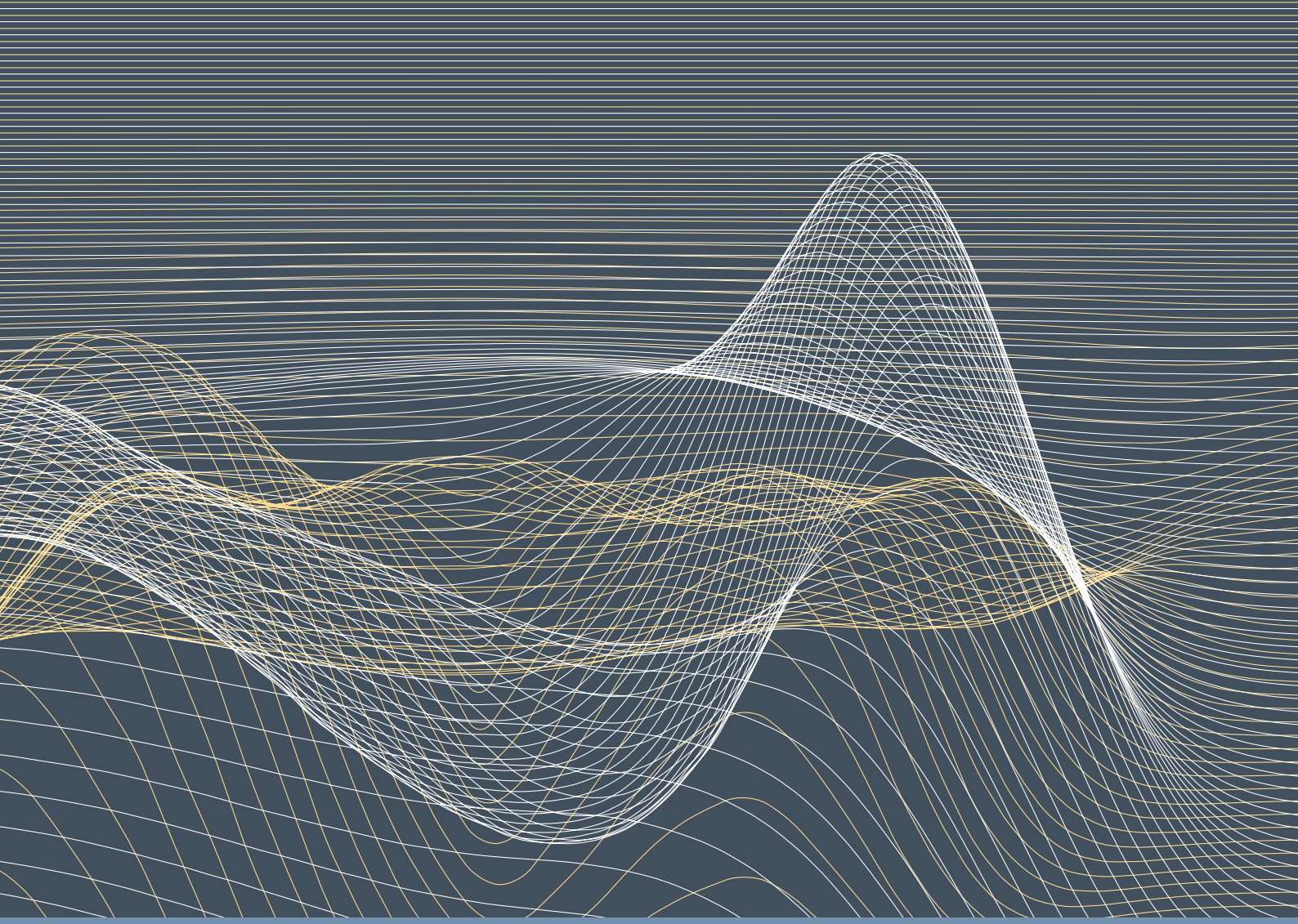


Financial Stability Report 2026

SCHWEIZERISCHE NATIONALBANK
BANQUE NATIONALE SUISSE
BANCA NAZIONALE SVIZZERA
BANCA NAZIUNALA SVIZRA
SWISS NATIONAL BANK

Financial Stability Report 2026

SNB BNS

Contents

Foreword

In this report, the Swiss National Bank presents its assessment of the stability of the Swiss financial system. The SNB contributes to the stability of the financial system in accordance with the National Bank Act (art. 5 para. 2 (e)). A stable financial system is defined as a system in which the various components fulfil their functions and are able to withstand severe shocks. The report puts the emphasis on the analysis of the state of the banking sector in Switzerland but also contains a chapter on non-bank financial intermediaries (NBFIs) such as investment funds, pension funds and insurance companies. Moreover, in this year's report, financial market infrastructures (FMIs) are discussed as a special topic, with a focus on central counterparties.

The SNB monitors developments in the financial system from the perspective of the system as a whole. While it oversees systemically important FMIs, it does not exercise any supervision of banks or NBFIs.

This report is divided into five chapters. The executive summary is followed by chapter 2, which tracks key domestic and global risks to the Swiss banking sector, focusing on credit quality, real estate and stock markets, interest rates, and developments in the international banking sector. The Swiss real estate and credit markets are also discussed in this chapter. Chapter 3 assesses the stability of the Swiss banking sector by looking at its liquidity, profitability, capitalisation, the risks to which it is exposed, stress testing and the market's assessment. The emphasis lies on the domestically focused banks[1] – including the three domestically focused systemically important banks PostFinance, Raiffeisen Group and Zürcher Kantonalbank (ZKB) – and on UBS. Chapter 4 discusses potential financial stability risks emanating from NBFIs in Switzerland. It describes the Swiss NBFI ecosystem (with a focus on Swiss investment funds) as well as interconnections between Swiss banks and NBFIs. Chapter 5 contains two special topics, one on stablecoins and the other on FMIs, and the implications of both for financial stability.

1 Domestically focused banks comprise banks with a share of domestic loans to total assets exceeding 50% or with a prominent role in the domestic deposit market.

The banking statistics used in this report are based on official data submitted to the SNB and on data published by individual banks. Bank data is predominantly analysed at a consolidated level, i.e. banks within a group and banks legally obliged to provide assistance to each other are treated as a financial group. This document is based on data as at 15 June 2026.

A list of all abbreviations used in this report is provided at the end of the document. A glossary of technical terms can be found on the SNB's website at www.snb.ch/glossary.

1 Executive Summary

Macroeconomic and financial environment
Since publication of the last Financial Stability Report in June 2025, economic and financial conditions relevant for the Swiss financial sector have remained challenging, in particular because of the conflict in the Middle East, trade tensions, and the associated geopolitical and macroeconomic uncertainty. Thanks to substantial capital buffers, the Swiss banking sector is well placed to face this challenging environment.

Overall, global economic growth was solid going into 2026, but has slowed somewhat since the escalation in the Middle East. Long-term interest rates have increased against the backdrop of renewed inflationary pressure, due to the recent surge in energy prices, and high public debt in many advanced economies. In Switzerland, by contrast, both inflation and long-term interest rates have remained at lower levels.

In financial markets, the conflict in the Middle East has led to higher volatility, yet the overall reaction has been muted. Global stock prices temporarily declined but remain above the levels at the time of publication of the last Financial Stability Report. Furthermore, global corporate and sovereign credit risk premia temporarily increased to a moderate degree but remain at low levels. Residential real estate prices have increased both globally and in Switzerland.

The dynamics in the Swiss credit market remain strong. Credit growth has picked up and points to a robust development overall. Over recent years, credit growth has remained positive throughout a period marked by the interest rate increases in 2022–2023 and the crisis at Credit Suisse in 2023. The introduction of Basel III Final in January 2025 has made regulatory requirements for lending more risk-sensitive without affecting overall credit growth. Regarding vulnerabilities, mortgage indebtedness remains high, suggesting heightened affordability risks for borrowers in general. However, for households, affordability risks appear mitigated when accounting for financial resources (cf. box 'Financial resources mitigate households' affordability risks' in subchapter 3.4.1).

Overall, elevated tail risks for financial stability exist amid high macroeconomic and geopolitical uncertainty. A renewed escalation of the conflict in the Middle East could have a material impact on economic activity, inflation and interest rates, potentially triggering global stagflation. Risk factors that could amplify the impact of such developments include high levels of public and private debt, stretched valuations and elevated risk appetite in global residential real estate, bond and stock markets, and a heightened risk of cyber and other operational incidents. Vulnerabilities in the Swiss residential real estate market persist.

The SNB takes account of these risk factors in its stress tests by running several scenarios with different adverse developments in key macroeconomic and financial risk factors. In general, the SNB scenarios assume highly unfavourable developments that are unlikely but plausible. Stress testing the financial sector allows for an assessment of how adverse macroeconomic and financial scenarios would affect individual banks' earnings and capital situation. In addition to adverse macroeconomic and financial developments, banks are also exposed to operational risk such as legal, cyber and outsourcing risks (cf. box 'Cyber and third-party risks as sources of systemic risk for the Swiss financial system' in subchapter 3.5).

Banks
The Swiss banking sector is well positioned to withstand the current challenging macroeconomic and financial environment. For the sector as a whole, profitability – measured as return on assets – improved in 2025 compared to 2024, and available capital buffers provide significant loss-absorbing and lending capacity. In addition, banks hold substantial liquidity buffers, which also contribute to their resilience. That said, there is heterogeneity in profitability, risk exposure and resilience across banks and bank categories. Moreover, targeted and proportionate measures to address weaknesses in the regulatory framework and to further strengthen the resilience of the financial system are currently at various stages in the political process (cf. 'Key policy issues').

Domestically focused banks
Against the backdrop of lower interest rates in Switzerland, the profitability of domestically focused banks declined marginally in 2025, driven by reduced net interest income and reflecting a narrowing of their interest rate margins. Higher net fee and commission income partially offset the decline in net interest income. At the same time, regulatory capital ratios increased slightly and remained well above requirements overall.

The SNB's stress tests suggest that, thanks to their capital buffers, most domestically focused banks should be able to absorb the impact of adverse scenarios without needing to reduce lending or build up capital. Given their business model, these banks are particularly vulnerable to a significant rise in interest rates coupled with price corrections in the domestic real estate market. The sectoral countercyclical capital buffer (CCyB), which requires banks to hold additional capital when cyclical risks exist, is important for preserving banks' resilience. The sectoral CCyB is currently set at the legal maximum level of 2.5%.

Systemically important banks
Profitability at the three domestically focused systemically important banks (domestically focused SIBs) was mixed. While it increased at PostFinance and Zürcher Kantonalbank (ZKB), it decreased at Raiffeisen Group. The regulatory capital ratios increased overall, also as a result of the introduction of Basel III Final. At Raiffeisen Group and ZKB, risk-weighted capital ratios and leverage ratios were significantly above regulatory requirements at end-2025. At PostFinance, the risk-weighted capital ratio was also significantly above regulatory requirements, while the leverage ratio was only slightly so.

At UBS, profitability improved further in 2025. The improvement was driven by the performance of its wealth management business and investment bank activities. The Swiss business, however, reported a decrease in profitability driven by lower net interest income. As regards capital, UBS exceeds its fully applied capital requirements under the current 'too big to fail' (TBTF) regulations applicable as of 2030. These requirements reflect the bank's increased systemic importance as a result of its acquisition of Credit Suisse.

Key policy issues
The crisis at Credit Suisse highlighted weaknesses in the regulatory framework (cf. SNB Financial Stability Report 2024). In order to address these weaknesses, the Federal Council has proposed a package of measures in the area of crisis prevention and crisis management.[1] The SNB supports this package of measures. From a financial stability perspective, the focus is on strengthening the Swiss regulations based on forward-looking assessments such as stress tests and market-based indicators, strengthening early intervention options for the supervisory authority and, in particular, addressing the potentially high liquidity needs of banks in a crisis as well as weaknesses in the capital framework.

Regarding liquidity, experience from 2022 – 2023 in Switzerland and the US shows that outflows can deplete liquidity buffers rapidly, even if these buffers are substantial. Some banks may also face the risk of liquidity shortfalls in foreign currencies. It is therefore essential that banks prepare sufficient collateral eligible for accessing liquidity support from the SNB (Extended Liquidity Facility, ELF) and, where applicable, from foreign central banks. In order to increase banks' resilience to liquidity shocks, the Federal Council has proposed requirements for collateral preparation. For SIBs these include a quantitative requirement. The SNB also expects non-SIBs to prepare collateral for the ELF. Moreover, the Federal Council has proposed the introduction of a public liquidity backstop (PLB) for SIBs, which would complement the existing instruments and further strengthen financial stability.

Regarding capital, the Federal Council has recommended, in particular, strengthening the capital requirements for the parent bank within a banking group. Specifically, a parent bank's participations in its foreign subsidiaries would have to be fully backed by its Common Equity Tier 1 (CET1) capital. As highlighted during the crisis at Credit Suisse, risks associated with foreign participations are not adequately covered by the current regulatory capital regime. The proposal of the Federal Council addresses these risks in a targeted manner and primarily affects UBS. According to the pro forma calculations of the authorities[2] and including reserves, UBS already has sufficient capital to meet the proposed requirements (cf. box 'Swiss TBTF capital framework – the SNB supports full capital backing of foreign participations' in subchapter 3.3). In its dispatch of 22 April 2026, the Federal Council submitted the proposal to parliament.[3]

Non-bank financial intermediaries
Besides banks, non-bank financial intermediaries (NBFIs) also play an important role in the domestic financial system, with potential implications for financial stability. International experience has shown that NBFIs have repeatedly amplified or even triggered financial turbulence. Risks to financial stability can result directly from stress at NBFIs and, potentially more relevant, through interconnections within the financial system, which transmit and amplify an initial shock affecting NBFIs. Such interconnections can, among other things, arise due to linkages between NBFIs and banks, or among NBFIs (cf. box 'NBFIs and risks to financial stability – transmission channels and risk assessment' in chapter 4).

Aggregate financial assets of Swiss NBFIs are sizeable. Based on data regularly collected by authorities, the aggregate financial asset holdings of NBFIs corresponded to 554% of Swiss GDP or 171% of the Swiss banking sector's financial assets at end-2025. The largest players – aggregated by type of NBFI – were investment funds, followed by pension funds and insurance companies. The share of financial assets held by NBFIs has remained broadly constant since 2020, having increased continuously in the previous decade.

Interconnections between the Swiss banking sector and domestic and foreign NBFIs are material. The interconnections with foreign NBFIs are driven by UBS, reflecting its size, broad spectrum of activities and international profile. The remaining exposure to NBFIs is split between domestically focused banks and 'Other

1 Cf. Federal Council report on banking stability, 10 April 2024; Federal Department of Finance (FDF) press release, 'Federal Council draws lessons from Credit Suisse crisis and defines measures for banking stability', 6 June 2025; and FDF press release, 'Too-big-to-fail regulations: Federal Council adopts dispatch and Capital Adequacy Ordinance', 22 April 2026.

2 Cf. Federal Council dispatch, 'Botschaft zur Änderung des Bankengesetzes', 22 April 2026, pp. 50–52, available in German, French and Italian.
3 Also on 22 April 2026, the Federal Council amended the Capital Adequacy Ordinance. The amendments concern the capital backing for certain balance sheet items such as software, and will come into force on 1 January 2027. Cf. FDF press release, 'Too-big-to-fail regulations: Federal Council adopts dispatch and Capital Adequacy Ordinance', 22 April 2026.

banks'. While domestically focused banks mainly offer traditional banking services to domestic NBFIs, the wealth management business drives the foreign NBFI exposure at some of the 'Other banks'.

The Swiss investment fund sector in aggregate is the largest type of NBFI in Switzerland. Direct financial stability risk from Swiss funds appears limited, since on average they engage in less risk-taking than banks – as measured by conventional risk metrics such as leverage or liquidity risk – and are individually relatively small. However, Swiss funds are strongly interconnected with the rest of the financial system. These interconnections could act as contagion and amplification channels for shocks. For example, contagion of shocks via the impact of hedge funds on government bond markets has been under scrutiny internationally. However, in the Swiss government bond market, hedge funds play only a limited role (cf. box 'Limited role of hedge funds in the Swiss government bond market' in subchapter 4.3).

Special topics

This report contains special topics on stablecoins and financial market infrastructures (FMIs) from a financial stability perspective.

Stablecoins: Risks and regulatory trade-offs from a financial stability perspective

Stablecoins are privately issued digital assets whose value is typically pegged to an official currency such as the US dollar or the Swiss franc and which are intended to be used as money themselves. If their volumes become significant, stablecoins may create risks to financial stability. The risks posed by stablecoins primarily stem from their promise of at-par convertibility despite their potentially volatile backing, and from their interconnections with the rest of the financial system.

In Switzerland, risks to financial stability from stablecoins are currently limited due to low volumes and low adoption and can be mitigated with adequate regulation. However, designing the optimal regulatory framework for stablecoins is a complex task that involves trade-offs, as reducing stablecoin-specific risks may have knock-on effects on other parts of the financial system. Furthermore, without sufficient international regulatory coordination, stablecoins may still constitute a source of risk to financial stability in Switzerland due to their cross-border nature, for example if stablecoins issued in more lightly regulated jurisdictions are widely used in Switzerland. The SNB is therefore closely monitoring developments and contributing to policy discussions at both national and international level.

Financial market infrastructures in Switzerland and the SNB's oversight role – with a focus on central counterparties

FMIs are systems through which participants submit securities transactions or payments for clearing, settling or recording under a common set of rules. Systemically important FMIs (SI-FMIs) underpin the smooth functioning of financial markets; their resilience is thus a matter of public interest. Three SI-FMIs – a central counterparty, a central securities depository and a payment system – are based in Switzerland, all operated within SIX Group.

Swiss FMIs' transaction values are multiples of Swiss GDP. The non-availability of their services could lead to serious losses or liquidity shortfalls and spill over to other market participants, hence jeopardising financial stability. The SNB cooperates closely with the Swiss Financial Market Supervisory Authority (FINMA) and oversees SI-FMIs' compliance with the minimum requirements for financial and non-financial risks as stipulated in the National Bank Ordinance, thus contributing to safeguarding financial stability.

2 Macroeconomic and financial environment

2.1 KEY DEVELOPMENTS

KEY POINTS

- Elevated tail risks exist amid high uncertainty regarding the economic and financial outlook, in particular due to geopolitical and trade tensions.
- Overall, global economic growth was solid going into 2026, but has slowed somewhat since the escalation in the Middle East, while long-term interest rates have increased against the backdrop of renewed inflationary pressure and high public debt.
- Asset prices in real estate, stock and bond markets remain stretched and indicate high risk appetite with corresponding potential for a correction.

Global economic growth was solid before conflict in Middle East but outlook has since deteriorated somewhat

Global economic growth was solid going into 2026. However, developments were somewhat heterogeneous across economies (cf. chart 2.1). Since the escalation in the Middle East, global growth has slowed somewhat. The global economic outlook is currently highly uncertain, in particular due to geopolitical and trade tensions.

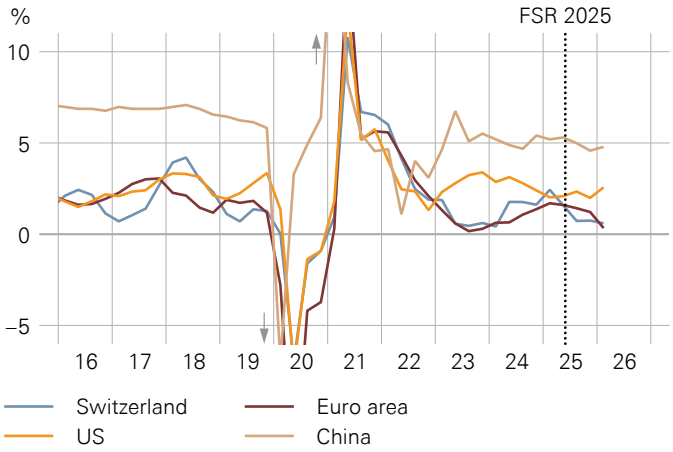
Renewed inflationary pressure and relatively high long-term interest rates – Switzerland an exception

Global inflation was broadly stable prior to the conflict in the Middle East, but higher energy prices have led to increased inflation in many economies and higher long-term interest rates. In Switzerland, inflation has risen slightly but remains lower than in other countries (cf. chart 2.2).

Globally, long-term interest rates and term spreads increased significantly following the outbreak of the conflict in the Middle East. Reflecting the uncertainty about future developments, long-term interest rates have since fluctuated considerably. This uncertainty, as measured by implied volatility, continues to be elevated by historical comparison (cf. chart 2.3). By contrast,

GDP GROWTH

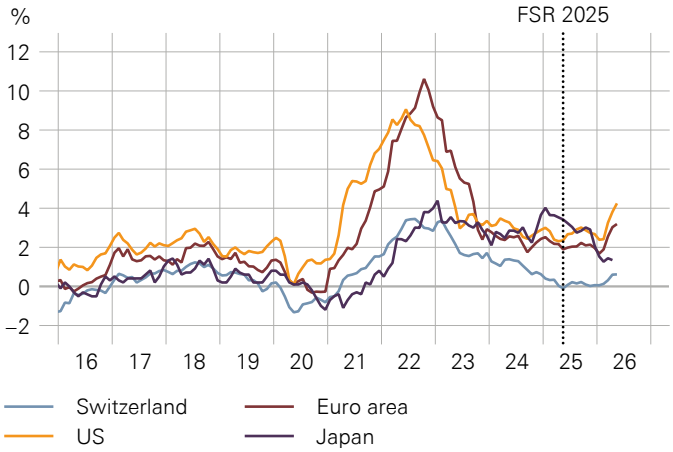
Year-on-year real GDP growth rates — Chart 2.1



Source(s): LSEG Datastream, SECO

INFLATION

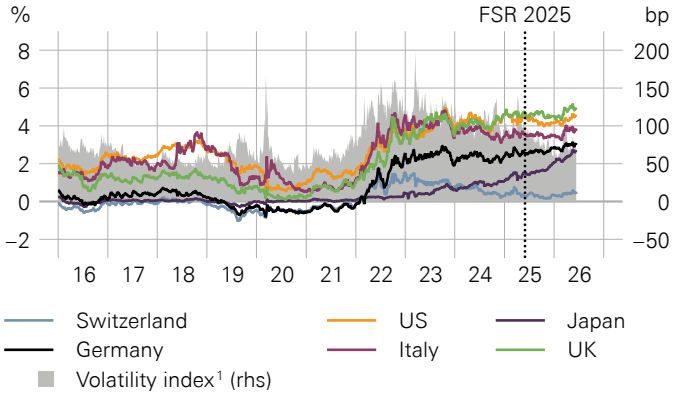
Consumer prices, year-on-year change — Chart 2.2



Source(s): LSEG Datastream, SFSO

LONG-TERM INTEREST RATES

Ten-year government bonds — Chart 2.3



1 The index used is the MOVE Index, which measures the implied volatility of US Treasury options.

Source(s): Bloomberg, LSEG Datastream, LSEG Eikon

long-term interest rates in Switzerland have remained at lower levels.

Vulnerabilities in real estate markets persist

Globally, residential real estate prices have increased at moderate rates over the past 12 months (cf. chart 2.4). In Switzerland, prices have grown robustly (cf. subchapter 2.2). Despite the recent correction following the interest rate increases in 2022–2023, the residential price-to-rent ratio, a measure of real estate valuation, lies significantly above its long-term average in many countries, including Switzerland, pointing to elevated vulnerabilities (cf. chart 2.5).

After declining significantly in some jurisdictions in 2022 and 2023, global commercial real estate prices have stabilised or even trended upwards more recently (cf. chart 2.6). However, there is substantial variation in the development of fundamental factors across countries. In the office segment, some major cities are experiencing strong rental growth, whereas others are facing weak demand and elevated vacancy rates.[1] In Switzerland, prices in the commercial real estate segment have continued to move sideways (cf. subchapter 2.2).

Credit spreads remain at low levels, so far only little affected by situation in Middle East

Financial market indicators of credit risk have so far reacted only moderately to the situation in the Middle East. In March 2026, global corporate credit risk premia – a measure of market expectations about credit quality – temporarily increased to a moderate degree from historically low levels (cf. chart 2.7). They are currently slightly below the already low values observed when the last Financial Stability Report was published in June 2025. This holds true both for the investment grade segment and for the riskier high-yield segment. The ratio of corporate credit rating downgrades to total rating changes (cf. chart 2.8) indicates a slight deterioration of quality, but mostly reflects rating decisions prior to the conflict. In the sovereign segment (cf. chart 2.9), the response of financial market indicators has been even more moderate despite historically high debt levels, and credit risk premia generally remain below the already low levels observed 12 months ago.

Other indicators paint a mixed picture of global corporate and household credit quality and primarily reflect data from the period prior to the conflict. In the US, delinquency rates on total debt have decreased slightly, but remain somewhat above pre-pandemic levels in the case of consumer debt.[2] In the euro area, the aggregate non-performing loan ratio has dropped slightly, but corporate bankruptcies are increasing.[3] Furthermore, debt service costs have increased to high levels, as companies need to roll over maturing debt at higher rates.[4]

Global sovereign debt levels are back to historical peaks (cf. chart 2.10). After temporarily declining from the heights recorded during the pandemic, global sovereign debt relative to GDP is at a historical high after recent increases. Global corporate debt also remains historically high.

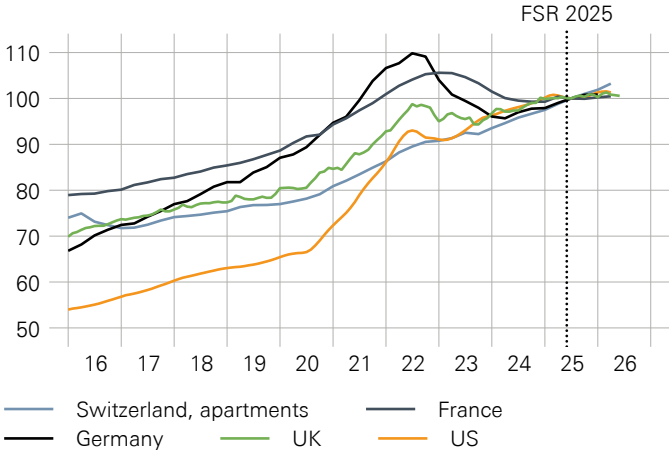
In Switzerland, corporate credit spreads are at levels similar to those observed 12 months ago. Corporate bankruptcy rates have increased, mainly driven by a change in the legal treatment of public-law claims such

1 Cf. IMF, Global Financial Stability Report, October 2025, p. 38.

2 Cf. Board of Governors of the Federal Reserve System, Charge-Off and Delinquency Rates on Loans and Leases at Commercial Banks (www.federalreserve.gov/releases/chargeoff/delallsa.htm).
3 Cf. ECB Financial Stability Review, November 2025, pp. 26 and 62.
4 Ibid., pp. 22–23.

