the Board of Directors)
- Supervision by the Swiss Financial Market Supervisory Authority (FINMA) in Bern
- Appointment of a delegate elected by the Federal Council to the Board of Directors of the Pfandbriefzentrale

Further information

The following documents are available on our website – PFZ example

[Home EN - Pfandbriefzentrale der schweizerischen Kantonalbanken AG](#)

Annual reports	∨
Quarterly reports	∨
Cover pool reporting	∨
Sustainability	∨
Statutes/Guidelines/Regulations	∨
Covered bond loans (available in German only)	∨
Media and ad hoc announcements	∨
Ratings	∨
Presentation of the Pfandbriefzentrale	∨

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