

The Swiss Pfandbrief®

8050 Zurich, 30 October 2025, 0745, 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. Hypothekar institute 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 institutes 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 15 % 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
- Member bank
- House owner
- Property

Assets

Assets

Assets without property

Market value

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Liquid market

- Outstanding Swiss Pfandbriefe®: CHF 192 billion (incl. private placements)
- Largest domestic debtor before Swiss treasuries (CHF 80 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 566 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
 - 2024: 12 different issue dates, 40 placements, CHF 10.6 billion
 - 2025: 10 different issue dates, 34 placements, CHF 9.7 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 1.7 billion
- Market makers are UBS, Raiffeisen and GPG (Gruppe der Privat- und Geschäftsbanken)

Transparency

The Swiss Pfandbrief®

- Is standardised (commodity)
- Is denominated in Swiss Francs only
- Generally 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)

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