RESIDENTIAL REAL ESTATE PRICE INDICES

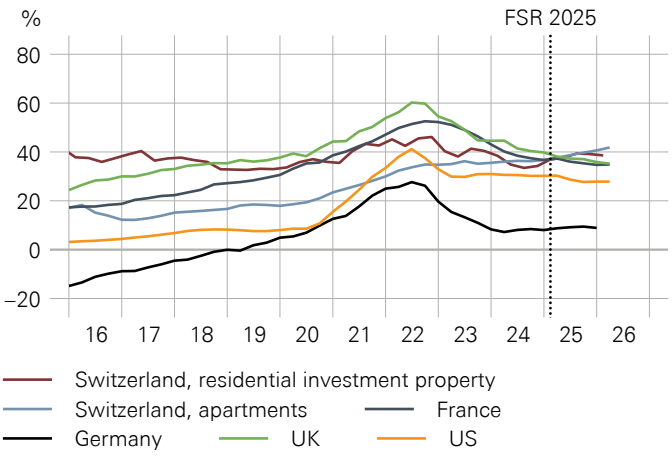
In nominal terms, 31 May 2025 = 100 — Chart 2.4



Source(s): LSEG Datastream, Wüest Partner

RESIDENTIAL REAL ESTATE PRICE-TO-RENT RATIOS

Deviation from average since 1970 — Chart 2.5



Source(s): LSEG Datastream, OECD, SFSO, Wüest Partner

as taxes and duties.[5] The high level of private sector debt relative to GDP, as well as affordability risks at commercial borrowers, represent relevant vulnerabilities (cf. subchapters 2.2 and 3.4.1).

High volatility in global stock prices in response to conflict in Middle East

Global stock prices reacted strongly to the outbreak of the conflict in the Middle East (cf. chart 2.11). However, they remain higher than at the time of publication of the last Financial Stability Report in June 2025 due to the substantial gains achieved following the easing of trade policy tensions and the recovery since the outbreak of the conflict. Stock prices in the euro area, the UK and Switzerland have experienced similar movements to those in the US, albeit with some delay and to a lesser degree. Stock market volatility, as measured by the VIX index, has remained elevated.

Cyclically adjusted price-to-earnings ratios (cf. chart 2.12), a measure of stock valuation, lie substantially above their long-term averages for US stocks and, to a lesser degree, for Swiss and UK stocks. This is indicative of stretched valuations, making these markets particularly prone to large price corrections should risk appetite wane or investors' expectations not be met.

Moderate increase in credit risk premia for global banking sector

Amid elevated volatility in financial markets, credit default swap (CDS) premia – market indicators of bank credit risk – temporarily increased to a moderate degree for the largest banks at the start of the conflict in the Middle East but remain well below their historical averages (cf. chart 2.13). Global bank stock prices temporarily declined along with the general stock market in March 2025 but have since recovered and are currently above the levels observed when the last Financial Stability Report was published.

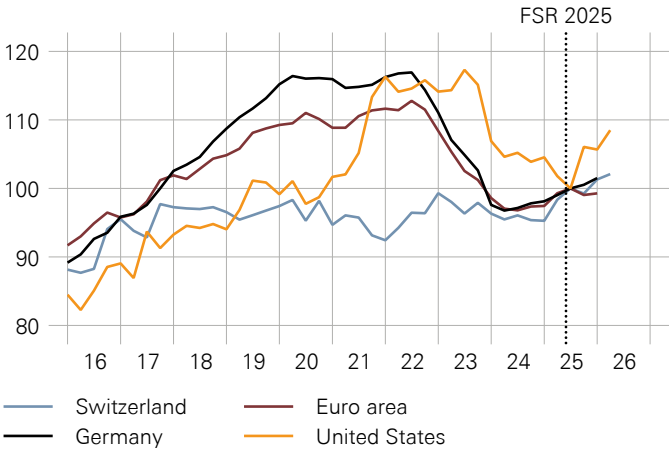
Current global environment carries risks for financial stability

Elevated tail risks exist amid high uncertainty regarding the economic and financial outlook, in particular due to geopolitical and trade tensions. A renewed escalation of the conflict in the Middle East could have a material impact on economic activity, inflation and interest rates, potentially triggering global stagflation. Several risk factors could amplify the impact of such developments on economic and financial conditions worldwide. First, high levels of public and private debt in key jurisdictions make them more vulnerable to adverse developments. Second, stretched valuations and elevated risk appetite in global residential real estate, bond and stock markets make asset prices more prone to large corrections, should underlying

5 Until 31 December 2024, taxes and duties were collected by way of debt enforcement by attachment. As of 1 January 2025, debt collection against debtors entered in the commercial register will be pursued through bankruptcy and enters bankruptcy statistics (cf. https://www.bazg.admin.ch/en/changes-to-the-debt-enforcement-and-bankruptcy-act-2025).

COMMERCIAL REAL ESTATE PRICES

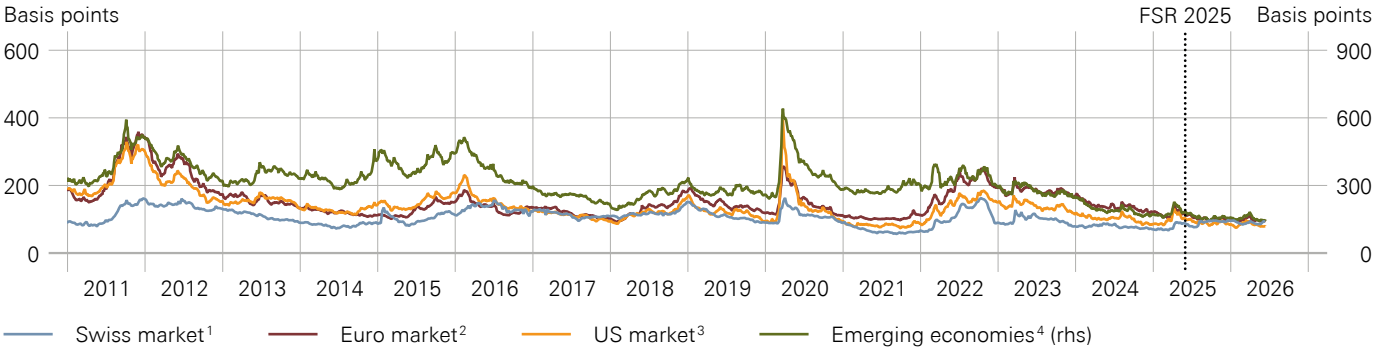
In nominal terms, 31 May 2025 = 100 — Chart 2.6



Source(s): BIS, LSEG Datastream, Wüest Partner

BOND SPREADS

Yield spread between corporate and government bonds — Chart 2.7



1 Yields for Swiss investment-grade corporate bonds and for Swiss Confederation bonds (5-year maturity), calculated by the SNB.
2 Euro-Aggregate Corporate (investment grade, 5 to 7-year maturity, EUR-denominated) and German Government (5 to 7-year maturity), Bank of America.
3 US Corporate (investment grade, 5 to 7-year maturity, USD-denominated) and US Treasury (5 to 7-year maturity), Bank of America.
4 Emerging Economies Corporate (USD and EUR-denominated), option-adjusted spread, Bank of America.

Source(s): LSEG Datastream, LSEG Eikon, SNB

expectations prove overly optimistic. Third, the risk of cyber and other operational incidents is heightened in the current geopolitical environment.

2.2 SWISS REAL ESTATE AND CREDIT MARKETS

KEY POINTS

- Momentum in the credit and real estate markets in Switzerland has picked up again.
- Vulnerabilities in the Swiss residential real estate market persist and mortgage indebtedness remains high.

Renewed momentum in Swiss residential real estate market – vulnerabilities persist

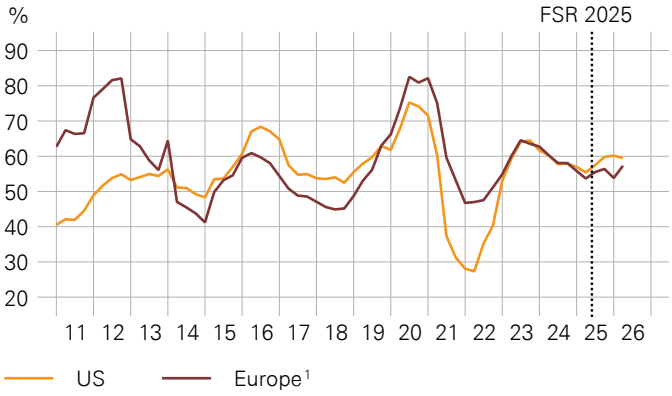
After a temporary slowdown, growth in residential real estate prices has picked up since end-2024 in an environment of strong demand, tight supply and low interest rates. Year-on-year price growth for residential investment property (apartment buildings) has increased markedly after a period where prices moved sideways following the rate hikes in 2022–2023 (cf. chart 2.14). Price growth in the owner-occupied segment (single-family houses and apartments) has remained robust at levels comparable to a year ago, albeit below the peaks observed in 2021.

Two key factors have contributed to the renewed momentum. First, in recent years, strong demand has been meeting tight supply, which has led to low vacancy rates (cf. chart 2.15). Second, low mortgage rates have reduced the cost of home ownership (consisting of mortgage payments, taxes, maintenance costs and the opportunity costs of invested capital) relative to the cost of renting.

The vulnerabilities in the Swiss residential real estate market that have built up over time persist. They are reflected in high prices relative to established valuation

RATING DOWNGRADES RATIO

Number of downgrades relative to total rating changes in non-financial sector, moving average over four quarters — Chart 2.8

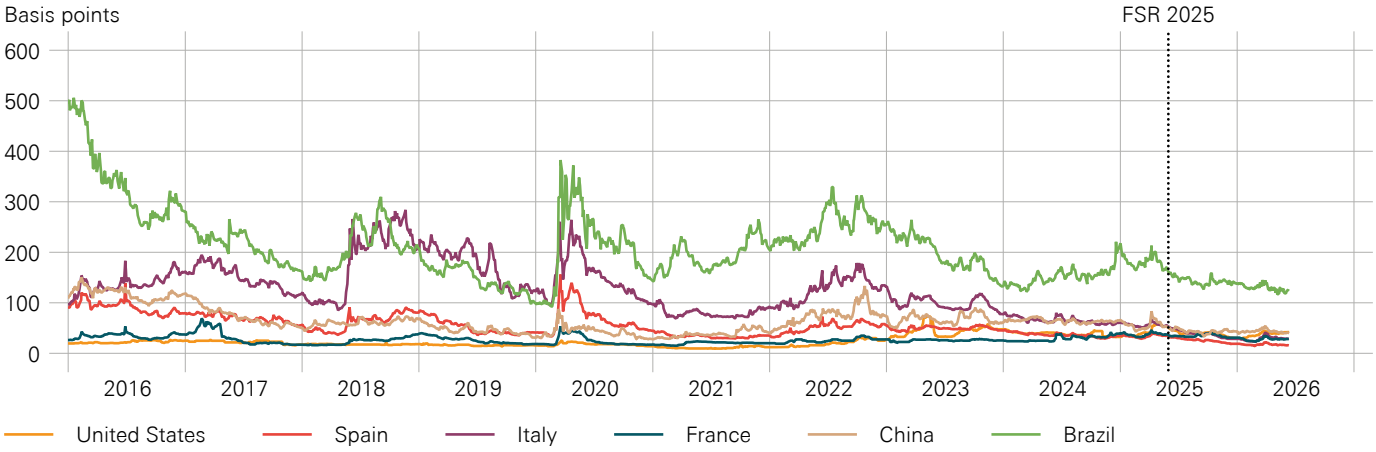


1 EU-17 countries plus Switzerland, Norway and Iceland.

Source(s): Moody's

SOVEREIGN CREDIT DEFAULT SWAP PREMIA

Premia for credit protection (five-year senior) — Chart 2.9



Source(s): Bloomberg, LSEG Eikon

indicators (cf. chart 2.16),[6] and make the market more prone to corrections, in particular in the event of a shock. The current valuation levels are partially driven by strong demand, limited construction activity and low interest rates. Accordingly, the future movement of residential real estate prices will depend heavily on how these factors develop. In a risk assessment, both a (persistent) reversal of these factors and significant regional variation need to be taken into account.

Risks in residential investment property higher than in owner-occupied segment

Valuation indicators such as the deviation of the price-to-rent ratio from its long-term average are at similar levels in the residential investment property and owner-occupied segments (cf. chart 2.5). However, the potential magnitude of price corrections appears to be highest in the residential investment property segment for the following reasons.

First, the investment segment is likely to be more sensitive to changes in fundamentals, as yield considerations play a more decisive role for investors. The spread between yields on residential investment property and risk-free longer-term rates measures the risk premium demanded by investors. Over the last two decades the initial yield on residential investment property has declined in line with risk-free rates (cf. chart 2.17). If longer-term interest rates were to rise again for a prolonged period, for example to the levels that prevailed between 2000 and 2010, yields would have to increase considerably for the sector to remain attractive. In addition, a normalisation of the risk premium from levels currently below historical averages would exert additional upward pressure on required yields. An increase in risk-free rates or the risk premium would require either significantly lower prices, significantly higher rents, or a combination of both. While low and declining vacancies (cf. chart 2.15) suggest that increasing rents could contribute to the adjustment, the upward potential for rents appears too small to restore risk premia entirely, and rental growth has recently flattened. Taken together, this implies that a substantial price decline would likely be part of the adjustment.[7]

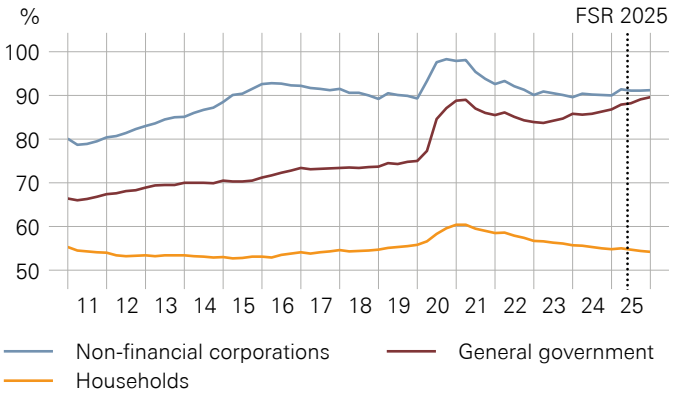
Second, limited-liability commercial investors (e.g. real estate companies) tend to default on debt more quickly than private owners, who are personally liable for the full

6 Cf. SNB Financial Stability Report 2024, p. 16, for a detailed description of the different valuation indicators. The user cost model compares the cost of owning to the cost of renting. It corresponds to a price-to-rent valuation indicator that is adjusted for fundamentals (real mortgage rate, expected rental growth and inflation expectations). Assuming constant fundamentals, the user cost indicator and the price-to-rent indicator differ in levels but exhibit the same development. Therefore, only the latest observations of the user cost indicators under different assumptions are shown. Compared to the previous version, the user cost model has now been extended along the lines of Glaeser E.L., J.D. Gottlieb and J. Gyourko, 'Can cheap credit explain the housing boom?', NBER Working Paper 16230, 2010. In particular, the model additionally accounts for a nominal down payment requirement and the opportunity costs associated with this down payment.

7 For example, an increase in net yields from 3% to 4% would require net rental income to increase by 33%, prices to decrease by 25%, or a combination of increasing net rental income and decreasing prices.

GLOBAL DEBT-TO-GDP RATIO[1]

Chart 2.10



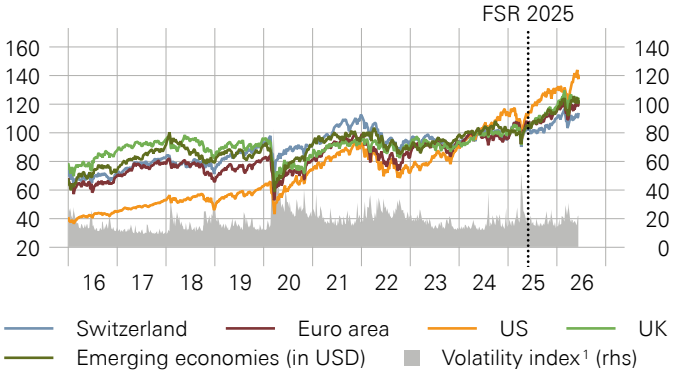
1 All reporting countries. Aggregate based on conversion to USD at purchasing power parity exchange rates.

Source(s): BIS

STOCK MARKET INDICES

Datastream global indices (31 May 2024 = 100) and volatility

Chart 2.11



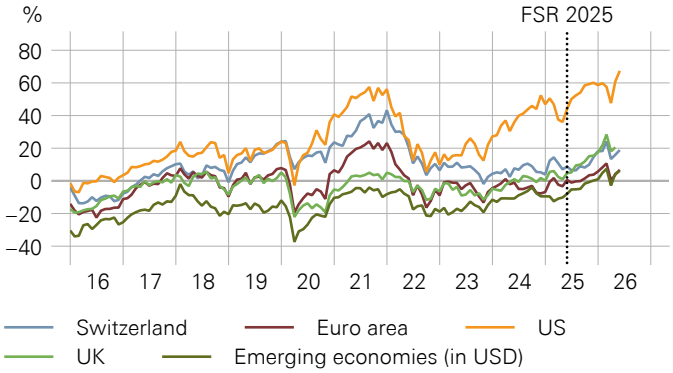
1 The index used is the VIX index, which measures the implied volatility of index options on the S&P 500 (in %).

Source(s): Bloomberg, LSEG Datastream

CYCLICALLY ADJUSTED PRICE-TO-EARNINGS RATIO

Deviation from average;[1] Datastream global indices

Chart 2.12



1 The average of earnings is calculated using a ten-year moving average. The average of the price-to-earnings ratio is calculated over the full period since 1985, or since data became available.

Source(s): IMF, LSEG Datastream

amount (cf. SNB Financial Stability Report 2023, p. 17, and 2022, p. 36). This can lead to fire-sale pressure and amplify price corrections in the investment segment.

Conditions in commercial real estate segment broadly unchanged

Overall conditions in the commercial segment (office, retail, industrial) have remained broadly unchanged.[8] First, price indices have moved sideways since 2019 and, in contrast to the residential segment, so far there are no indications of renewed momentum (cf. chart 2.6). Second, the rental market for commercial real estate also does not show any significant change. However, the assessment of the actual dynamics in this segment of the market is challenging due to the heterogeneous picture presented by the individual rent indices. Third, while vacant office space abroad has increased notably since the pandemic, vacancies have been largely stable in Switzerland.[9] Since 2022, the share of premises advertised for rent has decreased for the office segment and has remained broadly constant for the retail segment.

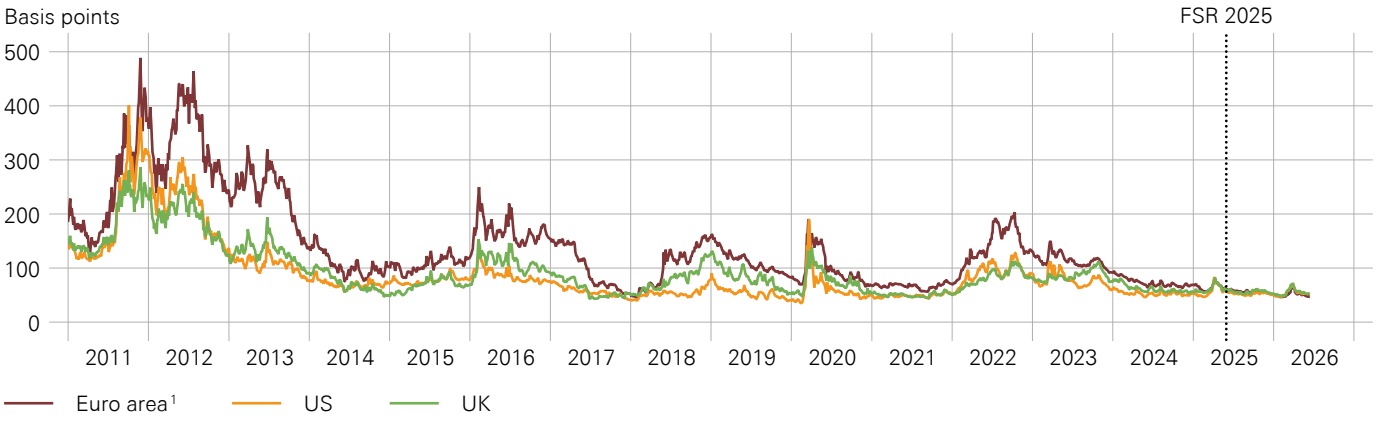
In contrast to the residential real estate segment, there is no clear evidence of cyclical risks for the commercial real estate segment, as measured for example by deviations from fundamental values. In particular, commercial real estate prices increased less during the prolonged low interest rate period that began in 2008.

8 Data availability for the commercial real estate segment is more limited than for the residential segments. For example, there are fewer price indices available for the commercial real estate segment than for the residential segments, and those that exist are more volatile and based on fewer observations.

9 Cf. UBS Real Estate Focus 2026, p. 28.

BANK CDS PREMIA

Average of largest banks (five-year senior) Chart 2.13

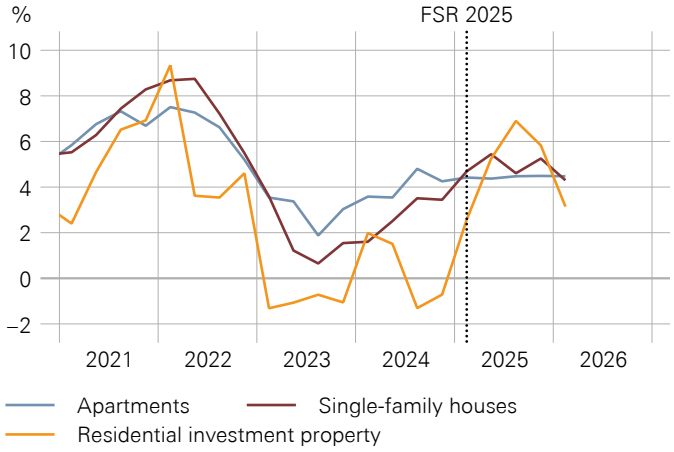


1 France, Germany, Italy, the Netherlands and Spain.

Source(s): Bloomberg, LSEG Eikon, SNB calculations

REAL ESTATE PRICE INDICES

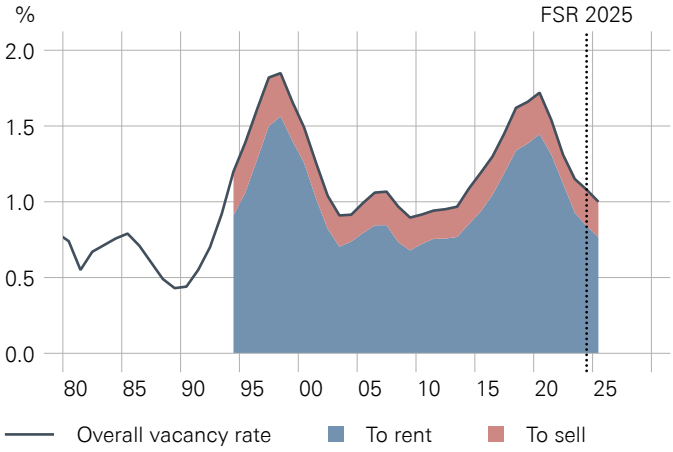
Nominal year-on-year growth rates Chart 2.14



Source(s): Wüest Partner

RESIDENTIAL VACANCY RATE

Vacant dwellings relative to total number of dwellings Chart 2.15



Source(s): SFSO

Nevertheless, the commercial real estate market is not shielded from potential price corrections and can pose risks to financial stability. Compared to the residential real estate segment, the commercial segment tends to be more sensitive to the business cycle. Moreover, while banks' exposure to commercial mortgages is smaller than their exposure to residential mortgages, loss rates in real estate crises tend to be higher in the commercial segment, reflecting structurally elevated risks. Limited liability of investors, similar to the residential investment property segment, plays an important role for these higher loss rates. This structurally elevated risk is partly accounted for by regulation, as commercial real estate loan exposures need to be backed with more capital.

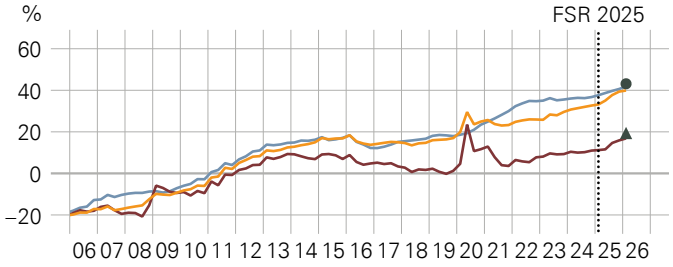
Dynamics in Swiss credit market remain robust

Year-on-year domestic credit growth in the Swiss banking sector has picked up and points to a robust development overall. Total bank lending growth has increased slightly over the past year (cf. chart 2.18), driven by mortgages, while for non-mortgage loans, year-on-year growth has turned positive again. The increase in credit growth was visible for households, which make up about two-thirds of total bank loans in Switzerland. Since the last Financial Stability Report, credit growth rates across banks have evolved differently: Growth rates for domestically focused banks and the 'Other banks' category have decreased slightly overall, while UBS's domestic credit volume has stabilised over the past year, after declining in 2023 and 2024 (i.e. showing negative growth rates, cf. chart 2.18).

The domestic credit market has gone through notable changes over the past few years, which have had an impact on its dynamics and structure.[10, 11] On the one hand, as expected, the interest rate increases in 2022–2023 led to a reduction in credit growth. Furthermore, following the crisis at Credit Suisse in 2023, market concentration has increased notably. On the other hand, the revised capital requirements for lending introduced in January 2025 have so far had no significant effect on the dynamics of the domestic credit market.

