

The Swiss Pfandbrief®

8050 Zurich, 16 December 2022, 0700, MR

Agenda

Investors' requests:

Creditworthiness

Active issuer, liquid market, good price

The Swiss Pfandbrief® is not a covered bond

- Cover pool regulated by law, not only a private agreement
- "The Swiss Pfandbrief®" is a registered trademark

Swiss Pfandbrief act

- Special law since 25th June 1930
- Only marginally revised, provides legal certainty
- 1mm thick, 52 articles
- Purpose
 - "...to arrange long-term mortgage loans at possibly constant and low interest rates for land owners."

Issuers

- Only two Pfandbriefinstitutes
 - Pfandbriefbank schweiz. Hypothekarinstitute AG
 - Pfandbriefzentrale der schweiz. Kantonalbanken AG

No duopoly

- Pooling makes sense because of the small size of Switzerland
- Every Swiss bank has the right to membership (conditions apply)
- Outsourced, legally independent
 - Bond issuing department
 - Cover pool

Pfandbrief institutes

- Special banks with limited scope
 - Issuance of Swiss Pfandbriefe®
 - Loans to member banks
 - Investment of own funds
- No currency risk
- No maturity mismatch
- No interest rate risk
- All borrowers (banks) are shareholders

Cover pool

- Cover value
 - Valuation regulations authorised by Swiss Federal Council
 - Loans against pledge of first-class mortgages in CHF and in Switzerland only
 - Loan to value
 - By law: Max. 2/3 of lending value
 - Actual: Considerably lower
 - Member banks legally obliged to increase coverage in case of insufficient overcollateralisation
 - Only around 14 % of all Swiss mortgages are pledged to the Pfandbrief institutes, but the best ones
 - Mortgages stay on balance sheet of member bank (difference to the USA)
 - Mortgage certificate kept by member bank (segregation obligation)

Supervision

- Pfandbriefbank
 - Supervises electronic cover pool on a daily basis
 - Cover pool committee reviews substantial mortgages and visits major properties
- Swiss Federal Council
 - Authorises bylaws and valuation regulations
 - Nominates one member of the board of directors
- PwC audits and reports to Swiss Financial Market Supervisory Authority (FINMA) directly
- FINMA is supervisory authority
- Moody's rates Swiss Pfandbriefe® with Aaa
- Investors analyse the annual reports
- Capital market values Swiss Pfandbriefe® on a daily basis

Fourfold security

- Pfandbriefinstitute Assets
- Member bank Assets
- House owner Assets without property
- Property Market value

Agenda

Investors' requests:

Creditworthiness

Active Issuer, liquid market, good price

Liquid market

- Outstanding Swiss Pfandbriefe®: CHF 162 billion (incl. private placements)
- Largest domestic debtor before Swiss treasuries (CHF 73 billion)
- 37 % of all domestic bonds in CHF quoted at SIX Swiss Exchange are Swiss Pfandbriefe®
- Annual issuance considerably higher than Swiss treasuries
- Average size of a public placement: CHF 545 million
- Price and size depend either on demand of investors and member banks
- Market for Swiss Pfandbriefe® remained open during financial crisis (both primary and secondary market)

- Pfandbriefbank
 - Regular issuer
 - 2021: 12 different issue dates, 38 placements, CHF 10.0 billion
 - 2022: 13 different issue dates, 38 placements, CHF 10.4 billion
 - Date of issuance
 - Maturity date of a Pfandbrief
 - Issuance slot (good opportunity)
 - Tailor-made on specific demand of member banks or investors
 - Mostly public Pfandbriefe, but private placements as well
 - Major investors: Insurance companies, Asset managers, pension funds and banks

- Secondary market
 - A good and solid two way system (even for bigger tickets)
 - Average traded volume per month > CHF 1.8 billion
- Market makers are CS, UBS and Raiffeisen

Transparency

The Swiss Pfandbrief®

- Is standardised (commodity)
- Is denominated in Swiss Francs only
- Has a minimum duration of 3 years (no limitations for longer durations)
- Has a fixed coupon
- Has not changed since its establishment in 1930 (legal certainty)

The Swiss Pfandbrief®

Disclaimer

The content of this publication is for informational purposes only and shall not be construed as constituting a solicitation, an offer or a recommendation with respect to the purchase or sale of the "Pfandbriefe". Moreover, this publication is neither a prospectus in terms of art. 652a and art. 1156 CO (Swiss Code of Obligations, SR 220) nor a simplified prospectus pursuant to art. 5 para. 2 CISA (Collective Investment Schemes Act, SR 951.31). No investment decisions, or other kinds of decisions should be reached solely on the basis of information from this publication. Further information, such as the base prospectus for the listing on the SIX Swiss Exchange, can be requested from the "Pfandbriefbank".

The information and data reproduced in this publication have been carefully compiled. However, "Pfandbriefbank" does not make any representations, or offer any guarantees, as to the accuracy, reliability or completeness of the information, data and opinions contained in this publication. Any liability (including for negligence) for lost profits and/or damages, e.g., direct, indirect, punitive, special or consequential damages or losses, that arise from, or are in connection with, the use of this publication is excluded by "Pfandbriefbank".