APARTMENTS: VALUATION INDICATORS

Deviation from fundamental price levels — Chart 2.16

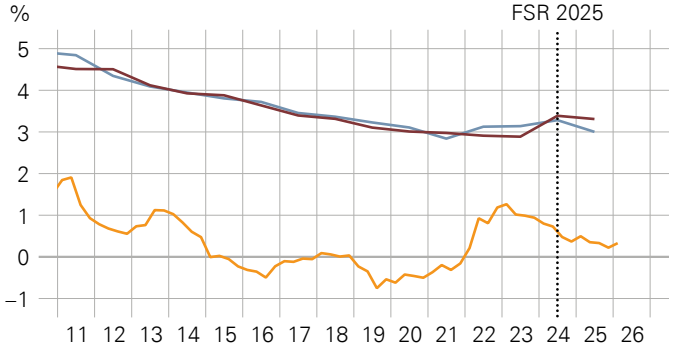


Price to rent
Econometric model
Price to per capita GDP
▲ User costs assuming fundamental factors return to averages since 2010
● User costs assuming fundamental factors return to long-term averages (since 1972)

Source(s): SECO, SFSO, SNB, Wüest Partner

YIELDS ON APARTMENT BUILDINGS

Yields on direct real estate investments and Swiss government bonds — Chart 2.17

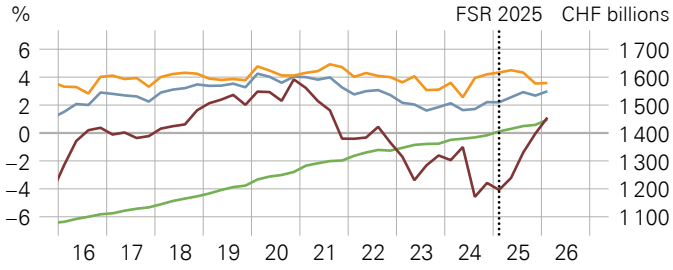


Wüest Partner
Fahrländer Partner
10-year Swiss government bonds

Source(s): Fahrländer Partner, SNB, Wüest Partner

TOTAL DOMESTIC CREDIT

Nominal year-on-year growth rate and volume — Chart 2.18



All banks
UBS, CS (until May 2023)
Domestically focused banks and 'Other banks'
Volume of domestic credit (rhs)

Note: Data for different bank categories until May 2023 from SNB data portal. From June 2023 onwards, data for UBS stems from its IFRS quarterly public reporting. The series have been corrected for structural shifts.

Source(s): SNB, UBS

10 Cf. SNB, speech by Antoine Martin, 'The Credit Suisse crisis and its effect on the Swiss credit market', 11 February 2026.
11 Cf. Baeriswyl, R., A. Freitag und M. Ganarin, 'Robust bank lending in a changing credit market environment', SNB Economic Note, issue 2025-13, and SNB Financial Stability Report 2025, box 'Swiss credit market: Robust dynamics despite structural shift and regulatory changes'.

While the acquisition of Credit Suisse by UBS has had only a limited impact in aggregate on borrowers' access to credit in Switzerland, it has changed the domestic credit landscape significantly.[12] UBS's domestic credit market share almost doubled, to about one-quarter between the end of 2022 and the end of 2023, before decreasing somewhat as the bank scaled down its lending portfolio. The resulting increase in concentration of the domestic credit market has implications for financial stability. It implies that, in a potential future crisis, the size of the credit portfolio that may have to be reallocated within the banking sector has increased significantly. This, in turn, would make such a reallocation more challenging for banks, as their ability to scale up lending is limited, in particular, by the size of their capital buffers.

The introduction of Basel III Final in January 2025 was another important event for the Swiss banking sector. It entails more risk-sensitive capital requirements for credit exposures. Its introduction coincided with the revocation of a self-regulation of the Swiss Bankers Association for the investment property segment, which had been in force from 2020 to 2024.[13] These two changes could lead to conflicting effects. On the one hand, the higher risk sensitivity of Basel III Final may be reflected in banks' pricing policy, encouraging safer lending and hence lower risk-taking. On the other hand, the revocation of self-regulation for the investment property segment could lead to increased risk-taking in mortgage lending in this segment (cf. also subchapter 3.4.1). As expected by the authorities, neither of these regulatory changes has had a significant effect on the domestic credit market overall. With regard to the investment property segment, charts 2.19 and 2.20 illustrate that there is no material difference regarding growth and pricing compared to the owner-occupied segment. While the decreased share of, and increased relative prices in, the investment property segment are consistent with the lower risk-taking advocated by Basel III Final, the impact is not material.

The SNB will continue to closely monitor developments in the Swiss credit market. Besides the changes mentioned at the outset, a particular focus will be on any potential impact the recent heightened uncertainty regarding economic developments might have on the credit market.

Mortgage indebtedness remains high, but affordability risks for households appear mitigated when accounting for financial resources

High or rapidly increasing debt levels relative to GDP are potential signs of vulnerability in the credit market. Such developments may signal increasing affordability risks, reflecting the probability that borrowers cannot service their loan obligations with their financial resources, for instance in the event of higher interest rates.

Indebtedness, as measured by the credit-to-GDP and mortgage-to-GDP ratios, has been broadly stable in recent years and remains high both by historical standards and in international comparison (cf. chart 2.21), suggesting heightened affordability risks for borrowers. Meanwhile, the difference, or the 'gap', between these ratios and their respective long-term trend – an early warning measure – has remained negative (cf. chart 2.22). This suggests there is no immediate risk of overheating in the credit market.[14]

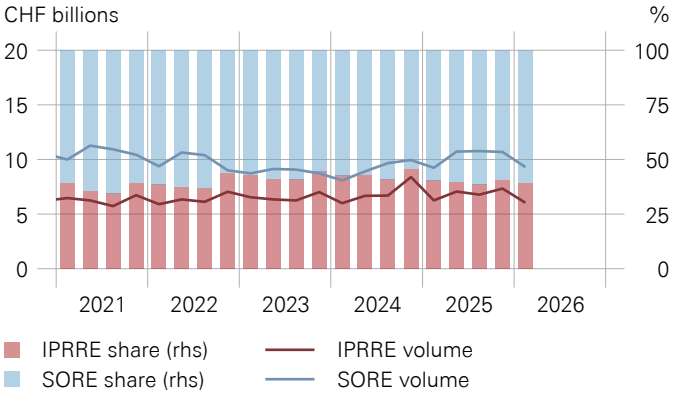
12 Cf. SNB, speech by Antoine Martin, 'The Credit Suisse crisis and its effect on the Swiss credit market', 11 February 2026.

13 For the investment property segment, the Swiss Bankers Association stipulated a minimum down payment of 25% and amortisation to two-thirds of the lending value within 10 years. The revocation of this self-regulation implies a return to the rules applicable to all new mortgages, namely a minimum down payment of 10% and amortisation to two-thirds of the lending value within 15 years.

14 Cf. also SNB, Basel III countercyclical capital buffer, February 2026.

RESIDENTIAL MORTGAGE LOANS BY SEGMENT[1]

New residential mortgage loans — Chart 2.19

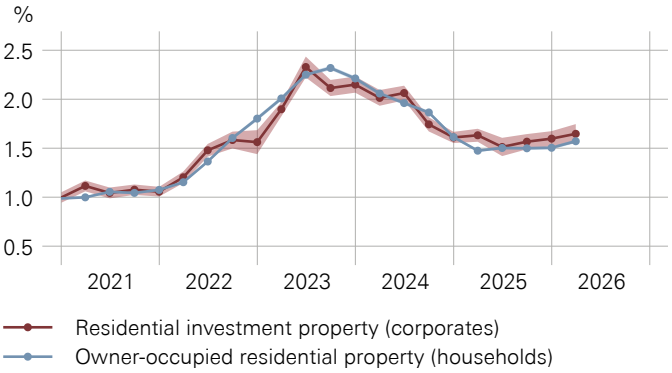


1 IPRRE: Residential investment property (households and corporates); SORE: Owner-occupied residential property (households).

Source(s): SNB

MORTGAGE RATES BY SEGMENT

New mortgage loans; ten-year fixed rate[1] — Chart 2.20



1 Interest rates estimated by linear regression while controlling for loan risk characteristics. The deviation band is the 95% confidence interval for this estimation.

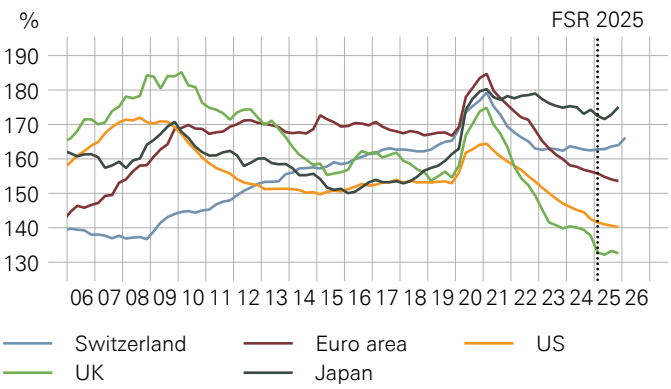
Source(s): SNB

A granular analysis of affordability risks for households active in the residential property segment shows that the risks appear to be mitigated when accounting for financial resources, which improves their resilience (cf. subchapter 3.4.1 and box 'Financial resources mitigate households' affordability risks'). For corporates active in the residential investment property segment, affordability risk, as measured by the loan-to-income (LTI) ratio for new mortgage loans, is in general elevated, which is indicative of heightened vulnerabilities. For the non-residential mortgage segment, or for non-mortgage loans, there is no sign of increased vulnerabilities. It should be noted that losses tend to be higher in these segments compared to the residential segment, as reflected by the Basel III Final risk sensitivity.

CREDIT-TO-GDP RATIOS

Total credit to private non-financial sector,[1] in percent of GDP

Chart 2.21



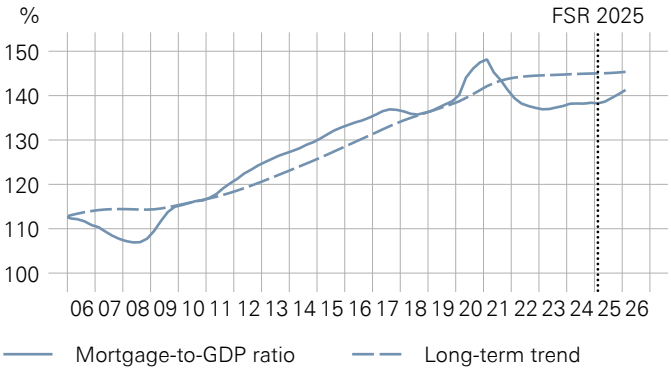
1 For Switzerland, domestic bank credit is considered.

Source(s): BIS, SNB

MORTGAGE-TO-GDP RATIO AND LONG-TERM TREND[1]

Domestic mortgage loans by banks

Chart 2.22



1 Trend computed using a one-sided HP filter with smoothing parameter equal to 400,000.

Source(s): SNB

3 Banks

The SNB's assessment of the stability of the Swiss banking sector is based on the elements addressed in the following subchapters. Subchapters 3.1, 3.2 and 3.3 discuss banks' resilience based on their liquidity, the profitability of their business, and the size and quality of their regulatory capital. Subchapters 3.4 and 3.5 focus on the key financial and operational risk factors to which banks are exposed. Subchapter 3.6 presents the SNB's stress tests, which assess banks' resilience in relation to losses incurred under various adverse scenarios. Stress testing constitutes a forward-looking economic assessment of the capital adequacy of banks under adverse scenarios. As such, it complements the regulatory capital metrics. Subchapter 3.7 focuses on market-based indicators. These indicators reflect market participants' assessments of banks' creditworthiness, resilience and expected future profitability, and provide a useful complement to regulatory metrics and stress testing.

The emphasis of the analysis lies on the domestically focused banks – including the three domestically focused systemically important banks (domestically focused SIBs) PostFinance, Raiffeisen Group and Zürcher Kantonalbank (ZKB) – and on UBS (which is both a SIB and a global systemically important bank (G-SIB)) due to their role in lending and deposit taking. Table 1 shows the composition and size of the banks and bank categories in the Swiss banking sector.

3.1 LIQUIDITY

KEY POINTS

- Banks hold substantial liquidity in excess of regulatory requirements.
- As outflows can exceed banks' liquidity buffers, a requirement to prepare sufficient collateral for central bank liquidity support, as well as a public liquidity backstop, are desirable for strengthening financial stability.

Banks are inherently exposed to liquidity risk because they typically use short-term liabilities, such as deposits, to finance long-term, less liquid assets. Liquidity shocks arise from large and unexpected cash outflows, including deposit withdrawals, a failure to roll over short-term liabilities, and other liquidity demands. To withstand such shocks, banks rely on three lines of defence.

The first line of defence is a bank's ability to self-insure against liquidity shocks. Regulatory requirements, including the liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR), help to ensure that individual banks maintain a minimum level of high-quality liquid

BANKS AND BANK CATEGORIES IN THE SWISS BANKING SECTOR

Composition and size as at end-2025 — Table 1

Bank/Bank category	Banks included	Market share of domestic loans	Market share of domestic deposits	Leverage ratio exposure (in CHF billions)
Domestically focused banks (DFBs)	Banks with a share of domestic loans to total assets exceeding 50% or with a prominent role in the domestic deposit market	73%	69%	1 595
Of which domestically focused systemically important banks (domestically focused SIBs)	PostFinance, Raiffeisen Group, Zürcher Kantonalbank (ZKB)	26%	31%	660
UBS	UBS Group AG (including the parent bank (UBS AG) with its Swiss entity (UBS Switzerland AG) and foreign subsidiaries)	23%	23%	1 288[1]
Other banks	Banks other than UBS and domestically focused banks (primarily private banks, stock exchange banks and foreign-controlled banks)	4%	8%	559

1 UBS publishes its financial results and regulatory metrics in US dollars; the conversion into Swiss francs is based on the exchange rate as at 31 December 2025.

Source(s): SNB

assets (HQLA) and a stable funding structure.[1] HQLA, which include cash, deposits at central banks and high-quality marketable securities, allow banks to meet outflows when they occur. A stable funding structure that aligns the maturity profile of assets and liabilities can reduce the scale of potential liquidity shocks. Even with these safeguards, however, there may still be liquidity shortfalls.

In the event of a liquidity shortfall, the SNB can act as lender of last resort by providing additional liquidity against sufficient collateral.[2] This central bank support forms the second line of defence. If the first and second lines of defence prove insufficient, a public liquidity backstop (PLB) can serve as the third line of defence by providing additional liquidity to systemically important banks (SIBs).

Banks hold substantial liquidity in excess of regulatory requirements

In aggregate and over the past 12 months, the HQLA surplus in the banking sector has remained high, indicating that liquidity requirements have not restricted banks' lending capacity (cf. chart 3.1).[3]

Banks' LCRs have averaged around 180% over the past 12 months but vary significantly across banks (cf. chart 3.2).[4] For banks in the highest quartile, LCRs have amounted to around 300% or more, for banks in the lowest quartile to around 150% or less. On average, domestically focused banks reported LCRs that have been broadly stable over the past 12 months, albeit somewhat below the banking sector average. The LCRs of SIBs have also remained broadly stable during the same period, with the LCRs of domestically focused SIBs averaging around 160% and UBS reporting an average LCR of around 180%.

Banks' NSFRs have remained well above regulatory requirements and have been broadly stable over the past 12 months.[5] The median has remained at around 140% and the lower quartile at around 125%.

Liquidity outflows can exceed HQLA – additional measures in second and third lines of defence are desirable for strengthening financial stability

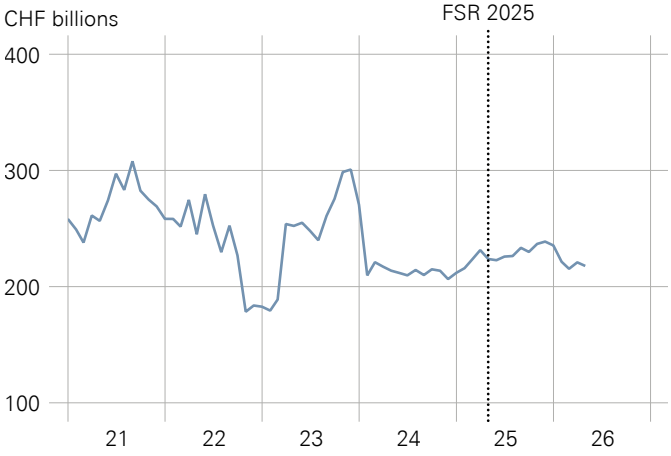
Experience from 2022–2023 in Switzerland and the US shows that outflows can deplete liquidity buffers rapidly, even if these buffers are substantial. This vulnerability can be demonstrated by examining the contractual maturities of banks' unsecured liabilities over a 30-day period. For the average bank, outflows resulting from these liabilities are more than twice the amount of HQLA.

To mitigate this vulnerability, it is important that banks prepare sufficient collateral for central bank liquidity support. The preparation of sufficient collateral instils trust among banks' funding providers and may prevent bank runs caused by liquidity concerns. If a run does materialise nonetheless and a bank experiences liquidity stress, central bank liquidity support against sufficient collateral helps to prevent fire sales and market contagion. Therefore, the SNB supports the Federal Council's proposal to require SIBs to prepare a minimum volume of collateral for the purpose of obtaining liquidity support from central banks. The SNB also expects non-SIBs to prepare collateral

1 Cf. Liquidity Ordinance for information on the liquidity regulations in Switzerland.
2 Cf. Guidelines of the Swiss National Bank on liquidity support of 5 February 2026 (as at 5 February 2026).
3 At the level of the consolidated banking sector, bank lending creates corresponding deposit liabilities. However, creating such deposits increases banks' liquidity requirements, thereby reducing the HQLA surplus in the banking sector. Another prerequisite for increasing banks' lending capacity is sufficient capital buffers (cf. subchapter 3.3).
4 Banks in Switzerland are generally subject to a regulatory LCR requirement of 100%. Banks under the small banks regime, however, are subject to a requirement of 110%. Furthermore, SIBs are subject to the 'too big to fail' (TBTF) liquidity requirements, in addition to the 100% LCR requirement.
5 Swiss banks are subject to NSFR requirements of 100%, but banks subject to the small banks regime are exempt from this requirement.

HQLA SURPLUS IN THE BANKING SYSTEM

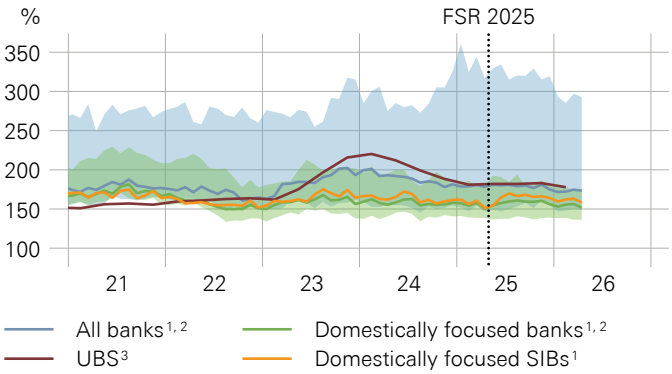
HQLA surplus to regulatory requirements — Chart 3.1



Source(s): SNB

LIQUIDITY COVERAGE RATIOS

Chart 3.2



1 Average weighted by net cash outflows.
2 25% and 75% quantiles.
3 Quarterly average.

Source(s): Bank disclosures, SNB

eligible for the Extended Liquidity Facility (ELF) in order to contribute to safeguarding financial stability in Switzerland.[6] In addition, internationally active banks should prepare collateral with foreign central banks to obtain liquidity support in their relevant foreign entities and currencies.

Even with better preparation of collateral for liquidity support from central banks, there could be situations in which a bank's liquidity needs exceed its liquid assets and the collateral prepared. In such cases, a PLB would allow the SNB to provide SIBs with additional liquidity as part of a restructuring of the affected bank. The repayment of the liquidity would be guaranteed by the government. The Swiss Parliament has decided to resume its debate on the implementation of the PLB alongside the adjustments to the 'too big to fail' (TBTF) regulations proposed by the Federal Council.[7]

3.2 PROFITABILITY

KEY POINTS

- Profitability for the overall banking sector improved in 2025.
- Pressure on the domestically focused banks' net interest margins remains high in the current low interest rate environment.
- In 2025, the domestically focused banks were able to offset some of the ongoing margin pressure through non-interest income and lower operating costs relative to total assets.

Sustainable profits enhance a bank's ability to absorb losses in a stress event and help to restore capital following such an event. Domestically focused banks, UBS and the category of 'Other banks' have different revenue structures (cf. chart 3.3) and are therefore impacted differently by the current low interest rate environment (cf. subchapter 2.1). The main source of income for the domestically focused banks and the three domestically focused SIBs is net interest income from the deposit and lending business. By contrast, UBS and the 'Other banks' derive a large part of their income from wealth management and investment banking. This results in a high proportion of non-interest income, in particular net fee and commission income. For UBS, this proportion is also large in comparison with its international peers.

6 Under the ELF, the SNB grants liquidity support against sufficient collateral to banks that meet the eligibility criteria. The ELF is scheduled to go into operation at the beginning of 2027. For more information regarding the ELF, cf. www.snb.ch, The SNB/Financial stability/Extended Liquidity Facility (ELF).
7 Cf. Federal Assembly press release, 'Eigenkapitalunterlegung ausländischer Beteiligungen systemrelevanter Banken. WAK-S will Varianten diskutieren', 4 May 2026, available in German, French and Italian.

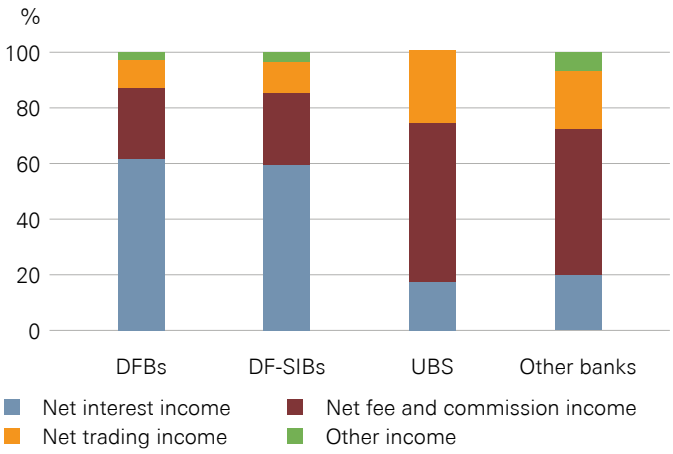
Banking sector profitability improved overall in 2025
For the Swiss banking sector, profitability – as measured by return on assets – improved to 0.55% in 2025 (up from 0.49% in 2024, cf. chart 3.4). This was driven by UBS and the 'Other banks' category, which benefited from higher non-interest income relative to total assets.

Profitability at domestically focused banks declined marginally in 2025
Against the backdrop of the persistent low interest rate environment in Switzerland, domestically focused banks' profitability decreased marginally to 0.45% in 2025 (from 0.46% in 2024; cf. chart 3.5). Relative to total assets, these banks were able to partially offset some of the pressure on the main revenue stream through higher non-interest income, particularly higher net fee and commission income. They also reduced their operating expenses and had lower provisions for credit risks, both relative to total assets.

Pressure on net interest margins remains high
The average net interest margin[8] at domestically focused banks decreased to 0.94% in 2025 (from 1.02% in 2024; cf. chart 3.5). Banks were able to offset some of the liability margin compression by increasing their asset margins until mid-2025. However, competitive pressure and lower interest rates for all mortgage durations mean that asset margins have since stabilised. Should interest rates remain at their current levels, or decrease further, these banks' net interest margins will come under additional pressure.

8 The net interest margin measures the profitability of the deposit and lending business.

REVENUE STRUCTURE
As a percentage of total revenue, 2025 — Chart 3.3



Source(s): SNB

Profitability at SIBs improved in 2025

For the group of domestically focused SIBs, profitability improved marginally in 2025 (cf. chart 3.4). The profit results at the individual banks in this category were mixed, however.

At Raiffeisen Group, profitability declined as a result of considerably lower net interest income relative to total assets. At ZKB and PostFinance, profitability improved compared to 2024. ZKB benefited from higher non-interest income relative to total assets, which offset the negative impact of low rates on the interest business. At PostFinance, net interest income supported return on assets, reflecting favourable developments in interest expenses. PostFinance's strong 2025 profit result additionally benefited from a one-off gain from the sale of participations. However, its average profitability has remained persistently low in recent years and continues to be considerably below the average of domestically focused banks (cf. chart 3.4).

At UBS, profitability improved further in 2025 (cf. chart 3.4). The group's cost-to-income ratio declined to 81% (from 85% in 2024), supported by both higher revenues and lower operating expenses. The increase in the group's profit was driven by UBS's core business of wealth management and, particularly, the investment bank, which benefited from the volatile market environment. However, the Swiss business (Personal & Corporate Banking division) reported lower net interest income in 2025, which led to a decrease in the division's profit.

3.3 CAPITAL

KEY POINTS

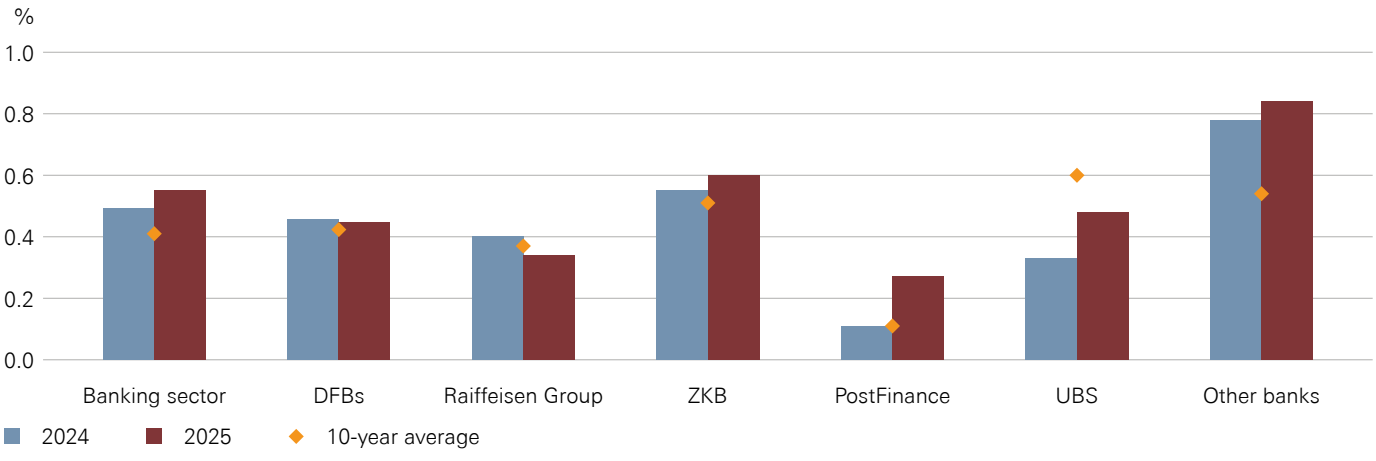
- The total banking sector's capital ratios remained high in 2025. Available capital buffers provide significant loss-absorbing and lending capacity.
- UBS exceeds its fully applied capital requirements under the current TBTF regulations applicable as of 2030.
- The SNB supports the full capital backing of banks' foreign participations as proposed by the Federal Council. Under the current regulatory capital regime, the risks associated with a bank's participations in foreign subsidiaries are not adequately covered. The Federal Council's proposal addresses these risks in a targeted and proportionate manner.

Banks' capital defines their capacity to absorb losses. A particular focus is on Common Equity Tier 1 (CET1) capital, since this represents the most reliable source of loss-absorbing capacity in a going concern. In the Swiss banking sector, almost 90% of total capital[9] consists of CET1 and the remainder is predominantly Additional Tier 1 (AT1).

9 The analysis of the capital situation of Swiss banks takes into account the going-concern capital (arts. 128–131b CAO) for the SIBs and total eligible capital (arts. 21–40 CAO) for the remaining banks. The former consists of CET1 capital and high-trigger AT1 contingent convertibles, both used for going-concern purposes (but excludes capital to meet gone-concern requirements). The latter consists of CET1, Tier 1 and Tier 2 capital instruments. Banks in the small banks regime are exempted from calculating risk-weighted ratios.

RETURN ON ASSETS

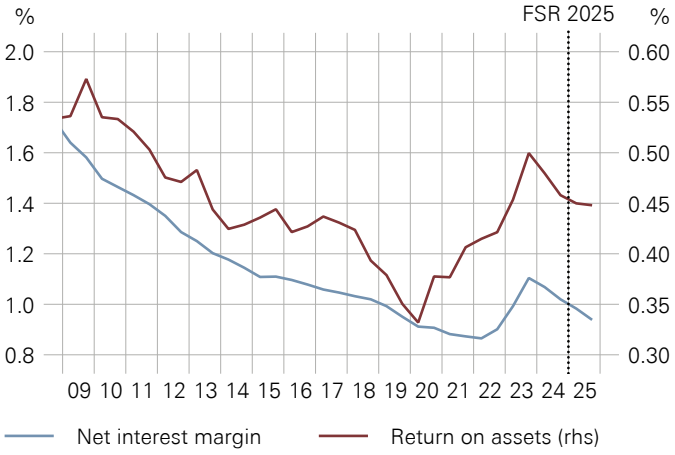
Reported net profit as a percentage of assets — Chart 3.4



Source(s): SNB

BANK PROFITABILITY

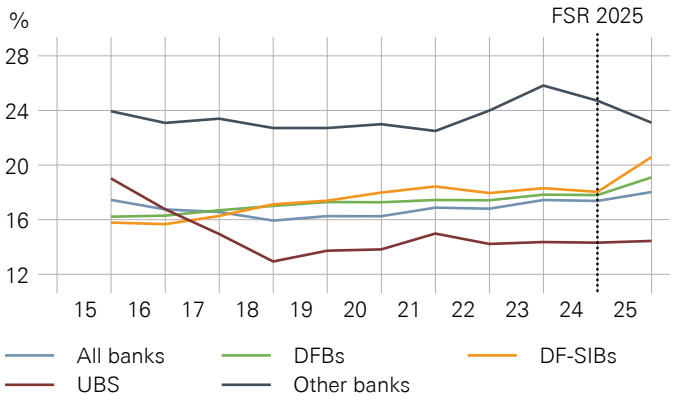
Domestically focused banks — Chart 3.5



Source(s): SNB

CET1 CAPITAL RATIO[1]

At year-end — Chart 3.6

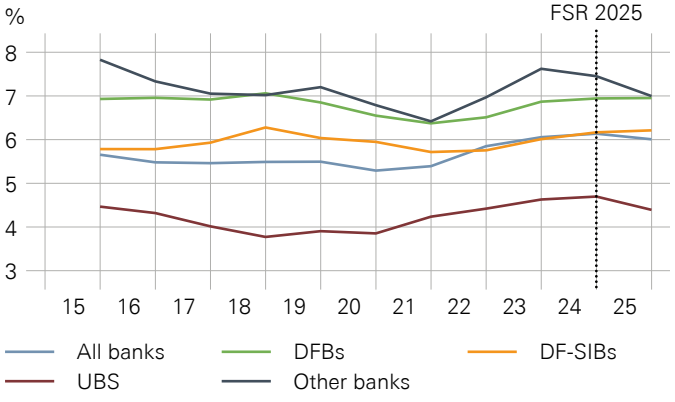


1 Excluding banks in the small banks regime, as they are exempted from calculating risk-weighted ratios.

Source(s): FINMA, SNB

CET1 LEVERAGE RATIO[1]

At year-end — Chart 3.7



1 Total assets are used in the denominator before the implementation of the leverage ratio exposure measure.

Source(s): FINMA, SNB

Swiss banks' capital ratios are high but heterogeneous across banks

The total banking sector's capital ratios remained high. Its risk-weighted CET1 capital ratio increased from 17.4% at end-2024 to 18.0% at end-2025, while its CET1 leverage ratio stood at 6% (cf. charts 3.6 and 3.7). The increase in the former is driven by a decline in risk-weighted assets (RWA). With the implementation of Basel III Final in 2025,[10] RWA fell by 7% (cf. subchapter 3.4). In comparison, the leverage ratio exposure declined by only 1%.

At the individual bank level, capital ratios vary significantly. A few banks have risk-weighted ratios of less than 12%, while others reach ratios of over 24%. As regards the leverage ratio, a few banks have a ratio of less than 4%, and others more than 12%. Typically, smaller banks have higher capital ratios than larger banks.

Available capital buffers in banking sector provide significant loss-absorbing and lending capacity

Banks can use capital buffers to cover losses from their exposures and to increase lending.[11] These capital buffers consist of regulatory buffers and voluntary buffers. The regulatory buffers include the countercyclical capital buffer (CCyB), the capital buffer target levels set according to supervisory category,[12] as well as the institution-specific capital buffer requirements applying to SIBs. The voluntary buffer includes the amount of capital that banks hold on top of their regulatory requirements.

The CCyB is currently applied on a sectoral basis and accounts for the vulnerabilities observed in the Swiss mortgage and real estate markets (cf. subchapter 2.2). It imposes an additional CET1 requirement equal to 2.5% of risk-weighted exposures secured by residential property in Switzerland. At 2.5%, the sectoral CCyB is currently set at the legal maximum level, as defined in the Capital Adequacy Ordinance (CAO).[13]

At end-2025, the banking sector's capital buffers remained high and on par with the average of the past ten years. The total capital buffer amounted to around CHF 120 billion. Around half of it is held voluntarily and is thus immediately available to absorb losses or to originate new lending. Over the past decade, Swiss banks have maintained relatively stable capital buffers.[14] At end-2025, the voluntary buffer was 6% expressed as a share of total RWA, and 2% as a share of leverage ratio exposure. However, voluntary capital buffers vary significantly across banks.

10 Cf. State Secretariat for International Finance (www.sif.admin.ch, Financial market policy and strategy/Financial market regulation/Basel III).
11 Another prerequisite for increasing banks' lending capacity is sufficient liquidity buffers (cf. subchapter 3.1).
12 Cf. art. 43 Capital Adequacy Ordinance (CAO).
13 Cf. SNB, Basel III countercyclical capital buffer, February 2026.
14 Cf. Baeriswyl, R., A. Freitag und M. Ganarin, 'Robust bank lending in a changing credit market environment', SNB Economic Note, issue 2025-13.

Capital situation at domestically focused SIBs is heterogeneous

The three domestically focused SIBs fulfil the capital requirements as set out in the CAO (cf. table 2). The capital situation and its dynamics, however, vary between the three banks.

At Raiffeisen Group and ZKB, risk-weighted capital ratios and leverage ratios are significantly above regulatory requirements. At PostFinance, the risk-weighted capital ratio is significantly above regulatory requirements, while the going-concern leverage ratio is only slightly so. Its leverage ratios decreased year on year, mainly because the bank earmarked more of its CET1 capital to fully meet the gone-concern requirements.[15]

The introduction of Basel III Final reduced RWA at all three domestically focused SIBs. At ZKB and PostFinance, it was the main driver of a substantial decrease in RWA between end-2024 and end-2025, which amounted to 16% in each case. As a consequence, the risk-weighted requirement became a less binding, and the leverage ratio requirement a more binding, constraint for the three domestically focused SIBs in 2025.

UBS exceeds its fully applied capital requirements under current TBTF regulations

The Swiss TBTF capital requirements are progressive and depend on a SIB's market share and size. As UBS has grown in both metrics following the acquisition of Credit Suisse, its capital requirements will increase by approximately USD 6 billion. Due to the phase-in period granted by the Swiss Financial Market Supervisory Authority (FINMA), UBS needs to comply with the higher requirements by the beginning of 2030.[16] These requirements – as well as the actual capital ratios presented in table 3 – do not take into account the measures adopted by the Federal Council on 22 April 2026 for revisions to the CAO and the Banking Act (cf. box 'Swiss TBTF capital framework – the SNB supports full capital backing of foreign participations').

For UBS Group AG, the CET1 capital and leverage ratios have remained almost unchanged since Q1 2025 (cf. table 3), as operating profits generated in this period were partly offset by share repurchases and dividends, and as RWA and leverage ratio exposure increased. As of Q1 2026, UBS Group AG's eligible CET1 capital exceeds the fully applied TBTF requirements applicable as of 1 January 2030 by USD 9 billion.

15 Gone-concern requirements have gradually increased until 2026. CET1 capital used to fulfil gone-concern requirements can no longer be used for going-concern purposes and must be deducted from available going-concern capital in order to avoid 'double duty'.

16 To take into account GDP growth over recent years, the revision to the CAO adopted by the Federal Council on 22 April 2026 provides for an enlargement of the buckets for the capital surcharges linked to a SIB's size, as stipulated in the TBTF regulations. This adjustment could cushion the impact of the increase in UBS's capital requirements.

GOING-CONCERN CAPITAL RATIOS AND REQUIREMENTS

Table 2

	PostFinance			Raiffeisen Group			ZKB		
	2024	2025	Requirement 2025[1]	2024	2025	Requirement 2025[1]	2024	2025	Requirement 2025[1]
TBTF ratios									
Going-concern capital ratio	17.8%	20.3%	15.4%	19.7%	20.9%	14.6%	17.9%	22.7%	13.8%
CET1 capital ratio	16.3%	17.6%	11.1%	19.7%	20.9%	10.3%	16.6%	21.2%	9.5%
Going-concern leverage ratio	5.0%	4.8%	4.5%	6.6%	6.5%	4.6%	6.8%	7.1%	4.5%
CET1 leverage ratio	4.6%	4.2%	3.0%	6.6%	6.5%	3.1%	6.3%	6.7%	3.0%
Capital levels (in CHF billions)									
Tier 1 capital	5.3	5.1	–	20.4	21.3	–	15.5	16.4	–
CET1 capital	4.8	4.4	–	20.4	21.3	–	14.4	15.3	–
Exposure levels (in CHF billions)									
RWA	29.6	24.9	–	103.5	102.0	–	86.4	72.4	–
Leverage ratio exposure[2]	105.3	104.8	–	309.5	325.7	–	227.1	229.9	–

1 For PostFinance, the requirement includes the bank-specific Pillar 2 surcharge of 2.54% for specific risks. For Raiffeisen Group and ZKB, it includes the CCyB of 1.38% and 0.98% respectively.
2 Leverage ratio exposure is the sum of on and off-balance-sheet positions as defined in the Basel III leverage ratio framework.

Source(s): Domestically focused SIBs' regulatory reporting

The CET1 capital ratio of the parent bank (i.e. UBS AG on a standalone basis) increased significantly, from 12.9% in Q1 2025 to 13.9% in Q1 2026 (cf. table 3). This increase was primarily driven by capital upstreamed from subsidiaries, which decreased the value of foreign participations by USD 9 billion. As of Q1 2026, the parent bank's eligible CET1 capital exceeds the fully applied TBTF requirements applicable as of 1 January 2030 by USD 13 billion. The eligible CET1 capital above this requirement would further increase – on a pro forma basis – if the following two capital items were taken into account: First, UBS accrued USD 4.5 billion from the parent bank's retained earnings for potential distribution (special dividend reserve), which is not included in the reported CET1 capital as of Q1 2026.[17] If UBS decided not to distribute this special dividend reserve, eligible CET1 capital would increase by the corresponding amount. Second, UBS expects further capital of approximately USD 5 billion to be repatriated from the foreign subsidiaries to the parent bank by 2028, which reduces the required CET1 capital.[18]

Under the current regulatory treatment of participations, standalone capital ratios of the parent bank overestimate its true resilience and are thus vulnerable to impairments of these participations (cf. box 'Swiss TBTF capital framework – the SNB supports full capital backing of foreign participations'). The overestimation is particularly large for the leverage ratio, which cannot effectively measure and limit leverage at the parent bank and play its role as a backstop to the risk-weighted capital requirements (cf. SNB Financial Stability Report 2024, pp. 32–34, 54–56).

17 As of 31 December 2025, accruals at UBS AG for capital returns to UBS Group AG amounted to USD 9 billion, reflecting a proposed ordinary dividend distribution of USD 4.5 billion and the appropriation of USD 4.5 billion to a special dividend reserve. UBS intends to make the decision on the distribution of the special dividend subject to UBS AG meeting its capital requirements on a standalone and consolidated level, as well as the outcome and timing of the implementation of the revisions to the CAO and the Banking Act proposed by the Federal Council on 22 April 2026 (cf. UBS AG Annual Report 2025).

18 UBS announced in its Q4 2025 investor call that it expects approximately USD 3 billion of additional return of capital from its UK subsidiaries by end-2026 and approximately USD 2 billion from the US intermediate holding company by 2028, subject to customary regulatory approval.

CET1 CAPITAL RATIOS AND REQUIREMENTS

Table 3

	UBS Group		UBS AG (standalone)		Phase-in requirement as of 31.03.2026[1]	Fully applied requirement as of 01.01.2030[2]
	Q1 2025	Q1 2026	Q1 2025	Q1 2026		
TBTF CET1 ratios						
CET1 capital ratio[3]	14.3%	14.7%	12.9%	13.9%	10.8% / 10.5%	11.7% / 11.4%
CET1 leverage ratio	4.4%	4.4%	7.6%	7.9%	3.6%	3.9%
TBTF levels (in USD billions)						
Eligible CET1 capital	69.2	73.3	71.0	73.5	–	–
Investments in foreign-domiciled subsidiaries	–	–	51.4	41.8	–	–
Investments in Swiss-domiciled subsidiaries	–	–	36.9	39.4	–	–
Required TBTF CET1 capital (fully applied)[4]	60.5	64.1	62.6	60.0	–	–
Of which investments in foreign-domiciled subsidiaries[3]	–	–	23.4	19.0	–	–
Of which investments in Swiss-domiciled subsidiaries[3]	–	–	10.5	11.2	–	–
RWA[3]	483	500	551	529	–	–
Leverage ratio exposure	1 562	1 653	935	928	–	–

1 Including CCyB requirements (0.44% for UBS Group and 0.11% for UBS AG) and bank-specific Pillar 2 surcharges. The first requirement refers to UBS Group, the second to UBS AG.
2 Fully applied requirements as of 01.01.2030. Including CCyB requirements and bank-specific Pillar 2 surcharges.
3 For UBS AG (standalone): using fully applied requirements as of 01.01.2030 and fully phased-in risk weights for participations as of 01.01.2028.
4 Higher of risk-weighted and leverage ratio CET1 requirements (using fully applied requirements and fully phased-in risk weights).

Source(s): Bank disclosures, SNB calculations

Box: Swiss TBTF capital framework – the SNB supports full capital backing of foreign participations

In its dispatch of 22 April 2026, the Federal Council proposed to the Swiss parliament the full backing of foreign participations with Common Equity Tier 1 (CET1) capital as a key measure of the revised 'too big to fail' (TBTF) regulations to strengthen financial stability in Switzerland. The proposed measure primarily affects UBS. As highlighted during the crisis at Credit Suisse, risks associated with foreign participations are not adequately covered by the current regulatory capital regime. The Federal Council's proposal addresses these risks in a targeted and proportionate manner. The proposal does not provide for a general increase in the capital requirements. It specifically increases capitalisation in those areas where the crisis at Credit Suisse highlighted a significant weakness. The SNB supports the full capital backing of banks' foreign participations.

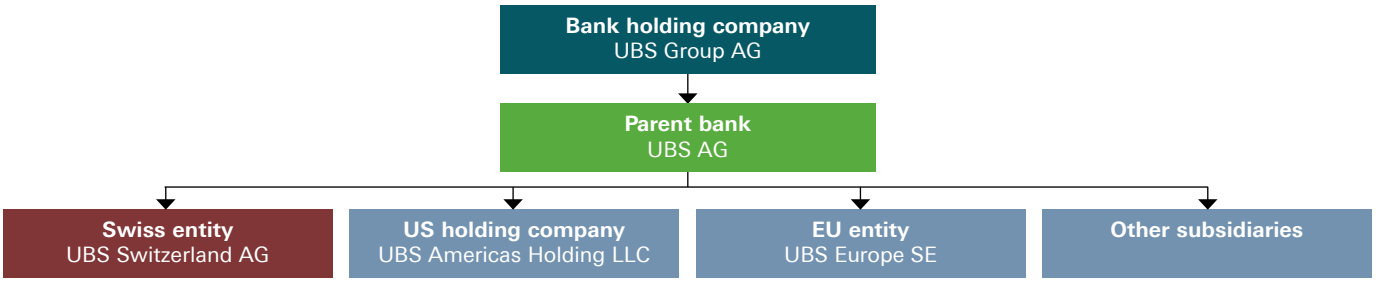
Crisis at Credit Suisse highlighted weaknesses in current capital framework

The capital treatment of foreign participations played an important role in the crisis at Credit Suisse.[19] Under the current regulation, parent banks are not required to fully back their participations in foreign subsidiaries with capital. This makes a parent bank's capital ratios vulnerable to losses on foreign participations. During the crisis at Credit Suisse, the parent bank's foreign participations lost approximately 60% of their value in one year, due to lower expected profits at its foreign subsidiaries.[20] As a consequence, the parent bank's capital ratios came under pressure and limited Credit Suisse's options to stabilise itself by exiting

19 Cf. Federal Council report on banking stability, 10 April 2024, and Parliamentary Investigation Committee report 'Die Geschäftsführung der Bundesbehörden im Kontext der CS-Krise', 17 December 2024, available in German, French and Italian.
20 Cf. SNB Financial Stability Report 2024, subchapter 4.1.3 and chart 4.10.

SIMPLIFIED LEGAL STRUCTURE OF UBS

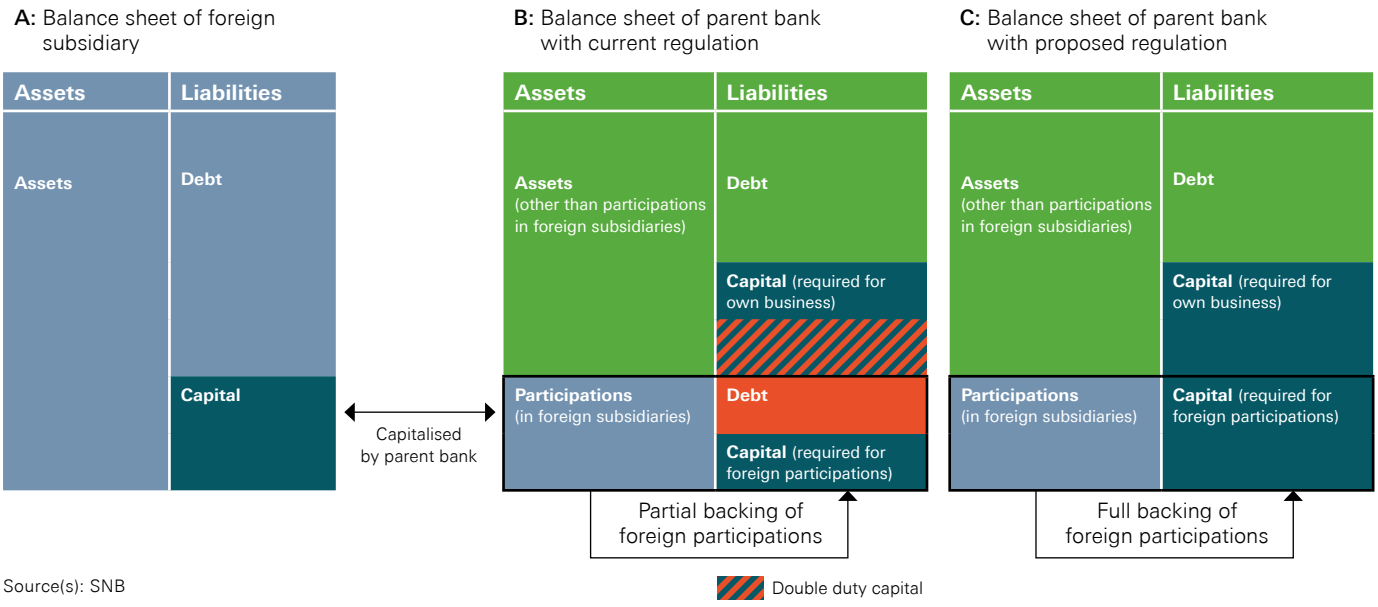
Chart 3.8



Source(s): SNB

CAPITAL BACKING OF FOREIGN PARTICIPATIONS: CURRENT AND PROPOSED REGULATION

Chart 3.9



Source(s): SNB

foreign business activities. Under the specific circumstances, the sale of a foreign subsidiary could have led to a significant deterioration in the parent bank's capital situation. As the crisis at Credit Suisse showed, without such restructuring options, a crisis can escalate and eventually require public support. The full backing of banks' foreign participations is crucial for resolving a weakness in the current Swiss banking regulations.

Federal Council proposal avoids double counting of capital and protects parent bank from losses on foreign participations

In UBS's current legal structure, the parent bank (UBS AG) operates both as a holding company, owning domestic and foreign subsidiaries, and as a bank, conducting its own business activities (cf. chart 3.8). A participation in a subsidiary is an asset that reflects the value of the capital that the parent bank has granted to this subsidiary. Participations are booked on the assets side of the parent bank's balance sheet (cf. chart 3.9).

The parent bank needs capital to cover the risks of both its own and its foreign subsidiaries' business. Under the current capital rules, the parent bank only needs to back approximately 45% of its foreign participations with CET1 capital. This means that in the event of a decrease in the book value of a foreign participation by one US dollar, only around 45 cents of capital is reserved to cover this loss in value. In chart 3.9, this is depicted in panel B by the dark blue rectangle in the bottom right-hand corner. The rest of the impairment, approximately 55 cents, has to be covered by capital that was intended to cover the risks arising from the parent bank's own business. This is depicted by the cross-hatched rectangle in panel B. This capital will no longer be available to cover potential future losses from the parent bank's own activities. In fact, the partial backing of foreign participations implies that a part of the parent bank's capital has a double duty, as it has to cover two risks at the same time: the risk of the parent bank's own business and that of the foreign subsidiaries' business. This corresponds to a double counting of capital, which contradicts basic prudential principles.[21] The full backing of foreign participations with capital corrects this shortcoming, as illustrated by panel C.

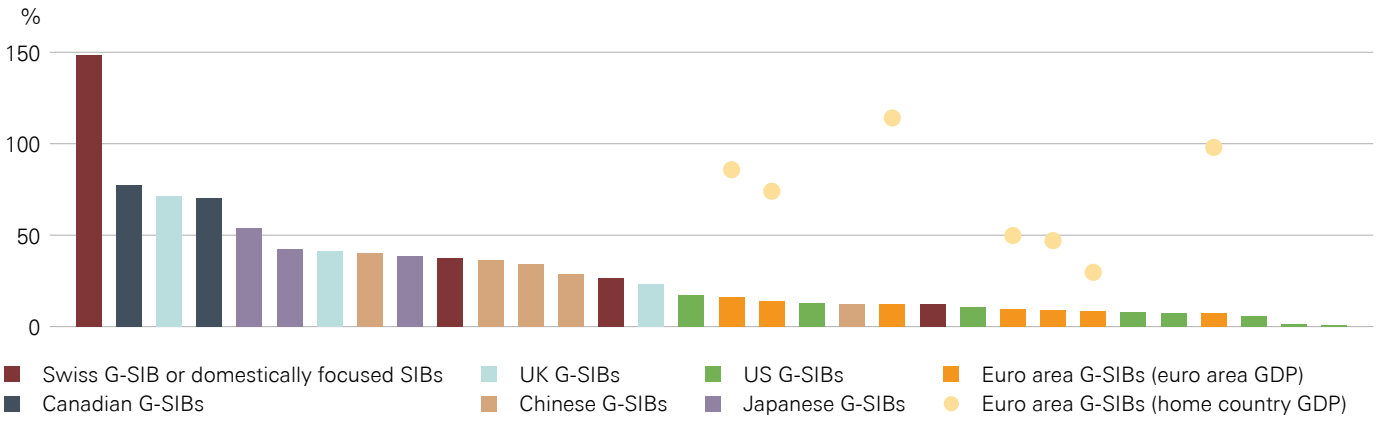
The proposed rule requires that investments in foreign subsidiaries be fully financed with capital. This does not imply that foreign participations have no value for the parent bank. Their value for the parent bank depends on the estimated future profits of the foreign subsidiaries. If the financial prospects of the foreign subsidiaries deteriorate significantly in a crisis, the parent bank may have to recognise losses on its participations. Full capital backing ensures that potential losses on foreign participations can be absorbed by the parent bank without this affecting its capital ratio.

Full capital backing strengthens the bank's resilience in a crisis in two ways. First, it ensures that the Swiss parent bank is protected against losses on its foreign participations. This enables it to continue providing its business services and fulfilling its important role for the group even in a situation in which its foreign subsidiaries are subject to financial stress. Second, it ensures that common restructuring measures, such as the restructuring of the bank by means of divestments, remain available. This in turn reduces the probability of public support being needed and mitigates taxpayer risk.

21 If the parent bank is not required to fully back a participation in a subsidiary with capital, it can partially finance capital at a subsidiary through debt. This practice is referred to as 'double leverage'.

SIZE OF INDIVIDUAL BANKS RELATIVE TO GDP, BY JURISDICTION[1]

G-SIBs and Swiss domestically focused SIBs, leverage ratio exposure to GDP — Chart 3.10



1 Data as of end 2025.

Source(s): Bank disclosures, IMF, SNB calculations

Alternatives considered would not fully address weakness of current framework

In its dispatch of 22 April 2026, the Federal Council discusses and rejects several alternative approaches regarding the capital backing of foreign participations.[22] In particular, it considers an option in which full capital backing could be achieved with CET1 capital and – to a limited extent – with lower-quality capital, namely AT1 instruments. In contrast to CET1 capital, which is always loss-absorbing, AT1 instruments are only loss-absorbing if certain conditions are met.[23] The Federal Council concludes that a partial backing with AT1 instruments – even with stricter provisions regarding interest payments[24] – does not achieve its declared objective, i.e. to strengthen the bank's ability to act autonomously in the stabilisation phase.

As a further alternative, the Federal Council considers a higher, but still partial backing of foreign participations, for example at 90%. In this case, the parent bank would have more capital available to absorb potential losses on foreign participations compared to the current regulatory requirements. However, a decrease in the book value of a foreign participation by one dollar would still affect the parent bank's capital ratio, albeit to a lesser extent. The report concludes that this and other alternatives considered would not fully remedy the key weakness of the current framework. The SNB shares this assessment and supports the full backing of a parent bank's foreign participations with CET1 capital.

Including reserves, UBS already has sufficient capital to meet proposed requirements

Full capital backing of foreign participations leads to an increase in capital requirements. According to calculations by the authorities based on publicly available numbers from UBS's Q4 2025 disclosure, the full backing of participations with capital, in combination with the other capital measures,[25] increases the CET1 capital requirements at UBS AG by around USD 20 billion.[26] It is important to distinguish the increase in the requirements from the additional capital that the bank will effectively need to build up, i.e. the 'actual capital gap'. According to pro forma calculations, UBS will have to increase its CET1 capital by USD 9 billion (or 13%) to comply with all the proposed capital requirements.[27] This number already reflects the fact that banks typically include a management buffer to meet the capital requirements. However, it does not take into account the capital reserves of USD 9 billion available at UBS AG as at the end of 2025.[28] Including these reserves, UBS already has sufficient capital to meet the requirements of the proposed capital reform.

The Federal Council's dispatch provides a considerable transition period (seven years) to meet the revised requirements. Taking into account this transition period and the bank's expected profits, UBS can be expected to be able to comply with the proposed capital measures, while continuing to distribute profits to its shareholders.[29]

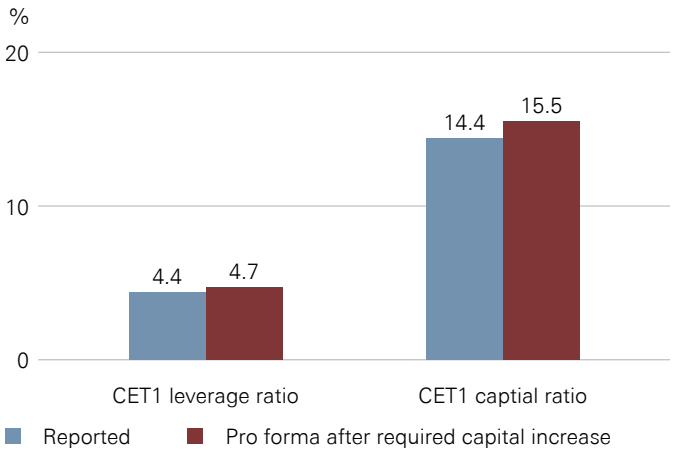
Proposed capital regulation is a targeted and proportionate measure to strengthen financial stability in Switzerland

A high resilience of UBS is particularly important for Switzerland considering the bank's size (cf. chart 3.10) and its increased market share following the acquisition of Credit Suisse. With the implementation of the proposed reform, UBS will become more resilient, which will strengthen financial stability in Switzerland. According to the pro forma calculation, UBS will have a risk-weighted CET1 capital ratio of 15.5% after the proposed regulatory reform.[30] In terms of the leverage ratio, the revised capital requirements imply a CET1 leverage ratio of 4.7% for UBS Group AG (cf. chart 3.11).[31] This is well below the numbers that were discussed in

22 Cf. Federal Council dispatch, 'Botschaft zur Änderung des Bankengesetzes', 22 April 2026, pp. 22–36, available in German, French and Italian.
23 AT1 instruments of SIBs only convert into CET1 capital if certain contractually fixed conditions are met, such as falling below a 7% CET1 ratio at group level or in the event of support from public authorities. Regarding the role of AT1 instruments, cf. Financial Stability Report 2024, pp. 33–34, and Financial Stability Report 2023, pp. 30–31.
24 Interest payments and the repayment of AT1 instruments would automatically stop if the bank's CET1 ratio fell below a certain threshold. Cf. Federal Council dispatch, 'Botschaft zur Änderung des Bankengesetzes', 22 April 2026, pp. 25–26.

CAPITAL RATIOS BEFORE AND AFTER REFORM

UBS Group AG as at Q4 2025 — Chart 3.11



Source(s): Federal Council dispatch on revision of Banking Act

25 The other capital measures concern the amortisation of software and the prudent valuation of fair value assets.
26 Cf. Federal Council dispatch, 'Botschaft zur Änderung des Bankengesetzes', 22 April 2026, p. 51, available in German, French and Italian.
27 Ibid., p. 51.
28 Ibid., p. 52.
29 Ibid., p. 53.
30 Ibid., p. 55.
31 Ibid., p. 21.

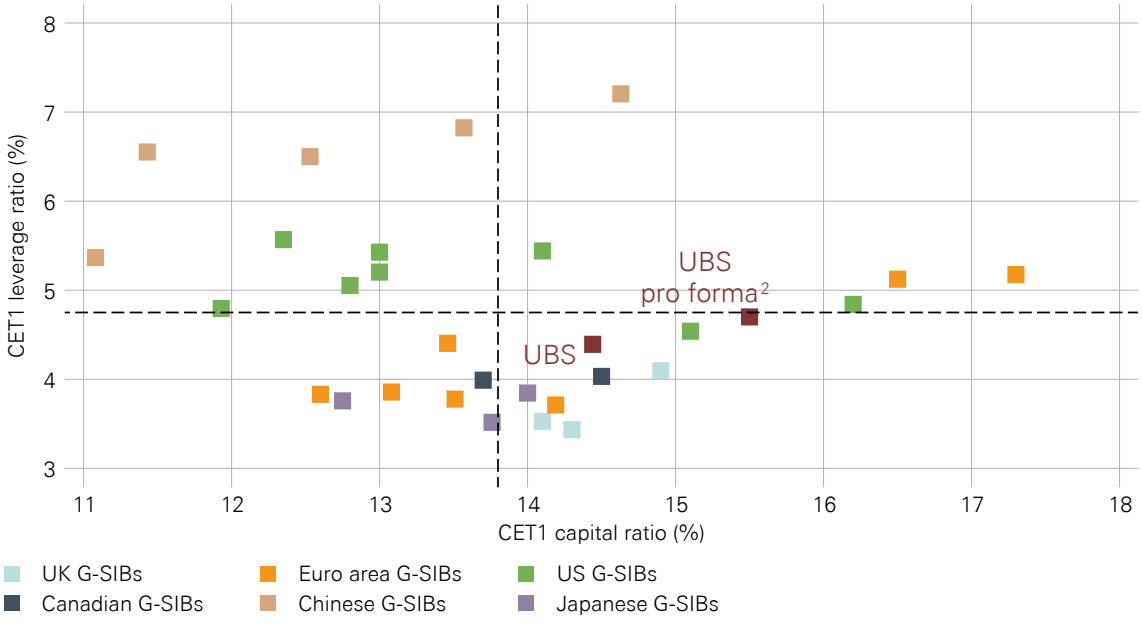
the aftermath of the crisis at Credit Suisse.[32] The proposed reform will put UBS among the leading global systemically important banks (G-SIBs) in terms of the risk-weighted capital ratio. In terms of the leverage ratio, UBS will be around the average of G-SIBs (cf. chart 3.12). The proposed capital regulation will thus not make UBS an international outlier. Compared to domestic competitors, UBS will still rank below average (cf. subchapter 3.3).

Empirical studies suggest that sound bank capitalisation does not come at the expense of maintaining an adequate supply of credit to the economy.[33] A solid capitalisation reduces the probability of failure and makes the bank's credit supply more resilient to negative shocks.[34] Moreover, the empirical evidence suggests that high capital ratios are compatible with bank competitiveness and high market valuations, at least within the range of capital ratios in which UBS will have to operate after the reform.[35] A recent study suggests that the impact of the proposed reform on UBS's total capital costs will be moderate.[36] In sum, the proposed full capital backing of foreign participations is a targeted and proportionate measure to strengthen the stability of the financial system in Switzerland.

32 The parliamentary motion 21.3910 (Birrer-Heimo), which was accepted by the National Council in May 2023, proposed a leverage ratio of at least 15% for G-SIBs. In his expert opinion for the FDF of 19 May 2023, Manuel Ammann considered a leverage ratio of at least 10% as a realistic target for the largest G-SIBs in the medium run.
33 For an example of a study on the impact of increased capital requirements on credit growth, cf. Cecchetti, S., 'The jury is in', Centre for Economic Policy Research, Policy Insight no. 76, 2014.
34 Cf. Bichsel, R., L. Lambertini, A. Mukherjee and D. Wunderli, 'The pass-through of bank capital requirements to corporate lending spreads', Journal of Financial Stability, vol. 58, 2022.
35 Cf. Behn, M. and A. Reghezza, 'Capital requirements: a pillar or a burden for bank competitiveness?', ECB Occasional Papers Series, no. 376, 2025, and SNB Financial Stability Report 2025, charts 3.9 and 3.10, p. 26.
36 Cf. Böni, P. and H. Zimmermann, 'The effective cost of capital buffers for UBS: a reappraisal based on empirical research', Financial Markets and Portfolio Management, 2026.

INTERNATIONAL COMPARISON OF CET1 CAPITAL[1]

G-SIBs, Q4 2025 — Chart 3.12



1 The dashed lines depict the (unweighted) averages.
2 Capital ratio after proposed reforms as published by the Federal Council on 22 April 2026 in its dispatch on the revision of the Banking Act.

Source(s): Bank disclosures, Bloomberg

3.4 FINANCIAL RISK

KEY POINTS

- The most relevant financial risk categories for the Swiss banking sector are credit risk, interest rate risk and business risk.
- Regarding credit risk, banks' risk appetite in mortgage lending is elevated, but current credit quality remains high.
- Banks' exposure to interest rate risk remains elevated.
- Market risk makes up a small share of total RWA of the Swiss banking sector, but a prudent assessment remains important to capture the full complexity of trading portfolios.
- Exposure to business risk depends on banks' business models. Domestically focused banks are less exposed than UBS and the 'Other banks', which have higher shares of fee and commission income.
- Regarding climate risk, the possible impact of transition risks on banks appears comparatively modest. Analyses of the possible impact of physical risks are underway.

The banking sector is exposed to financial risk and operational risk (cf. subchapter 3.5). The sources of financial risks are credit risk, interest rate risk in the banking book, market risk, business risk and climate risk. Credit risk, market risk and operational risk are covered under Pillar 1 of the Basel framework; hence, specific RWA requirements apply. Business risk and interest rate risk can be covered by additional capital requirements imposed by FINMA, but they are not subject to specific RWA requirements. Consequently, it is particularly important that these risk categories are assessed through forward-looking approaches such as stress tests and market-based indicators. The SNB therefore supports the proposed measures in the Federal Council's TBTF reform package that aim at strengthening the Pillar 2 capital requirements based on such forward-looking assessments.

Introduction of Basel III Final led to decrease in RWA, contrary to banks' estimates

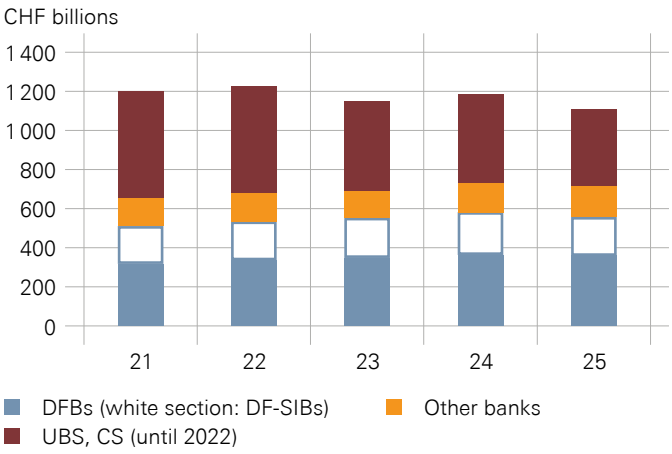
In 2025, total RWA of the Swiss banking sector decreased by 7% (cf. chart 3.13), primarily reflecting the introduction of the Basel III Final standards at the beginning of 2025.[37, 38]

The impact of Basel III Final on individual banks' RWA was heterogeneous, depending on the banks' business models and regulatory capital approach. The RWA of the domestically focused banks that use the internal ratings-based approach[39] fell by 8%, while those of the domestically focused banks that use the standardised approach declined by 1%. In the 'Other banks' category, RWA increased by 6% year on year. For UBS, RWA decreased by 2% in Q1 2025[40] due to the introduction of the revised standards.

37 Cf. SNB Financial Stability Report 2025, subchapter 3.2 and box 'Selected elements of Basel III Final introduction in Switzerland' for more information on Basel III Final.
38 For certain credit portfolios, Basel III Final replaced RWA multipliers that FINMA introduced from 2012 onwards for banks using model-based approaches. Cf. FDF, 'Änderung der Eigenmittelverordnung (Nationale Umsetzung der abgeschlossenen Basel-III-Reformen), Erläuterungen', 29 November 2023, available in German, French and Italian.
39 Raiffeisen Group, ZKB and Banque Cantonale Vaudoise.
40 Cf. UBS Group Q1 2025 report, p. 41. The output floor, which aims to limit large differences between the standardised and internal ratings-based approaches, is currently not binding for UBS. After mitigating actions, UBS expects an approximate 2% impact by the end of the phase-in period in 2028.

DEVELOPMENT OF TOTAL RWA

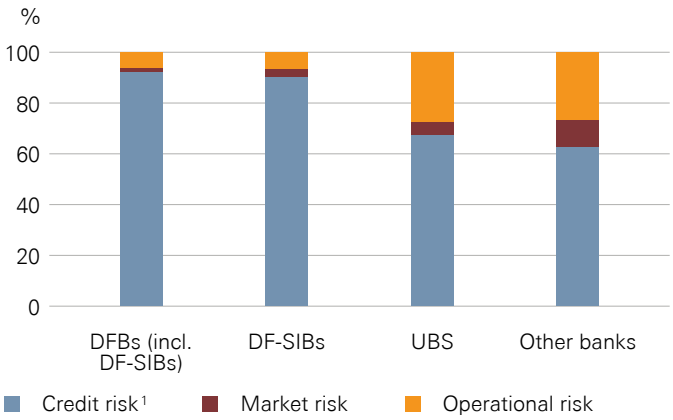
By bank category — Chart 3.13



Source(s): SNB

RWA BREAKDOWN

By bank and risk category, as at Q4 2025 — Chart 3.14



1 Credit risk includes non-counterparty-related risks.

Source(s): FINMA, SNB

The decrease in RWA for the Swiss banking sector following the introduction of Basel III Final was contrary to banks' original expectations. According to the Federal Council's quantitative impact study published in 2022 based on estimates provided by the banks, Basel III Final was expected to increase RWA for the Swiss banking sector as a whole by 16%, driven primarily by the two globally active banks UBS and Credit Suisse.[41] For the remaining banking sector, the RWA impact was expected to be small.[42] Large differences between the impact of proposed regulatory reforms estimated by banks and the actual impact of these reforms have been repeatedly observed in the past. This is partially due to the fact that banks adapt to new rules and optimise their portfolios.

Chart 3.14 shows the RWA breakdown into the different risk categories. The domestically focused banks (as well as the domestically focused SIBs) are mainly exposed to credit risk while the other risk categories only make up a small share of total RWA. For UBS and the 'Other banks', operational risk and market risk are more significant than for domestically focused banks.

3.4.1 CREDIT RISK

Credit risk is the risk of loss due to a client or counterparty failing to make contractually agreed payments. Banks' credit risk exposure can result from on and off-balance-sheet positions.

Overall, credit risk is material for the Swiss banking sector and primarily results from banks' loan portfolios. For domestically focused banks in aggregate, credit risk is very material. Among the domestically focused SIBs, PostFinance is also exposed to credit risk from financial assets in its investment portfolio, and ZKB to counterparty credit risk from securities financing transactions. For UBS and the 'Other banks', credit risk is also material but not to the same extent as for domestically focused banks. Besides lending, off-balance-sheet positions as well as counterparty credit risk from financial derivatives and securities financing transactions play a prominent role for UBS. Moreover, UBS has a significant exposure to non-bank financial intermediary (NBFI) counterparties, most of which are located abroad; private credit, however, which is a source for increasing financial stability concern worldwide, appears to be only a small part of this NBFI exposure.[43] For the 'Other banks', financial assets and claims on banks are relevant sources of credit risk in addition to lending.

The materiality and structure of banks' loan portfolios is shown in table 4. For domestically focused banks, loans make up roughly 70% of total assets, the vast majority being domestic mortgage loans. Among the domestically focused SIBs, loans also account for a material proportion of total assets for Raiffeisen Group and ZKB, but not for PostFinance[44]. For UBS and the 'Other banks', the share

41 Cf. FDF, 'Regulierungsfolgenabschätzung zur Änderung der Eigenmittelverordnung', 2023, p. 45, available in German.
42 Ibid., p. 46.

43 According to UBS's CFO conference of 17 March 2026, exposure to private credit funds makes up about 0.5% of UBS Group's total assets.
44 PostFinance is subject to a ban on providing loans and mortgages.

LOAN PORTFOLIO OF SWISS BANKING SECTOR

Loans to the non-bank sector; as at end-2025 — Table 4

	DFBs	DF-SIBs	UBS[1]	Other banks	All banks
Total loans[2] (share of total assets)	**69%**	**60%**	**40%**	**34%**	**53%**
Mortgage loans (share of total loans)[2]	**90%**	**90%**	**58%**	**19%**	**72%**
Of which domestic loans[3]	89%	90%	55%	9%	69%
Other secured loans (share of total loans)[2]	**3%**	**2%**	**36%**	**71%**	**20%**
Of which Lombard loans	1%	1%	25%	59%	14%
Of which domestic loans[3]	3%	2%	–	12%	4%
Unsecured loans (share of total loans)[2, 4]	**7%**	**8%**	**6%**	**11%**	**8%**
Of which domestic loans[3]	7%	7%	–	4%	6%

1 For UBS, not all information is publicly disclosed.
2 Total loans refers to loans and advances to customers on the balance sheet (excluding exposures to banks and off-balance-sheet exposures).
3 Domestic refers to the location of the real estate for mortgages and to the domicile of the customer otherwise.
4 Credit risk of unsecured loans may be mitigated by credit enhancements such as guarantees.

Source(s): SNB

of loans in total assets lies between 30% and 40%; moreover, Lombard loans and foreign loans play a more prominent role than for domestically focused banks.

Swiss banks retain the vast majority of the credit risk stemming from their portfolios on their books. Internationally, by contrast, banks have increasingly used synthetic risk transfer over the last decade. By transferring credit risk to a counterparty (often NBFIs) while retaining the underlying asset,[45] banks have reduced capital requirements for credit risk. In Switzerland, this is not common practice. UBS is the only Swiss bank engaging in synthetic risk transfer. Its use of synthetic risk transfer is below average compared to European listed banks and has declined over recent years.[46]

Credit quality of loan portfolios remains high

For the banking sector as a whole, credit quality remained high in 2025. Both credit loss expenses[47] and impaired loans remained low and broadly constant, at 0.04% and 0.9% of the volume of outstanding loans, respectively. For domestically focused banks, the corresponding figures were even slightly lower. As such, the interest rate increases in 2022–2023 have not led to a deterioration in credit quality at Swiss banks.

For the SIBs and the 'Other banks' too, most indicators point to a persistently high and stable credit quality in 2025. The only exception is the share of impaired loans at the 'Other banks', which has remained elevated at 2.2%, reflecting the impact of insolvencies related to the Austrian Signa Group in 2023.

Risk appetite in residential mortgage lending remains elevated

Loan-to-income (LTI) ratios continue to point to elevated affordability risks for new residential mortgage lending. For households, financial resources mitigate affordability risks (cf. box 'Financial resources mitigate households' affordability risks').

LTI ratios are high by historical comparison in all residential segments (cf. chart 3.15). For instance, in 2025 the 75th LTI percentile mortgage loan for owner-occupied residential real estate amounted to 6.9 times the borrower's annual net income (2024: 7.0). An LTI ratio of 6.9 in the owner-occupied segment implies that each percentage point of mortgage interest rate absorbs 6.9% of the corresponding household's net income. Consequently, one-third of income (a frequently used affordability threshold) is absorbed by total debt service and maintenance costs at a mortgage rate of 3.5%.[48]

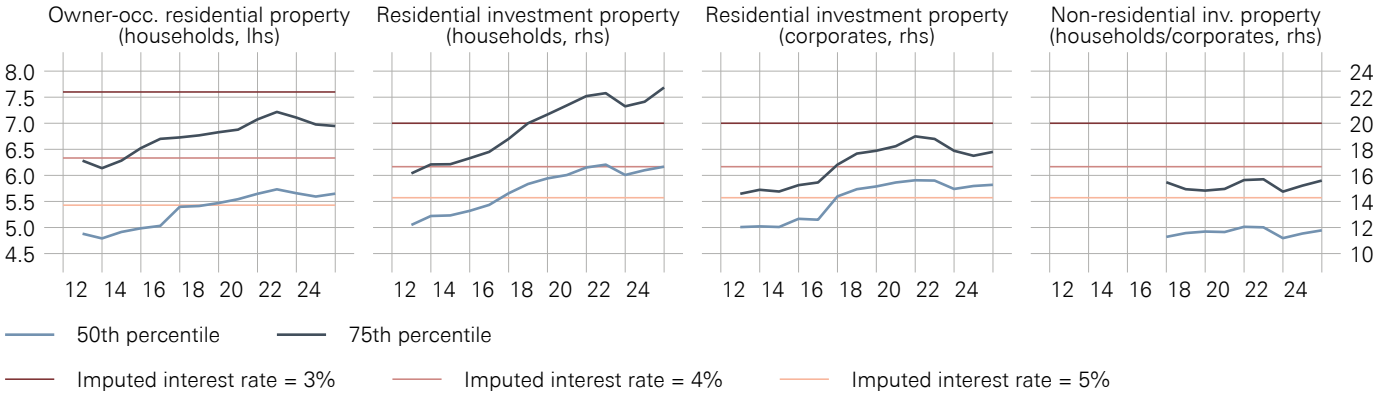
In the residential investment segment, the 75th LTI percentile for new mortgages was 22.7 (2024: 21.7) for property held by households and 17.8 (2024: 17.5) for property held by corporates such as real estate firms or institutional investors (including insurance companies and pension funds). An LTI ratio of 17.8 in the investment property segment means that each percentage point of mortgage interest rate absorbs 17.8% of the net rental income. Consequently, rental income is fully absorbed

45 Cf. BCBS, 'Synthetic risk transfers', February 2026, p. 12.
46 Ibid., p. 11, and UBS's Pillar 3 Reports.
47 Credit loss expenses as reported in the income statement.

48 Assuming a mortgage rate of 3.5% and maintenance and amortisation costs of 1% each, total debt service and maintenance costs would represent 38% of the household's net income (38% = 6.9 * (3.5% + 1% + 1%)), with 38% of net income serving as a proxy for one-third of gross income. The horizontal lines in chart 3.15 denote the LTI ratios at which total debt service and maintenance costs at mortgage rates of 3%, 4% and 5% equal 38% of gross income (or one-third of net income).

LTI RATIOS OF NEW MORTGAGES[1]

Chart 3.15



1 Based on a standardised definition of income, which can deviate from banks' internal definitions. Horizontal lines show LTI ratios at which imputed costs equal rents (investment property) or one-third of income (owner-occupied property) at interest rates of 3%, 4% and 5%. Data on the non-residential segment is available since 2017.

Source(s): SNB

by total debt service and maintenance costs at a mortgage rate of 3.6%.[49]

Loan-to-value (LTV) ratios for new residential mortgages generally increased slightly in 2025, after having declined over several years (cf. chart 3.16). For the investment property segment, a possible reason for the increase was the relaxation of regulatory constraints that took effect at the beginning of 2025. In the context of the introduction of Basel III Final, the minimum down payment of 25% of the lending value for this segment, which had been in force since 2020, was reduced to 10% (cf. also subchapter 2.2). This regulatory change might have had a material impact on LTV ratios in the investment property segment. The fact that LTV ratios only increased slightly in 2025 could be explained by FINMA's recommendation that banks continue to maintain the 25% minimum down payment going forward.[50]

While LTI ratios are lower for residential mortgages held by corporates than for those held by households, evidence shows that they typically carry higher credit risk. Two factors play a role in this context. First, households' affordability risks are mitigated by financial resources (cf. box 'Financial resources mitigate households' affordability risks'). For corporates, no comparable data exists. Second, investors with limited liability, such as corporates, default on their debt more quickly than private property owners, who are liable with all their assets.

Lower LTI and LTV ratios in non-residential segment, but higher structural risks

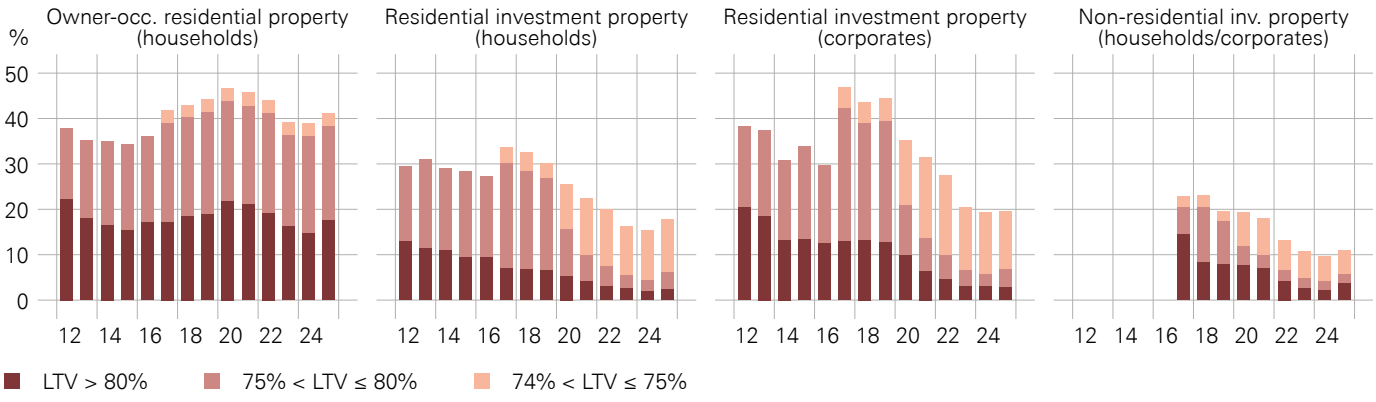
For the non-residential investment property segment (including property such as office, retail or industry), both LTI and LTV ratios are lower than in the residential investment property segments. Furthermore, LTI ratios in the non-residential segment have remained broadly stable since 2017, contrasting with the increase observed in the residential segments. This is consistent with the absence of clear evidence for cyclical risks in the commercial real estate segment (cf. 'Conditions in commercial real estate segment broadly unchanged' in subchapter 2.2).

Nevertheless, structural credit risks are higher in the non-residential segment than in the residential segments. Losses in real estate crises tend to be higher in the non-residential segment. The comparatively low LTI and LTV ratios primarily indicate that banks' lending policies account for the higher structural risks in this market segment.

49 Assuming a mortgage rate of 3.6% and maintenance and amortisation costs of 1% each, total debt service and maintenance costs would correspond to rental income (17.7 * (3.6% + 1% + 1%)). The horizontal lines in chart 3.15 denote the LTI ratios at which total debt service and maintenance costs at mortgage rates of 3%, 4% and 5% equal rental income.
50 Cf. FINMA press release, 'Mortgage loans: FINMA recognises adjustments to self-regulation', 27 March 2024.

PROPORTION OF NEW MORTGAGES WITH HIGH LTV RATIOS[1]

Proportion with an LTV ratio over 74%, 75% and 80% — Chart 3.16



1 From 2017 on, data from the revised 'Survey on new mortgages' is shown. Measurement of the 74–75% share, as well as of the non-residential segment, has only been possible since 2017.

Source(s): SNB

Box: Financial resources mitigate households' affordability risks

This box presents evidence on the mitigating impact of household financial resources on affordability risks (cf. subchapter 2.2 for a definition of affordability risk).

Affordability risks are often measured using loan-to-income (LTI) ratios, an indicator of financial leverage. According to this metric, affordability risks of new residential mortgages increased noticeably between 2012 and 2022 (cf. chart 3.15). Since then, they have stabilised overall.

However, the LTI ratios shown in chart 3.15 constitute merely a crude metric of affordability risks. They only reflect new lending, disregarding the stock of outstanding mortgages. Moreover, they rely on a narrow definition of borrowers' income and ignore their financial resources.[51]

An analysis of tax data on households in the cantons of Berne and Lucerne suggests that using a more comprehensive definition of the borrower's financial resources than is reflected in LTI ratios makes a significant difference to the assessment of both the level and the dynamics of mortgage risks. Assuming that the borrower can use additional income components to service debt, and liquid financial wealth to repay debt if needed (e.g. if debt service costs increase substantially), affordability risks are considerably lower, both for new mortgages and for the stock of outstanding mortgages. For households with owner-occupied residential property, the difference is driven by the inclusion of liquid financial wealth. For households with residential investment property, the difference is driven by the inclusion of household income in addition to rental income, as the corresponding LTI figures only account for rental income from the respective properties.

For instance, in 2023, for new mortgages financing owner-occupied residential real estate in the canton of Berne, the 75th LTI percentile mortgage loan was 6.5 times the annual net income according to the SNB's survey on new mortgages (cf. chart 3.17).[52] This compares to net debt-to-income (DTI) figures, which account for additional income components as well as households' overall liabilities and financial wealth, of 5.7 (new mortgages) and 4.5 (stock of outstanding mortgages). While LTI ratios for new mortgages in this segment have increased significantly since 2012 (cf. chart 3.15), these net DTI figures have increased only slightly over time. In 2012, the net DTI ratios were 5.4 (new mortgages) and 4.2 (stock of outstanding mortgages).

From an affordability risk perspective, these differences are substantial. For instance, according to LTI ratios of new mortgages in 2023, one-third of income is absorbed by total debt service and maintenance costs at a mortgage rate of 3.8%.[53] According to net DTI ratios, this would be the case at a mortgage rate of 6.4%.[54]

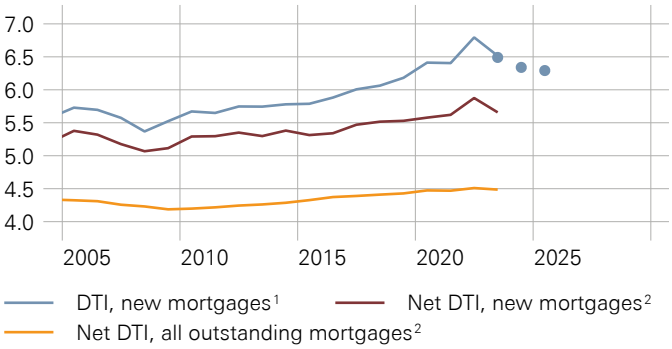
Hence, while high and growing gross debt exposes households to interest rate shocks, this analysis indicates that households' resilience to such shocks is higher, and has deteriorated since 2012 by less, than can be inferred from an analysis relying on a narrow definition of the borrower's financial resources.

While valuable, this analysis has limitations from a risk assessment perspective. First, due to the delayed availability of the tax data, LTI ratios will remain important indicators for ongoing developments. Second, and more importantly, the tax data provides no information on corporates – a segment of the mortgage market that appears particularly risky from a lender's perspective. In order to improve risk assessment capabilities for the domestic credit market, the SNB and FINMA are working on a new survey aiming at collecting a richer loan-by-loan dataset.

51 The narrow income definition used to calculate LTI ratios is standardised across banks and hence can deviate from banks' internal definitions. It uses only the borrower's employment or pension income. In general, eligible income according to bank-internal definitions exceeds this standardised income. As banks apply different credit policies, the income calculated according to banks' internal definitions is neither directly comparable between banks, nor can it be used for calculating meaningful aggregate LTI values.

DTI RATIOS, CANTON OF BERNE

Owner-occupied residential property, 75th percentiles — Chart 3.17



1 Dots depict LTI ratios of new mortgages. They can be used as a proxy for DTI ratios.
2 Net DTI: household debt minus deposits (taking into account a minimum liquidity stock) and 50% of other financial assets.

Source(s): Canton of Berne tax data (lines), SNB (dots)

52 This is somewhat lower than the corresponding figure for Switzerland shown in chart 3.15.
53 Assuming a mortgage rate of 3.8% and maintenance and amortisation costs of 1% each, total debt service and maintenance costs would represent 38% of the household's income (38% = 6.5 * (3.8% + 1% + 1%)), with 38% of net income serving as a proxy for one-third of gross income.
54 38% = 4.5 * (6.4% + 1% + 1%).

Repricing maturity for new mortgages declines
Against the backdrop of an increasing spread between interest rates on fixed-rate mortgages and SARON-linked mortgages, the overall median repricing maturity for new mortgages declined from 2.1 years in 2024 to 1.0 years in 2025. While the median repricing maturity increased somewhat in the owner-occupied residential property segment, it declined in the residential investment property segment (for property held by both households and corporates) as well as in the non-residential segment (cf. chart 3.18).

A declining repricing maturity implies a transfer of interest rate risk from banks to borrowers. However, banks might still be partially exposed to this risk in the form of credit risk, as an interest rate shock might lead to financial stress for borrowers.

3.4.2 INTEREST RATE RISK

Interest rate risk, which reflects a bank's sensitivity to interest rate changes, results from a mismatch between the durations of a bank's assets and liabilities. Banks typically use short-term liabilities (i.e. deposits with rather short, and contractually undefined, repricing maturities) to finance long-term assets (i.e. loans with relatively long, and contractually defined, repricing maturities). The result of such maturity transformation, which is a key economic function of banking, is that interest rates on assets are locked in for longer than interest rates on liabilities. Banks typically try to stretch that gap to generate higher income, but this makes them more exposed to upward shocks in interest rates, as interest expenses rise faster than interest income.

The net present value (NPV) approach employed in this section assumes a mark-to-market valuation of banks' interest rate-sensitive assets and liabilities, while accounting for interest rate hedges. In other words, the NPV approach (also referred to as the economic value of equity) measures the isolated effect of standardised interest rate changes (difference between current rate level and shock) on the discounted value of future cash flows associated with banks' assets and liabilities. While the approach is static (constant balance sheet), it shows the impact of changes in volumes, durations and capital on interest rate risk over time. The NPVs are normalised by CET1 to assess banks' capacity to absorb losses stemming from interest rate changes.

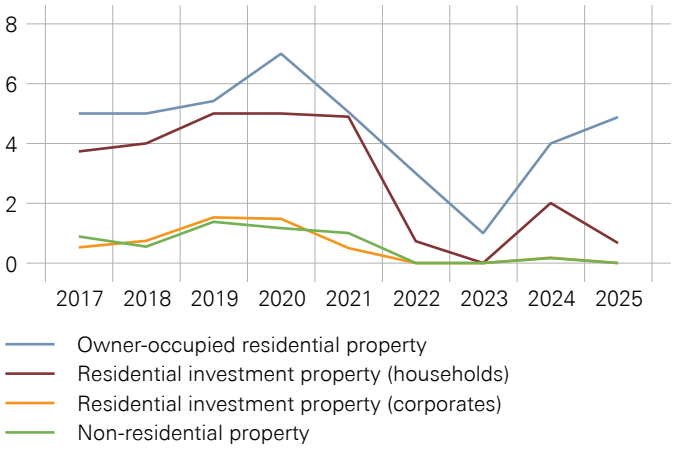
Interest rate risk in banking sector remains moderate but slightly increased
The banking sector's exposure to interest rate risk increased slightly between 2024 and 2025 but remains moderate (cf. chart 3.19, black diamonds in each point cloud). The measurement of interest rate risk in the banking book depends largely on the repricing maturities assumed. This is particularly important for deposits without fixed contractual maturities, such as sight and savings deposits. The sensitivity of these deposits to interest rate changes depends on customer behaviour. If customers are more likely to move their funds to other banks or into products with better returns, banks tend to adjust interest rates more frequently. In a low interest rate environment, customers prefer flexibility and thus rather shift into sight deposits. This results, ceteris paribus, in shorter repricing periods and higher sensitivity to interest rate changes. At the same time, in such an environment, the NPV method should be perceived as a conservative approach.[55]

Under the banks' own behavioural assumptions – which vary across banks – the impact of a 200 basis point parallel interest rate increase would amount to an average NPV decline of 7% in CET1 capital (cf. chart 3.19, black diamond in highest point cloud).[56] Assuming repricing maturities of 1.5 years for savings deposits and 15 days for sight deposits for all banks, the average impact would be a decline of 19% in CET1 capital (cf. chart 3.19, black diamond in lowest point cloud).[57, 58]

Domestically focused banks more exposed to interest rate risk than rest of banking sector
On average, the domestically focused banks are more exposed to interest rate risk than the rest of the banking sector. The reason for domestically focused banks' higher exposure is their relatively higher reliance on interest rate income. Domestically focused banks' NPV would decline, depending on repricing assumptions, by between 6% and

55 In a low and negative interest rate environment, the NPV approach tends to overestimate the exposure to a small and medium upward interest rate shock, while in a positive interest rate environment this is no longer the case (cf., for example, SNB Financial Stability Report 2016, pp. 26–30). In the current environment, banks would benefit from moderate interest rate increases, as they would lead to a restoration of the currently negative liability margins, generating additional interest income, a fact that is not fully accounted for in the NPV analysis.
56 The BCBS Standards for Interest Rate Risk in the Banking Book (April 2016) use Tier 1 capital for the NPV calculations; using CET1 can be perceived as a more conservative approach.
57 The fixed assumptions are repricing assumptions for positions with no contractually defined maturity that are constant over time and that are the same for all banks.
58 Cf. FINMA Circular 2019/02 'Interest rate risks – Banks' provides indications regarding outlier classification and potential supervisory measures.

REPRICING MATURITY OF NEW MORTGAGES
Median in years — Chart 3.18



Source(s): SNB

22% of CET1 capital (cf. chart 3.19, highest and lowest green point clouds) in response to a parallel interest rate increase of 200 basis points. For one bank, however, the impact could be significantly more pronounced, reaching around 100% of CET1 capital. Year on year, domestically focused banks' interest rate risk remained broadly stable. The main factors of variability consisted of further flows of long-term deposits into sight deposits, compensating for a sustained nuanced trend towards shorter-term mortgages.

Due to its global activity, UBS is exposed to interest rate risk in several currencies. The NPV approach accounts for shocks in all currencies. When taking account of all currencies, UBS's exposure is comparable to the average exposure of the domestically focused banks, for which the Swiss franc is primarily relevant.

Parallel increase of yield curve most detrimental

Different interest rate curve shocks, such as increases in either the long or the short end of the yield curve, are less detrimental for Swiss banks (as only either assets or liabilities are affected). This suggests that banks' balance sheets are less sensitive to isolated shifts at specific maturities than to more comprehensive changes, such as parallel shifts of the entire curve. For such isolated shifts at specific maturities, the dispersion of the impact between domestically focused banks and the total banking sector is marginal compared to a 200 basis point upward shock.

3.4.3 MARKET RISK

Market risk is the risk of loss arising from adverse movements in market prices. From a narrow perspective, market risk arises mainly in the regulatory trading book, where all positions have to be marked to market on a daily basis. The regulatory framework captures primarily this source of market risk.[59] From a broader perspective, all financial instruments carried at fair value, for example equity investments in the banking book, are affected by movements in market prices and are a source of market risk.[60] The valuation uncertainty of complex or illiquid financial instruments, which increases in volatile and distressed market conditions, represents yet another type of market risk. Banks must reflect this valuation uncertainty for fair value instruments in regulatory capital.

Market risk makes up small share of total RWA of Swiss banking sector

Compared to credit risk and operational risk, market risk accounts for a relatively small share of Swiss banks' RWA. This is still the case after the revision to the approach for market risk RWA in the context of Basel III Final. The revision had a smaller impact than initially estimated, due to mitigation measures taken by the banks. Overall, the share of market risk RWA to total RWA for the Swiss banking sector (cf. chart 3.14) remained broadly unchanged compared to 2024.

Generally, domestically focused banks are not materially exposed to market risk due to their limited trading activities. Market risk accounts for only 2% of domestically focused banks' total RWA (cf. chart 3.14). Of the three domestically focused SIBs, ZKB has the most significant trading portfolio. However, even for ZKB market risk accounts for only 5% of its total RWA.

Due to their relatively large trading portfolios, market risk is more relevant for UBS and the 'Other banks', making up 5% and 10% of total RWA, respectively. Due to the banks' hedging activities, the market risk RWA share is

59 Under the Basel framework, RWA for market risk capture all market risks in the trading book and, additionally, foreign exchange and commodity risks in the banking book.
60 For an NPV analysis of interest rate risk in the banking sector, cf. subchapter 3.4.2.

INTEREST RATE RISK OF BANKING SECTOR

Impact of a 200 bp parallel interest rate increase according to different assumptions for the repricing maturities[1] of deposits (NPV impact in percent of CET 1 capital, as at Q4 2025) Chart 3.19

Diamond = average of banking sector

1 Repricing maturity refers to the time period before the interest rate on an interest-bearing asset or liability position is reset.

Source(s): FINMA, SNB

considerably smaller than the share of trading assets and derivatives in their leverage ratio exposure. For UBS these assets make up 20% of its leverage ratio exposure.

Prudent assessment of market risk remains important
Despite the relatively low RWA contributions, market risk still needs to be complemented by a prudent risk assessment.[61] Hedging strategies may not always perform as expected in a crisis, due to the realisation of risks that are not considered in bank-internal or regulatory models.[62] To capture the full complexity of banks' trading portfolios, a prudent assessment of market risks, for example through stress tests, remains important. The leverage ratio requirement also plays an important role as a backstop, which ensures that capital requirements for trading portfolios do not fall below prudent levels.

For complex or illiquid fair value positions, it is not only the risk of price changes due to adverse movements in market variables that is important, but also the prudent determination of the price itself. If the price of a complex derivative must be adjusted due to the inadequacy of the pricing model, or a large position sold in an illiquid market, a bank may suffer losses even without adverse external market movements. To address this, the Federal Council has introduced stricter rules for the prudent valuation of fair value positions as part of its TBTF reform package.

3.4.4 BUSINESS RISK

Business risk refers to the risk of reduced revenues, in particular due to a drop in fee-generating business volume or client activity, combined with cost rigidity. Business risk can materialise when market conditions are unfavourable but also in the case of idiosyncratic events, such as reputational damage. Both cases can lead to fewer transactions and a decrease in client assets. The risk of a reduction in net interest income (interest rate risk in the banking book) is discussed separately in subchapter 3.4.2.

Business risk can be a very material source of risk for banks, depending on their business model. Net fee and commission income as well as trading income are revenue sources that are particularly prone to business risk. In the wealth management and asset management businesses, revenues consist primarily of recurring fees, which are based on the volume of client assets, and transaction-based fees. Both the volume of client assets and the amount of client transactions depend on market shocks and the prevailing market conditions. Fee and commission income in the investment banking business strongly depends on the demand for advisory services and financial transactions, which may be subdued under uncertain market conditions.

Business risk particularly relevant for banks active in wealth management or investment banking such as UBS and 'Other banks'
For UBS, the exposure to business risk results primarily from its asset-gathering businesses (wealth management and asset management) but also from its investment banking business. Due to this business model, net fee and commission income as well as trading income account for approximately four-fifths of UBS's revenues (cf. chart 3.3). The contribution is similar for the 'Other banks' (cf. subchapter 3.2). Domestically focused banks are less exposed to business risk, as this source of income currently represents only around 30% of their revenues.

3.4.5 CLIMATE RISK

Climate change could affect banks' traditional core business – for example, as a result of write-downs on loans or trading losses caused by valuation adjustments in stock markets. From a financial stability perspective, the SNB currently focuses on the monitoring of climate-related risks for the banking sector. There are essentially two key types of risks induced by climate change: transition risks and physical risks.

Transition risks are the risks associated with transitioning to a low-carbon economy. New laws and regulations as well as technological innovations can lead to disruptions in the economy. Physical risks are risks associated with an increase in the frequency and severity of climate-related natural catastrophes, including weather events (storms, floods, droughts, etc.) as well as longer-term environmental changes (rising sea levels, changes in precipitation patterns, etc.).

In accordance with art. 40d of the revised CO_2 Act, the SNB regularly reviews climate-related financial risks to the stability of the financial system.

Modest impact of transition risks on Swiss banks
Overall, the analyses carried out in recent years have shown that the impact of transition risks on banks' mortgage portfolios and UBS's corporate exposures is modest when compared to the impact on these portfolios of the macroeconomic stress scenarios used by the SNB to assess the banks' resilience (cf. SNB Financial Stability Reports 2024 and 2025). This view is shared by stakeholders in the financial sector. According to FINMA, the largest Swiss banks and insurance companies[63] assess transition risks as relatively low but expect them to increase over the next ten years.[64]

61 Cf. SNB Financial Stability Report 2025, subchapter 3.4.2, for the introduction of the new Basel III framework for market risk.
62 The mutual hedging of derivatives and trading positions may be impaired by very large market shocks. Previously strongly correlated risk factors may suddenly behave differently in a stress scenario (basis risk). Furthermore, the risk profile of non-linear derivatives may change substantially under such a scenario.

63 The banks and insurance companies in FINMA supervisory categories 1 to 3.
64 Cf. FINMA Risk Monitor 2025, p. 24.

Project launched by FINMA and the SNB assesses physical risks

In 2025, the SNB, together with FINMA, launched a project to assess and quantify the economic and financial impact of physical climate risks on Swiss real estate portfolios.[65] The study aims to assess relevant hazards for the country and, for a set of long-term scenarios, the direct and indirect transmission channels through which these risks could be transmitted to the financial system. A particular goal is to assess the impact of extreme weather events on banks' mortgage portfolios, including increased affordability risk and risks arising from a decline in the market value of at-risk properties.

Contribution to international efforts helps assess climate risk in Switzerland

Given that climate risk is a global issue, active participation in international working groups allows for better assessment of the risk in Switzerland. As a member of the Financial Stability Board (FSB), the SNB contributed to developing a high-level framework to assess climate-related vulnerabilities in the financial system, which was published in January 2025.[66] Moreover, as members of the Basel Committee on Banking Supervision (BCBS), the SNB and FINMA participated in the BCBS's work on developing a framework for the voluntary disclosure of climate-related financial risks, published in June 2025.[67] The BCBS's next objective in this field is to examine the evolution of physical risks from extreme weather events, as well as amplifiers and mitigants.

3.5 OPERATIONAL RISK

KEY POINTS

- The adoption of the risk-sensitive version of the Basel III standard for operational risk leads to lower capital requirements for the majority of Swiss banks, compared to the basic version.
- Cyber and third-party risks are sources of systemic risk for the Swiss financial system.
- The parallel trends of more outsourcing and more concentration among third-party providers reinforce systemic risks.

Operational risk is the risk of loss due to inadequate procedures, fraud, failed internal systems, or external events. It also includes legal risk, cyber risk, outsourcing risk and events such as a power shortage.

Due to their business models, UBS and the 'Other banks' have a relatively high share of operational risk RWA. The Basel III standardised approach for operational risk is proportional to a bank's revenues and, generally, banks with a high share of net fee and commission income tend to have relatively high shares of operational risk RWA (cf. charts 3.3 and 3.14). UBS's operational risk RWA account for 27% of its total RWA, a relatively high value in international comparison (G-SIB average: 16%).[68] The 'Other banks' have a similarly high RWA share, whereas for domestically focused banks the share is much lower (6%).

Switzerland has adopted the risk-sensitive version of the Basel III standard for measuring operational risk whereby capital requirements depend on both a bank's revenue and the losses incurred over the last ten years. For the majority of Swiss banks, the risk-sensitive version of the Basel III standard for operational risk reduces RWA compared to the basic version of the standard, which does not take into account historical losses. The largest reduction is 40%, the median reduction is 20%. For UBS, however, the risk-sensitive version increases RWA for operational risk by 45% compared to the basic version. This significant increase reflects the combined operational loss history of Credit Suisse and UBS, which amounted to USD 21 billion in the past ten years.[69] Should UBS manage to reduce its operational losses in the future, the risk-sensitive approach will allow it to reduce its current capital requirements for operational risk significantly, releasing up to USD 12 billion in CET1 capital.[70]

65 The impact analysis and data are provided by CLIMADA Technologies using Wüest Partner information on all buildings in Switzerland.
66 Cf. FSB, Assessment of climate-related vulnerabilities, January 2025.
67 Cf. BCBS, A framework for the voluntary disclosure of climate-related financial risks, June 2025.

68 At end-June 2025, operational risk as a share of G-SIBs' minimum required capital averaged around 16% (cf. BCBS, Basel III Monitoring Report, March 2026, graph 7).
69 The total operational losses net of recoveries (no exclusions) amount to USD 21 billion in the ten-year period 2016–2025. Cf. UBS Q4 2025 Pillar 3 report. Loss exclusions approved by FINMA reduce the combined operational losses (net of recoveries) to USD 16 billion. Losses from other discontinued businesses within Non-Core and Legacy currently remain in the ten-year loss history window, with the majority of these scheduled to roll off only after 2030, assuming no accelerated release.
70 The maximum capital release has been calculated based on the information disclosed in UBS's 2025 pillar 3 report. This is a sensitivity analysis (not a projection) assuming a constant business indicator component, a 14% CET1 capital target and a roll-off of losses from the ten-year loss history window.

Box: Cyber and third-party risks as sources of systemic risk for the Swiss financial system

Cyberattacks are material risk for Swiss financial system

The likelihood of a country facing cyberattacks increases with its economic strength and degrees of digitalisation and international economic integration.[71] Accordingly, cyberattacks are a material risk for technologically advanced economies such as Switzerland's, with a very prominent financial sector that offers services to customers both domestic and foreign. Furthermore, non-economic factors such as heightened political uncertainty and geopolitical tensions can increase the likelihood of cyberattacks.[72] Recently, rapid developments in artificial intelligence and quantum computing have become a source of concern as they may lead to an increase in both the likelihood of cyberattacks and their potential impact on financial stability.

More cyberattacks on Swiss financial system

While the number of successful or partially successful cyberattacks on individual Swiss financial institutions has increased significantly since 2021, annual figures fluctuate sharply. Individual financial institutions reported 74 such attacks to FINMA in 2024, which is above the average over the past three years for which data is available.[73] The number of reported attacks is quite volatile and a single attack often affects multiple institutions. FINMA also points to a significant increase in attacks affecting critical functions, as well as fraud in relation to payment methods.[74] Other common types of incidents are distributed denial-of-service (DDoS) attacks and deliberate or unintentional insider threats.[75]

Outsourcing to third parties presents cyber risk trade-offs at company level

The outsourcing of IT services by financial institutions brings risks and benefits for the management of cyber risks. As regards benefits, the outsourcing of IT services can improve efficiency, scalability and access to more advanced technologies, especially for smaller financial entities that cannot afford to provide these services in-house. This can reduce a financial institution's vulnerability to cyberattacks. In terms of risks, the outsourcing of IT services can create critical entry points for cyberattacks, as third-party providers might be more attractive targets and their parallel provision of services to many financial institutions might give rise to spillover effects.[76] While both outsourcing and cyber risks fall under the umbrella of operational risks, these types of operational risks can interact and mutually reinforce one another.

At systemic level, parallel trends of more outsourcing and more concentration reinforce cyber risks

There are two parallel trends that impact the financial system's exposure to cyber risks globally and in Switzerland. First, the outsourcing of IT-related services has increased significantly over recent years as the provision of financial services has become more digitalised.[77] Second, there is more concentration among third-party providers, especially in the market for IT and cloud services.[78] As pointed out by FINMA, both trends apply to the Swiss financial system, suggesting that the dependence of Swiss banks and insurance companies on a small number of critical but dominant providers has further intensified their exposure to these types of operational risks.[79]

Cyberattack data reflects both trends

Cyberattacks on individual financial institutions in Switzerland increasingly occur via third-party providers. FINMA data reflects both the growing relevance of outsourcing as a critical entry point and the high level of concentration among third-party providers in the information and communications technology (ICT) sector. Between September 2024 and August 2025, about 47% of all cyberincidents reported to FINMA occurred via third parties.[80] At the same time, FINMA points out that numerous institutions use the same service providers and that the number of significant outsourcings to a public cloud service provider reported by banks climbed from 60 at end-2023 to 83 at end-2024.[81] Hence, an outage or data breach at one of these central service providers can have serious spillover effects on the functioning of the entire Swiss financial system.

Trends also reinforce systemic risks

Potential systemic risks related to cyberattacks are amplified both by more concentration in the financial system and among service providers, and by more dependency on third-party service providers. Cyberattacks on individual financial institutions can pose systemic risks under two scenarios: if a systemically important entity's services are significantly disrupted by a cyberattack, or if multiple financial entities are affected such that attacks turn into systemic threats.[82] Risks in both scenarios are magnified by the parallel trends of more outsourcing and higher concentration among third-party providers for the following reasons. First, outsourcing has

71 Cf. ECB, Financial Stability Review, November 2022, pp. 122–123.
72 Cf. IMF, Global Financial Stability Report, April 2024, p. 79.
73 According to FINMA, financial institutions reported 48, 63 and 51 attacks respectively in 2021, 2022 and 2023 (cf. FINMA Annual Report 2024, p. 37).
74 Cf. FINMA Risk Monitor 2025, p. 6.
75 Ibid.
76 Cf. Kotidis, A. and S. Schreft, 'The Propagation of Cyberattacks through the Financial System: Evidence from an Actual Event', Journal of Finance, July 2025, and FSB, Third-party dependencies in cloud services: Considerations on financial stability implications, 2019.
77 Cf. FSB, Enhancing Third-Party Risk Management and Oversight, 2023.
78 Cf. FSI, Managing cloud risk – some considerations for the oversight of critical cloud service providers in the financial sector, 2023.
79 Cf. FINMA Risk Monitor 2025, p. 6.
80 Ibid., p. 19.
81 Ibid., p. 18.
82 Cf. ECB, Financial Stability Review, November 2022, p. 120.

created more transmission channels, as outages or malfunctions at third-party providers can propagate cyberattacks across the financial system. Second, significant concentration among IT and cloud providers to the financial system further amplifies these systemic vulnerabilities, as an outage or data breach at one large provider directly affects many financial institutions at the same time.

Recent measures to strengthen resilience against cyber and third-party risks

Central banks and supervisory authorities both in Switzerland and abroad have taken measures to strengthen their economies' operational resilience with several new measures coming into effect in 2025. In the EU, the introduction of the Digital Operational Resilience Act (DORA) in January 2025 constitutes a key milestone. DORA aims to enhance the ICT risk management of financial institutions by establishing a dedicated oversight framework for critical ICT third-party providers.[83] These developments are also important for Swiss financial institutions, as they must comply with DORA's tighter requirements if they have affiliates in the EU or if they provide services to EU customers. In Switzerland, the legal obligation to report all cyberattacks on critical infrastructures took effect in April 2025, complementing existing reporting duties for the Swiss financial system. With respect to quantum computing, the Swiss Financial Innovation Desk (FIND) presented a seven-step action plan in March 2025 to mitigate risks related to quantum-computing attacks by accelerating the transition to post-quantum cryptography.[84] Going forward, while aiming to limit cyber and third-party risks in Switzerland, it is important to periodically reassess the adequacy of the corresponding rules. In particular, it should be assessed whether the current regulatory definition of outsourcing captures all third-party risks that could pose systemic threats to financial stability in Switzerland.

83 Cf. European Securities and Markets Authority, TRV Risk Monitor, no. 1, 2026, p. 31.
84 Cf. FIND, Action Plan to a Quantum-Safe Financial Future, March 2025, pp. 7–8.

3.6 STRESS TESTS

KEY POINTS

- The SNB considers five stress scenarios that span a wide range of adverse macroeconomic outcomes, including the possible impact of a rise in geopolitical tensions, an intensification of trade tensions, or an increase in sovereign stress.
- For domestically focused banks, capital buffers for most banks should be enough to absorb the significant stress losses in relevant scenarios.
- For UBS, the loss potential is substantial under various stress scenarios.

Stress testing the financial sector allows for an assessment of how adverse macroeconomic and financial scenarios would affect individual banks' earnings and capital situation. Such analysis constitutes a forward-looking economic assessment of the capital adequacy of banks based on their ability to absorb losses, and complements the regulatory capital figures discussed in subchapter 3.3.

The SNB's stress test approach is characterised by a common methodology that has been continuously refined over recent years. By applying this methodology to bank-specific exposures, this stress test approach generates consistent results across banks that can be compared and aggregated. As such, the SNB's stress tests constitute an important complement to FINMA's stress tests, which are based on banks' own methodologies. The SNB's stress testing currently focuses on systemically important and domestically focused banks. The SNB does not disclose quantitative results for individual banks but explains the impact in qualitative terms (cf. subchapter 3.6.2).

The SNB considers five stress scenarios for developments in the economic environment and in financial market conditions (cf. subchapter 3.6.1). The stress scenarios are designed for systematically analysing the vulnerabilities and resilience of the Swiss banking sector. They assume highly unfavourable developments that are unlikely but plausible and cover a broad spectrum of relevant risk factors. The calibration of shocks is guided by historical experience. The SNB periodically estimates the impact of a set of such stress scenarios on banks, irrespective of how likely a given scenario is considered to be in the short term. The short-term likelihood of the various scenarios will thus vary over time.

This year the SNB added the asymmetric recession scenario to the list of stress scenarios. It complements the existing set of scenarios.

3.6.1 STRESS SCENARIOS

The SNB considers the following five stress scenarios for developments in the economic environment and in financial market conditions. These scenarios span a wide range of adverse macroeconomic outcomes, including the possible impact of a rise in geopolitical tensions, an intensification of trade tensions, or an increase in sovereign stress.

Interest rate shock: In this stress scenario, a renewed rise in inflation triggers a surge in global interest rates. Subsequently, economic growth stalls, and residential and commercial real estate prices, as well as stock prices, fall sharply.

Asymmetric recession: A severe adverse supply shock in the US leads to a deep recession and high inflation. Lower US demand depresses economic activity and prices in the rest of the world. In the US, interest rates surge, whereas they decline elsewhere. Asset prices drop globally and there is widespread financial and banking stress.

Global recession: A severe recession, caused by a demand shock, unfolds in the US and spreads globally. Global financial stress rises significantly, and residential and commercial real estate prices, as well as stock prices, drop sharply. Global interest rates decline.[85]

Protracted euro area recession with sovereign stress: This scenario involves a protracted recession in the euro area and increasing concerns regarding member states' financial soundness. Mounting concerns about the implications of high public debt cause sovereign risk premia for a number of euro area member states to rise significantly, resulting in widespread financial and banking stress. Stock prices drop and corporate bond spreads widen globally. Real estate prices fall significantly. In Switzerland and the euro area, interest rates are at negative levels for an extended period.

Emerging markets crisis: Emerging economies experience a severe recession with an abrupt rise in sovereign and corporate bond spreads and a sharp drop in stock prices. Advanced economies experience a mild recession, but major financial stress. Global interest rates decline.

3.6.2 IMPACT OF STRESS SCENARIOS

The results of the SNB stress tests show that the loss potential at banks remains high and depends on the type of scenario and the business models of the individual institutions.

Stress losses would be significant for domestically focused banks, but for most banks, capital buffers should ensure adequate resilience

Given its high level of maturity transformation and significant mortgage lending, the typical domestically focused bank is particularly vulnerable to scenarios involving interest rate shocks or prolonged periods of low interest rates due to declining profitability.

The interest rate shock scenario is the most relevant for domestically focused banks. The asymmetric recession and euro area recession scenarios are also relevant given that the persistently low interest rates they assume result in losses that accumulate over time. The global recession and emerging markets crisis scenarios are less relevant for these banks due to the short recessions assumed in these scenarios for Switzerland and considering the banks' limited exposures abroad that these scenarios primarily affect.

Under the interest rate shock scenario, almost all domestically focused banks would experience significant losses. The losses from their credit portfolios would mainly be driven by higher mortgage interest rates, which would affect affordability of real estate, and by a pronounced drop in real estate prices, exposing a proportion of the banks' mortgage portfolios to under-collateralisation. Mortgages in both the residential and commercial segments would be affected. In addition, due to the banks' high level of maturity transformation, their net interest income would decline. In the event of a sudden rise in interest rates, funding costs would increase faster than interest income.

The asymmetric recession, euro area recession, global recession, and emerging markets crisis scenarios would also negatively impact the capital situation of domestically focused banks, but to a lesser extent than the interest rate shock scenario. The main drivers would be an increase in losses on mortgages and other loans, as well as a decline in net interest income due to falling margins resulting from a prolonged period of low interest rates.

In the absence of counteracting measures by banks, such as reducing lending or building up capital, several banks would fall below the capital buffer target levels set by the Capital Adequacy Ordinance, and a few smaller banks would even fall below regulatory minima.

Overall, though, most domestically focused banks should be able to absorb the losses incurred under the various shock scenarios and continue to fulfil their role as credit providers to households and corporates. Compared to the stress tests in last year's Financial Stability Report, the domestically focused banks' resilience to shocks has remained broadly unchanged.

85 This scenario definition is similar to the 'severely adverse scenario' in the US Federal Reserve's 2026 stress test.

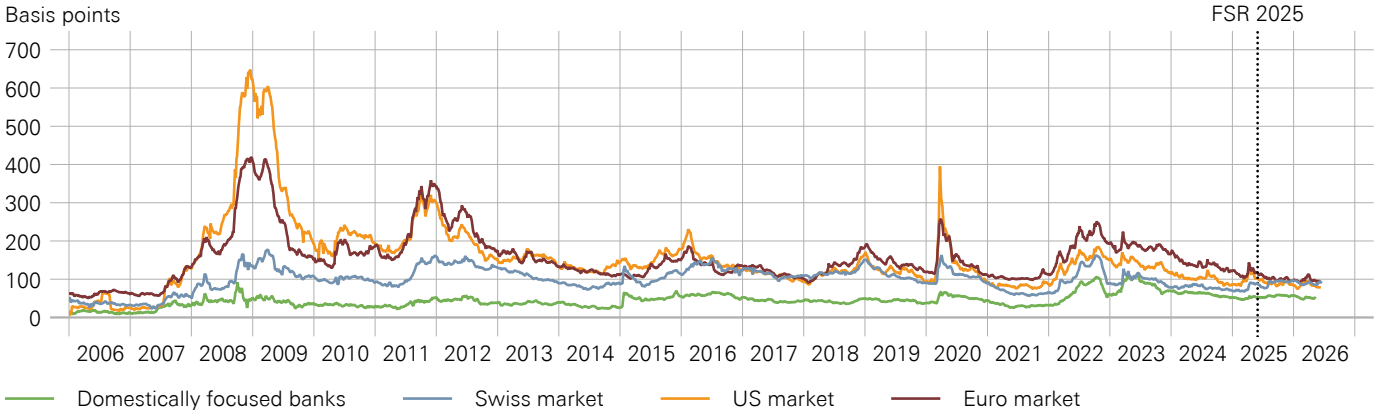
Loss potential for UBS remains substantial under stress scenarios

The loss potential for UBS under the various stress scenarios remains substantial and is highest under the global recession scenario, followed by the asymmetric recession scenario. Given UBS's global business model, losses arise not only from domestic exposures but also from foreign exposures. Credit losses in these scenarios stem from corporate loan portfolios and counterparty exposures in investment banking, as well as from residential and commercial mortgage loan portfolios in Switzerland. Furthermore, these scenarios assume the default of a major hedge fund counterparty. Business risk also plays an important role in these scenarios, as the severe market shocks reduce client assets and client activity, leading to lower fee and commission income. Moreover, these financial market shocks result in significant mark-to-market losses on fair-valued credit and equity positions.

The euro area recession, interest rate shock, and emerging markets crisis scenarios have a smaller but still substantial impact on UBS. The losses under these scenarios originate from the same risk categories as under the global recession and asymmetric recession scenarios, but their relative contributions differ. In the former scenarios, mark-to-market losses and business risk play an important role due to the very severe financial market stress. By contrast, credit losses make smaller contributions to the overall losses, as the recession in advanced economies is milder. Independent of macrofinancial developments, UBS is also exposed to non-financial risks such as operational, compliance and cyber risk that may increase due to geopolitical uncertainty and tensions.

SENIOR BOND SPREADS[1] OF BANKS VS CORPORATES

Chart 3.20



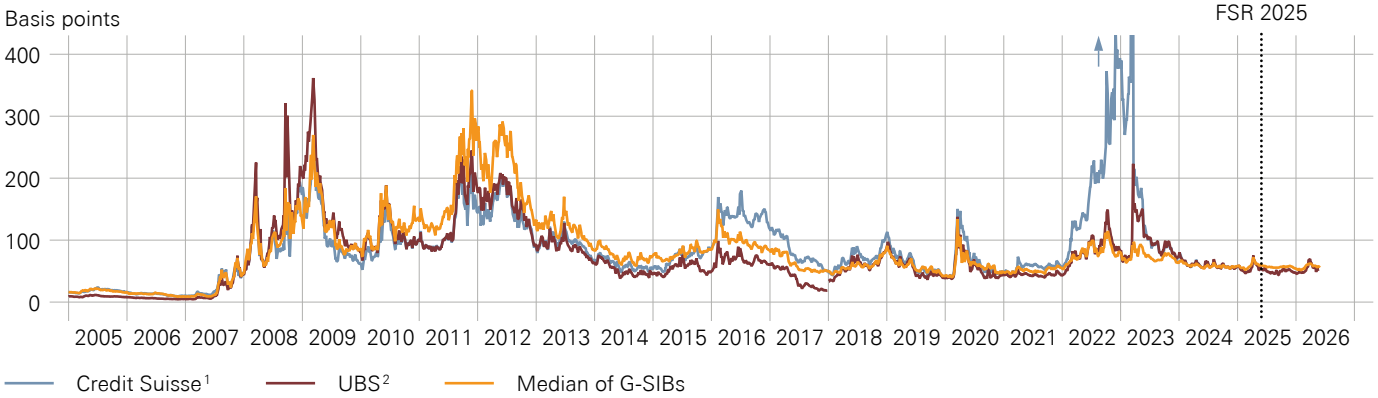
1 Government bond yields are used as risk-free rates. Maturities for banks' bond spreads are 2–8 years and for those of corporates 5–7 years.

Source(s): SNB

INTERNATIONAL COMPARISON OF CDS PREMIA

Premia for credit protection (five-year senior)

Chart 3.21

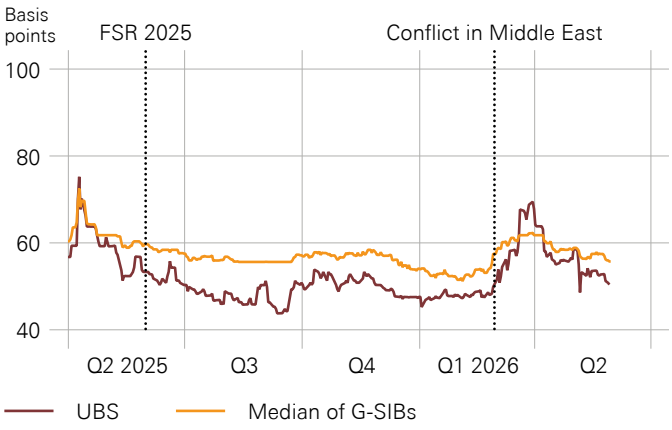


1 Credit Suisse's CDS premia peaked well above 1,000 basis points during the crisis in March 2023.
2 Up to end-2017, at operating company level (UBS AG); from 2018, at holding company level (UBS Group AG).

Source(s): Bloomberg, LSEG Eikon

INTERNATIONAL COMPARISON OF CDS PREMIA

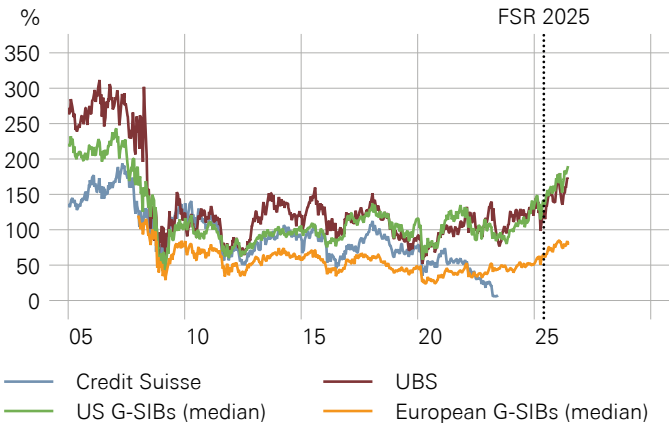
Premia for credit protection (five-year senior), since Q2 2025 — Chart 3.22



Source(s): Bloomberg, LSEG Eikon

MARKET CAPITALISATION DIVIDED BY TOTAL EQUITY

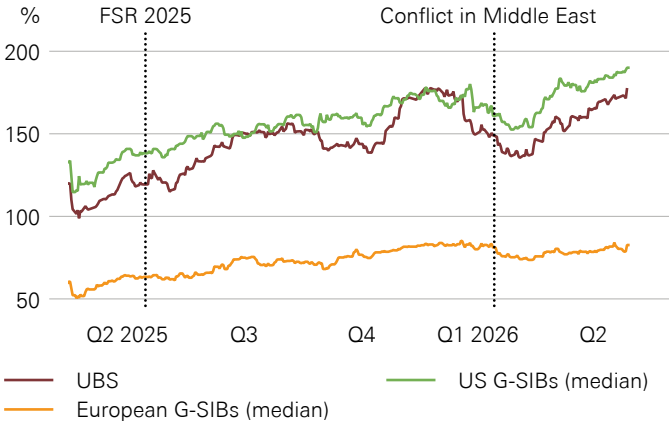
G-SIBs — Chart 3.23



Source(s): Bloomberg

MARKET CAPITALISATION DIVIDED BY TOTAL EQUITY

G-SIBs, since Q2 2025 — Chart 3.24



Source(s): Bloomberg

3.7 MARKET ASSESSMENT

KEY POINTS

- There are no signs of market concerns for domestically focused banks overall.
- Market participants have a positive perception of UBS's resilience and profitability.

Market-based indicators reflect market participants' assessments of banks' creditworthiness, resilience and expected future profitability. They are a useful complement to regulatory metrics and stress testing, as they can provide early warning signals regarding deterioration in the financial situation of a bank.

For UBS, the assessment of creditworthiness is based on credit default swap (CDS) premia. The lower the perceived credit risk, the lower the CDS premia.[86] For domestically focused banks, given the absence of CDS, the assessment is based on spreads between the banks' senior bond yields and risk-free Swiss government bonds with the same maturity. The higher the perceived credit risk, the higher the senior bond spread. Additionally, banks' standalone credit ratings and the ratio of market capitalisation to total equity are used as indicators of the banks' resilience and expected future profitability. A higher ratio of market capitalisation to total equity indicates that investors are willing to pay more for a company's shares relative to its book value, reflecting their belief in the company's potential for future profitability.

No signs of market concerns for domestically focused banks and domestically focused SIBs overall

According to market-based indicators, domestically focused banks' creditworthiness has remained high over the past 12 months. This assessment is reflected, in particular, in the banks' senior bond spreads. As shown in chart 3.20, domestically focused banks' senior bond spreads[87] are low compared to corporate bond spreads and in line with the average values observed over the past decade. The senior bond spreads for the sub-sample of domestically focused SIBs are, where these exist, comparable to the larger sample of domestically focused banks. Standalone ratings for the domestically focused SIBs and cantonal banks[88] have remained at high levels and corroborate the assessment based on senior bond spreads.

86 It is important to note, however, that market prices include market expectations of government support in a crisis (TBTF issue). CDS premia thus reflect the market's view of the likelihood that the underlying credit will be repaid. It is irrelevant whether the investment is repaid by the bank or by a third party such as the government.
87 The coverage of the banks' senior bond yields, as a percentage of the aggregated balance sheets, is at 80% of all domestically focused banks.
88 As the coverage of standalone ratings for the domestically focused banks is low, only the ratings for domestically focused SIBs and cantonal banks are assessed.

Market participants have positive perception of UBS's resilience and profitability

UBS's creditworthiness is in line with the median of G-SIBs (cf. chart 3.21). As a consequence of the escalation of the conflict in the Middle East, UBS's CDS premia increased strongly, but they have since recovered and are again below the median of G-SIBs (cf. chart 3.22).

In an international comparison, UBS AG's standalone ratings from the three major rating agencies Moody's, S&P and Fitch are at the higher end of the G-SIB peer group,[89] and thus do not indicate any particular concerns regarding UBS's creditworthiness either.

Market participants have a positive perception of UBS's potential for future profitability. Its ratio of market capitalisation to total equity has improved since publication of the last Financial Stability Report and is above 100% (cf. chart 3.23). As a consequence of the escalation of the conflict in the Middle East, UBS experienced a significant drop in its ratio of market capitalisation to total equity, as did its peers. UBS's ratio has since recovered (cf. chart 3.24). It is below the median of its US peers but significantly above that of its European peers.

Overall, the various market-based indicators suggest that market participants have a positive perception of UBS's current resilience and future profitability.

89 In addition to standalone ratings, which evaluate the intrinsic financial strength of a bank, the agencies issue long-term credit ratings, which explicitly factor in the possibility of government support in a crisis ('government support uplift'). At holding company level, the three major rating agencies removed this government support uplift a few years ago. At the operating company level, S&P and Fitch have also removed the government support uplift, while Moody's continues to assume that UBS – alongside most other G-SIBs in Europe and the US – benefits from a 'moderate probability of government support' resulting in a 1-notch rating uplift on its deposits and senior unsecured debt.

4 Non-bank financial intermediaries

The SNB is analysing potential financial stability risks emanating from non-bank financial intermediaries (NBFIs) with a view to developing a comprehensive risk assessment. Starting from the mapping of the NBFI population in last year's Financial Stability Report, current work focuses on understanding the individual types of NBFIs, including their relevance for the economy, their risk profile and relevant interconnections with the rest of the financial system. Ultimately, the goal is to develop a solid overview of the NBFI ecosystem and its interconnections with the banking sector with an eye to mapping the relevant transmission channels through which NBFIs can affect financial stability (cf. box 'NBFIs and risks to financial stability – transmission channels and risk assessment').

In its risk assessment, the SNB focuses on a system-wide perspective, complementing the more entity-oriented work of the Swiss Financial Market Supervisory Authority (FINMA) as well as the Occupational Pension Supervisory Commission.[1] The SNB puts particular emphasis on liquidity risk, leverage, and potential contagion and amplification channels arising from interconnections within the financial system. Its prioritisation of work is guided by the potential footprint of individual NBFI types on financial services and markets as well as by data availability. Where necessary, the SNB will continue to work with other authorities towards closing data gaps to ensure that its risk assessment is backed by solid data.

The chapter is structured as follows. Subchapter 4.1 describes developments and interconnections within the Swiss NBFI ecosystem. Subchapter 4.2 discusses interconnections between Swiss banks and NBFIs, which can be an important source of risk to financial stability. Subchapter 4.3 provides a more in-depth analysis of Swiss investment funds, which are in aggregate the largest type of NBFI and strongly interconnected with the rest of the financial system. Moreover, based on data reported by Swiss funds, it offers a preliminary assessment of potential systemic risk to financial stability arising from this sector.

1 FINMA focuses on monitoring and supervising individual entities – within the scope defined in the Financial Market Supervision Act and other financial market laws – and on ensuring proper market functioning. The supervisory intensity varies depending on the type of authorisation concerned (cf. also www.finma.ch, The financial market is governed by laws and ordinances, and www.finma.ch, Types of authorisation). The Occupational Pension Supervisory Commission supervises investment foundations and, together with cantonal and regional supervisory authorities, the occupational pension system (cf. www.oak-bv.admin.ch, Direct supervision, and www.oak-bv.admin.ch, Supervisory authorities).

4.1 SWISS NBFI ECOSYSTEM

KEY POINTS

- NBFIs are important players in the Swiss financial system. Their aggregate financial asset holdings correspond to 171% of the Swiss banking sector's financial assets.
- Based on regularly collected data, the largest players are investment funds, followed by pension funds and insurance companies.
- Swiss NBFIs are strongly interconnected with the financial and non-financial sector.

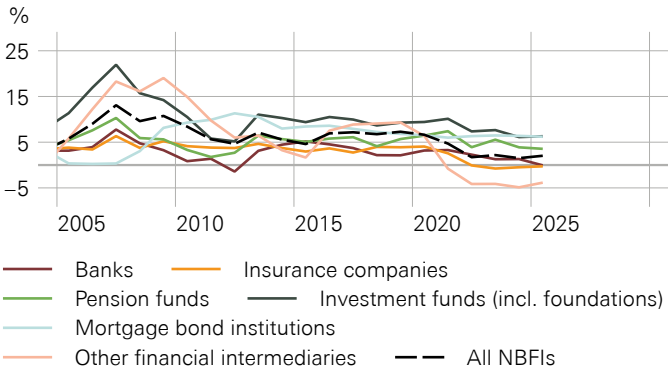
NBFIs are important players in the Swiss financial system and have grown strongly

Available data only allows for a partial assessment of the size and risk characteristics of NBFIs in Switzerland. This data suggests, however, that aggregate financial assets of Swiss NBFIs are sizeable. Based on data regularly collected by authorities,[2] the aggregate financial asset holdings of NBFIs corresponded to 554% of Swiss GDP or 171% of the Swiss banking sector's financial assets at end-2025. After more than a decade of growth higher than that of banks, the average five-year growth rate of aggregate financial assets held by NBFIs has declined since 2020 to reach a growth rate comparable to that of banks (around 2%). While average growth has declined for all types of NBFIs, growth at investment funds and foundations, pension funds and mortgage bond institutions has remained at a high level (cf. chart 4.1).

2 Regularly collected data stems from the Swiss Financial Accounts data, which excludes foreign subsidiaries.

SWISS FINANCIAL SECTOR[1]

Financial assets,[2] annual growth rate, five-year average — Chart 4.1



1 Excluding central bank.
2 Financial assets according to Financial Accounts view (excluding foreign subsidiaries). For investment funds (incl. foundations), including real estate assets.

Source(s): SNB

Box: NBFIs and risks to financial stability – transmission channels and risk assessment

Diverse types of entities provide wide range of financial services

Non-bank financial intermediaries (NBFIs) capture all financial intermediaries that are not banks, public financial institutions or central banks. They include pension funds, insurance companies, investment funds, and other financial intermediaries such as securities firms, mortgage bond institutions and family offices.[3] NBFIs thus comprise diverse types of entities and provide a wide range of financial services, including services for efficient capital allocation and risk diversification. Services provided by NBFIs can be specific to NBFIs (e.g. insurance services) but can also compete with services provided by banks (e.g. mortgages to households) or complement them (e.g. riskier tranche of corporate loans). Forms of interplay with other financial intermediaries may also change over time,[4] particularly when technological progress stimulates financial innovation or brings forth new players (e.g. stablecoin issuers, cf. subchapter 5.1).

NBFIs as important market players can affect financial stability through various transmission channels

Besides banks, NBFIs also play an important role in the domestic financial system, with potential implications for financial stability. Examples of episodes abroad when NBFIs amplified or triggered financial turbulence include the money market fund turmoil in March 2020, the failure of the leveraged family office Archegos in 2021, and the UK gilt crisis caused by liability-driven investment in 2022.

More generally, risks to financial stability can result directly from stress at NBFIs and, potentially more relevant, through interconnections within the financial system. Such interconnections can transmit and amplify an initial shock affecting NBFIs.

The degree to which stress at NBFIs could directly affect financial stability depends on various elements. Risks to financial stability are more likely if individual NBFIs are sizeable (i.e. their activities leave a large footprint), if their business model involves elevated risk-taking (e.g. in terms of leverage or liquidity risk), or if they fulfil an indispensable economic function which is not easily substitutable (e.g. because of market concentration). Even if individual entities are too small to matter for financial stability, they could matter as a group, particularly if they follow homogeneous business models, leading to herding behaviour.

Risks to financial stability can also emerge indirectly through different kinds of interconnections within the financial system. Such interconnections can transmit an initial shock affecting NBFIs to other financial market players and amplify the shock's impact. Interconnections can arise due to linkages between banks and NBFIs (cf. subchapter 4.2) or among NBFIs themselves. Interconnections can also result if one type of NBFI and other financial intermediaries (including banks) exhibit common exposures to a specific market, for example real estate, credit or core financial markets. Through fire sales, stress at one type of NBFI can propagate via market prices to other financial intermediaries exposed to the same market, with possible repercussions on the latter's balance sheets.

Comprehensive risk assessment necessitates broad-based monitoring and solid data

Given various and potentially changing forms of interplay between NBFIs and banks, entity-based monitoring should be complemented with activity and market-based monitoring to ensure a comprehensive risk assessment. This means that besides looking at individual entities or types of NBFIs, monitoring needs to consider to which overall activity the NBFI contributes (e.g. credit intermediation or synthetic risk transfer) as well as the NBFI's impact on specific markets (e.g. the credit market). Moreover, consideration should be given to developments in external factors, such as the regulatory landscape, the macroeconomic environment (e.g. interest rates), and demographic or technological change.

A comprehensive risk assessment should be underpinned with solid data. In Switzerland, regular dedicated reporting is, however, only available for some types of NBFIs. For others, information needs to be assembled and approximated across various surveys. It is also possible that no official and regularly published data exists at all. Hence, the SNB will continue to work, together with other authorities, to identify and fill key data gaps.

3 In this report, financial market infrastructures (FMIs) are treated separately (cf. subchapter 5.2), as they provide the infrastructure for the transaction of assets rather than owning any assets.
4 Cf., for example, Acharya, V. V., N. Cetorelli and B. Tuckman, 'Where do Banks End and NBFIs Begin?', NBER Working Paper 32316, 2024.

Reflecting the lower growth rates, the share of financial assets held by NBFIs has remained broadly constant since 2020, having increased continuously in the previous decade (cf. chart 4.2). At end-2025, the largest players – aggregated by type of NBFI – were investment funds (cf. subchapter 4.3), followed by pension funds and insurance companies. While no official figures exist, other asset managers such as family offices are also estimated to be sizeable as measured in terms of assets under management.[5]

5 Data is only readily available for a subset of NBFIs (cf. SNB Financial Stability Report 2025).

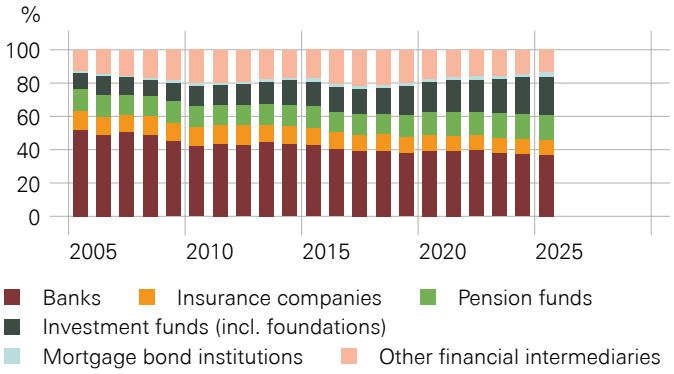
Swiss NBFIs are strongly interconnected with financial and non-financial sector

In their role as financial intermediaries, NBFIs are naturally interconnected with various parts of the economy. For example, a large part of the Swiss NBFI sector transfers funds accumulated by households and corporates for savings, pension or insurance purposes to financial entities (banks and NBFIs) and non-financial entities.

As a result, Swiss NBFIs exhibit interconnections with Swiss banks (cf. subchapter 4.2), but also among themselves, i.e. with other NBFIs. For example, Swiss pension funds, and to a lesser degree insurance companies, invest a significant part of their assets via investment funds (cf. chart 4.3, financial instrument 'Units in collective investment schemes'). Hence, the development of financial assets held by the Swiss NBFI sector reflects both the increasing role played by NBFIs in Switzerland and a lengthening of financial intermediation chains.

SWISS FINANCIAL SECTOR[1]

Financial assets,[2] as a share of total financial assets — Chart 4.2

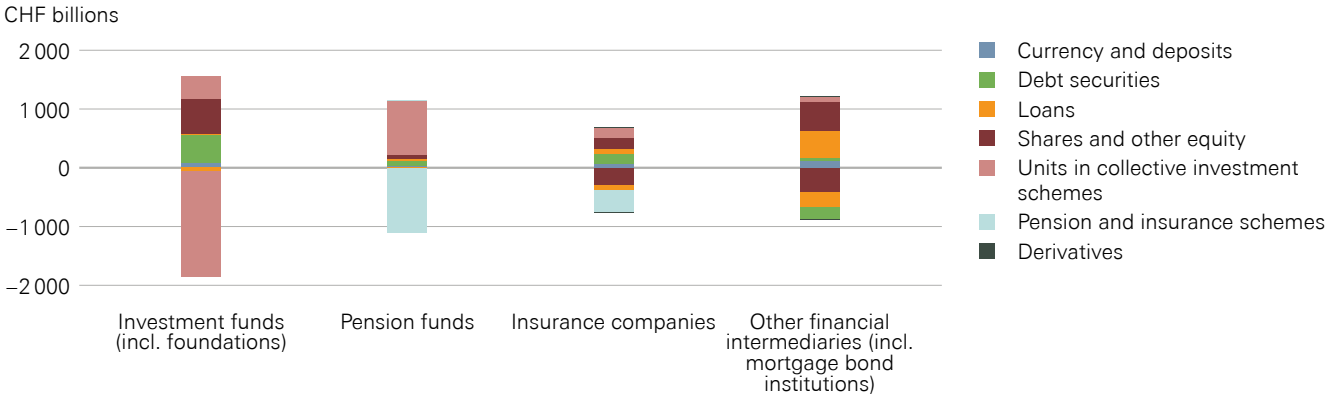


1 Excluding central bank.
2 Financial assets according to Financial Accounts view (excluding foreign subsidiaries). For investment funds (incl. foundations), including real estate assets.

Source(s): SNB

FINANCIAL ASSETS AND LIABILITIES OF SWISS NBFIs

Financial instruments,[1] stocks as at Q4 2025 — Chart 4.3



1 Values according to Financial Accounts view (excluding foreign subsidiaries). Positive (negative) values constitute financial assets (liabilities).

Source(s): SNB

4.2 INTERCONNECTIONS BETWEEN SWISS BANKS AND NBFIs

KEY POINTS

- Interconnections between the Swiss banking sector and domestic and foreign NBFIs are material.
- The interconnections with foreign NBFIs are driven by UBS, reflecting its size, broad spectrum of activities and international profile.
- The remaining exposure to NBFIs is split between domestically focused banks and 'Other banks'. Domestically focused banks mainly offer traditional banking services to domestic NBFIs. For these banks in particular, Swiss mortgage bond institutions constitute a key funding source.
- Regulatory requirements for Swiss banks address risks that arise from their NBFI business.

Swiss banking sector is exposed to both domestic and foreign NBFIs

Claims and liabilities of the Swiss banking sector vis-à-vis foreign NBFIs exceed those vis-à-vis domestic NBFIs although these patterns can differ substantially at the level of individual banks (cf. chart 4.4). At the individual counterparty country level, the largest share of claims reported by the Swiss banking sector is held against NBFIs in the US, followed by NBFIs in Switzerland. On the liabilities side, most of the funding that the Swiss banking sector obtains from NBFIs is sourced domestically. Exposures to offshore centres play a significant role on both sides of the balance sheet.

UBS generally dominates NBFI interconnections, especially for more complex, international financial services

The Swiss banking sector's business with NBFIs is highly internationalised and concentrated at the largest Swiss bank. About 65% of all claims and 57% of liabilities vis-à-vis the NBFI sector are reported by UBS (cf. chart 4.4). The bank's international linkages with NBFIs dominate in terms of size as well as complexity. Notably, the international business captures not only on-balance-sheet but also more complex off-balance-sheet exposures, including contingent liabilities such as committed credit lines, guarantees and credit derivatives that UBS holds vis-à-vis primarily international NBFIs. That said, for large domestic NBFIs such as internationally operating insurance companies and big investment funds, UBS plays a key role by offering a variety of financial services often related to asset management and custodian services (cf. subchapter 4.3) besides the more traditional type of banking services.

Domestically focused banks and 'Other banks' split remaining NBFI business

The remaining share of the Swiss banking sector's business with NBFIs is split between the domestically focused banks and 'Other banks'. The category of domestically focused banks reporting such figures makes up 16% of all claims and 19% of all liabilities vis-à-vis NBFIs. It captures 16 banks including the domestically focused SIBs, with claims on domestic NBFIs substantially exceeding claims on foreign NBFIs. The same applies to their liabilities side. Notably, the domestically focused banks' business with domestic NBFIs tends to be shaped by traditional banking services. For instance, on the assets side, domestically focused banks typically extend mortgages to real estate investment funds. On the liabilities side, they typically take deposits from a variety of NBFIs, such as Swiss pension funds. A special type of linkage characterising the Swiss financial system arises from the business model of mortgage bond institutions. As part of the Swiss NBFI ecosystem, these mortgage bond institutions extend loans, secured by mortgage collateral, particularly to domestically focused banks.

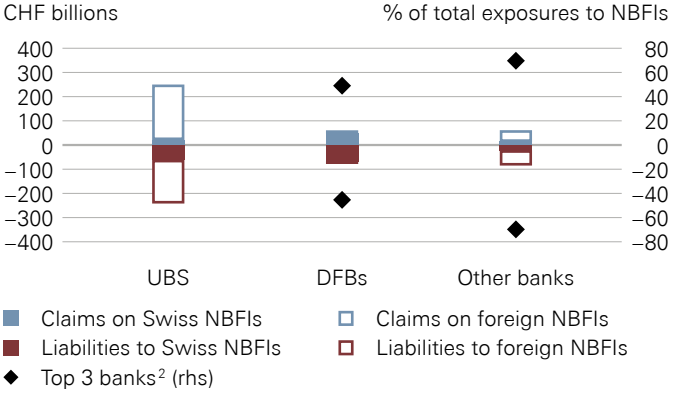
The category of 'Other banks' exhibits considerable heterogeneity, with only a limited subset contributing materially to NBFI exposures (cf. chart 4.4). What these few banks have in common is that they all offer wealth management services. This, in turn, results in substantial exposures to foreign NBFIs, exceeding the banks' exposures to domestic NBFIs on both sides of their balance sheets.

Risk arising from interconnections between banks and NBFIs reflected in regulatory requirements for banks

Banks' exposures to NBFIs are subject to regulatory requirements. For example, the Basel III framework imposes large exposure limits that cap the amount a bank can lend to a single counterparty or group of connected counterparties, including NBFIs such as hedge funds or asset managers. Furthermore, banks' exposures to

SWISS BANKS' EXPOSURES[1] TO NBFIs

By domicile of counterparty, as at Q4 2025 — Chart 4.4



1 Positive (negative) values constitute banks' claims (liabilities).
2 In terms of banks' exposures to NBFIs.

Source(s): SNB

NBFIs – including loans, holdings of bonds issued by NBFIs, unused credit commitments, derivatives, and exposures resulting from underwriting – are subject to capital requirements. Similarly, banks' liquidity risk exposure to NBFIs, for instance through credit lines, is subject to liquidity requirements.

4.3 FOCUS: SWISS INVESTMENT FUNDS

KEY POINTS

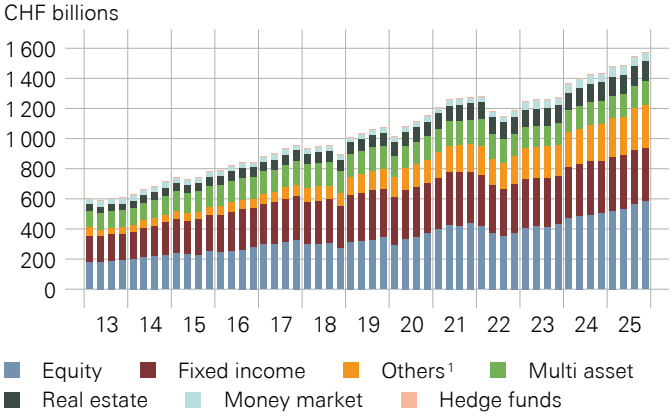
- The Swiss investment fund sector is the largest type of NBFI in Switzerland.
- Direct financial stability risk from stress at investment funds appears limited; impact on market pricing possible.
- Due to strong interconnections between investment funds and the rest of the financial system, risks to financial stability could emerge indirectly, with contagion and amplification channels possibly playing an important role.

Investment funds are professionally managed investment vehicles allowing individuals and institutions to invest in pools of different types of assets. This subchapter describes Swiss investment funds[6] and provides a preliminary assessment of potential systemic risk to financial stability arising from such funds.

6 In this subchapter, 'Swiss investment funds' refers to collective investment schemes subject to the Collective Investment Schemes Act (CISA).

TOTAL ASSETS OF SWISS INVESTMENT FUNDS

By investment strategy — Chart 4.5



1 Including private equity, private credit, crypto and commodity funds.

Source(s): SNB

Swiss investment fund sector is large and dominated by equity and fixed income funds

As in many other countries, investment funds are important financial intermediaries in Switzerland, too. Measured by their aggregate financial asset holdings, Swiss investment funds constitute the largest type of NBFI. They have also been the strongest-growing type of NBFI, with annual nominal growth averaging around 8% over the past decade. At around CHF 1,600 billion at end-2025 (cf. chart 4.5), their aggregate size corresponds to just over 45% of Swiss banks' aggregated balance sheets, compared to slightly below 25% a decade ago.

While the investment fund sector's aggregate size is large, the size of individual funds is small, particularly when compared to banks. At end-2025, the size of the average fund amounted to less than CHF 1 billion and to around CHF 27 billion for the top five funds (compared to CHF 17 billion and CHF 404 billion for banks).

Swiss investment funds are subject to regulation[7] and, except for limited qualified investor funds (L-QIFs)[8], they are supervised by FINMA. Recent changes to the regulation and supervision of the Swiss investment fund sector reflect stricter international recommendations,[9] particularly regarding liquidity risk management. For example, the Swiss regulatory framework now specifies liquidity management duties for fund managers and provides for liquidity management tools (LMTs); liquidity requirements remain predominantly qualitative in nature.[10] Moreover, supervision has been strengthened through several measures.[11] Going forward, it should be reviewed whether further adjustments to regulation could become necessary to implement the latest international standards[12] regarding liquidity risk management.[13]

With regard to the investment strategies of Swiss funds, equity and fixed income funds dominate, making up around 40% and 20% of total assets of Swiss funds, respectively (cf. chart 4.5). Funds following a real estate

7 Cf. CISA, Collective Investment Schemes Ordinance (CISO) and FINMA Collective Investment Schemes Ordinance (CISO-FINMA). Moreover, there are several – mostly qualitative – self-regulation guidelines by the Asset Management Association Switzerland, some of which are recognised by FINMA as minimum standards (cf. www.finma.ch/en/documentation/self-regulation/anerkannte-selbstregulierung/).
8 However, L-QIFs must be managed by Swiss financial institutions directly supervised by FINMA. These financial institutions in turn are subject to risk management requirements by FINMA, which also extend to the management of L-QIFs.
9 Cf. FSB, Policy Recommendations to Address Structural Vulnerabilities from Asset Management Activities, January 2017, and International Organization of Securities Commissions (IOSCO), Recommendations for Liquidity Risk Management for Collective Investment Schemes, Final Report, February 2018.
10 For Swiss money market funds, there are quantitative requirements regarding liquid assets.
11 These measures consist of more far-reaching authorisation requirements by FINMA, i.e. organisational requirements at the entity level and liquidity management measures at the product level, additional reporting requirements at funds, as well as increased supervisory intensity and stress testing exercises (cf. also IMF Financial Sector Assessment Program (FSAP), Technical Note, 'Securities market: Selected issues in regulation and supervision', November 2025).
12 Cf. FSB, Revised Policy Recommendations to Address Structural Vulnerabilities from Liquidity Mismatch in Open-Ended Funds, Final Report, December 2023, and IOSCO, Revised Recommendations for Liquidity Risk Management for Collective Investment Schemes, Final Report, May 2025.
13 Cf. also recommendation 4 by the IMF FSAP, Technical Note, 'Securities market: Selected issues in regulation and supervision', November 2025.

strategy,[14] while smaller overall, are of particular interest from a financial stability point of view due to their manifold interconnections with banks and the limited liquidity of their assets. Hedge funds and money market funds, which have assumed a key role in some foreign jurisdictions during recent global financial market stress episodes, are minor players in the Swiss investment fund landscape; in particular, money market funds offering constant nominal value per share to their investors – i.e. funds which economically replicate bank deposits and are thus subject to higher bank-like run risks – are not permitted in Switzerland. 'Other funds', by contrast, which include private equity, private credit, crypto and commodity funds, hold about 20% of Swiss investment funds' total assets. Their market share has almost tripled over the past decade.

Swiss fund sector predominantly comprised of open-ended funds with regulatory limits on risk-taking

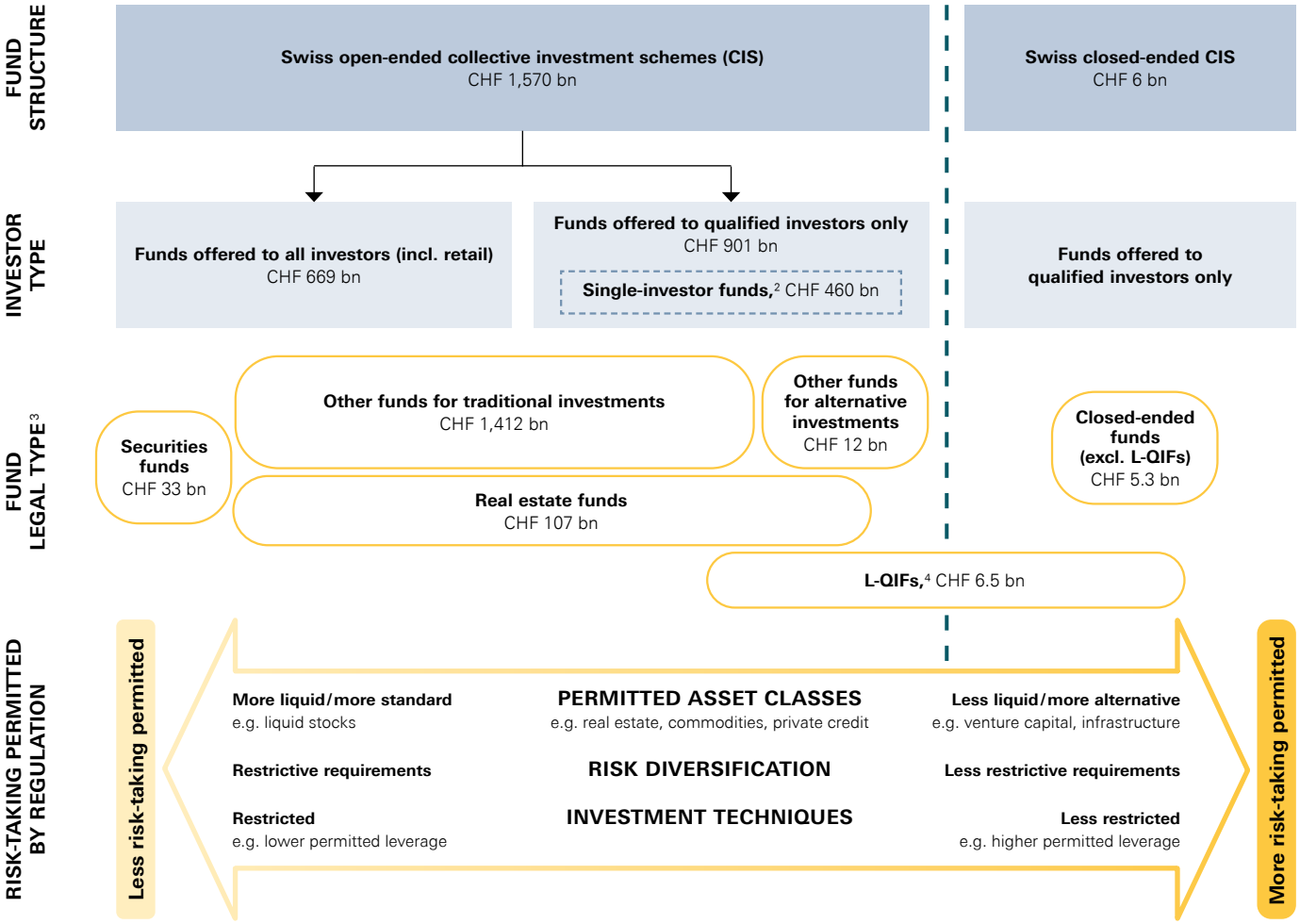
As at end-2025, almost all Swiss funds are open-ended funds (cf. chart 4.6), meaning that investors can ask for redemptions at net asset value (NAV) at any time, unless otherwise specified.[15] Open-ended real estate funds are an exception, as they can by law only be redeemed at the end of a business year with a 12-month notice period. The market share of closed-ended funds is insignificant.

14 Funds following a real estate strategy include real estate funds as defined in art. 58 CISA, which account for nearly 80% of total assets of funds with a real estate strategy, as well as 'Other funds for traditional investments' (share of around 20%), closed-ended funds and L-QIFs.

15 In practice, measured as a share of net assets, only a limited number of open-ended funds (excluding real estate and hedge funds) provide for pre-specified medium to longer-term limits on redemption. Depending on the investment strategy, funds with a share of net assets of around 30–70% offer daily redemption, and funds with a share of net assets of around 95–100% (funds with daily redemption included) offer redemption within a week.

SCHEMATIC ILLUSTRATION[1] OF SWISS INVESTMENT FUND SECTOR

Based on data as at end-2025 Chart 4.6



1 Size of shapes for illustration purposes only (not drawn to scale).
2 Volume approximated.
3 Width of rounded rectangles reflects investor type (light blue rectangles above), placement of rounded rectangles denotes highest permitted degree of risk-taking (yellow arrow below).
4 No authorisation/approval/supervision by FINMA.

Source(s): SNB

With regard to the investor type, over half of Swiss funds are offered to qualified Swiss investors. Among these qualified investors, single-investor funds from pension funds and insurance companies account for around 50%. Foreign investors are of little relevance for Swiss funds overall (cf. chart 4.7).

As far as legal type is concerned, most of the funds are classified as 'Other funds for traditional investments', a type which allows for an intermediate degree of risk-taking[16] in terms of permitted asset classes, risk diversification and investment techniques within the regulated landscape (cf. chart 4.6). The second most common legal type is real estate funds, which allow for investments in properties and real estate companies, and for an intermediate level of risk-taking. More recently, there has been growth in open-ended L-QIFs, a fund type introduced in 2024. L-QIFs are only open to qualified investors, are not subject to authorisation, approval and supervision, and are subject to fewer regulatory requirements.

Direct financial stability risk from stress at Swiss funds appears limited, impact on market pricing possible

The risk of stress at Swiss investment funds having direct repercussions for financial stability appears limited for several reasons. First, investment funds on average engage in less risk-taking – as measured by conventional risk metrics such as leverage or liquidity risk – than banks, which dampens their vulnerability to shocks. Except for funds following a real estate strategy, most investment funds exhibit little or no balance sheet leverage, defined as total assets divided by economic capital[17]; i.e. the ratio is typically close to 1 (cf. chart 4.8). Even for funds with a real estate strategy – mostly real estate funds, which are the most leveraged type of open-ended funds – median leverage in 2025 is 1.37, meaning that total assets correspond to just under 1.4 times their economic capital. By comparison, an equivalent balance sheet leverage measure[18] for the banking sector at end-2025 would average around 14, i.e. balance sheet exposure is around 14 times greater than capital. Moreover, while open-ended funds are in principle exposed to redemption-induced liquidity and related fire-sale risk, there are several mitigating factors. Most funds provide for the use of LMTs,[19] particularly short-term borrowings, suspension of redemptions, and redemptions in kind. Moreover, a high share of single-investor funds at Swiss funds dampens liquidity risk, because there is no 'first mover advantage'[20] for single investors.

Second, while the Swiss investment fund sector in aggregate is large, it comprises nearly 2,000 individual funds. The size of individual funds, even the biggest ones, is small, particularly when compared to banks, implying a low footprint on markets. Third, given the high number of funds, services provided by individual funds should mostly be relatively easy to substitute.

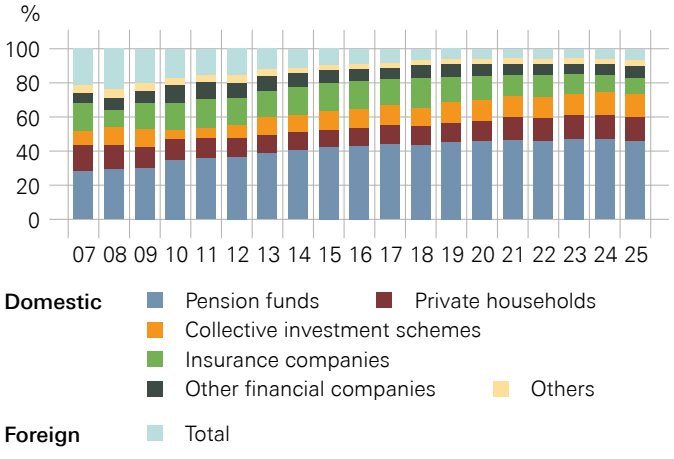
Nevertheless, Swiss funds could face stress and potentially affect financial stability, most likely through their impact on market pricing. First, open-ended funds are by their nature exposed to liquidity risk, though to varying degrees.[21] Such liquidity risks may materialise in the event of an idiosyncratic or market-wide shock affecting the asset value of funds and investors' confidence in funds. The relatively low liquidity buffers at funds – high-quality

16 The degree of actual risk-taking by individual funds may vary greatly within a fund's legal type.
17 Economic capital as measured by NAV.

18 Total balance sheet assets divided by 'total capital' as defined in subchapter 3.3.
19 Cf. also FINMA Annual Report 2022, p. 53.
20 A 'first mover advantage' can occur when redeeming investors do not bear the full cost of redemptions and costs are instead borne by the remaining unit holders. This creates incentives for investors to redeem ahead of others (cf. FSB, Policy Recommendations to Address Structural Vulnerabilities from Asset Management Activities, January 2017).
21 FINMA mentions Swiss funds investing in less liquid asset classes, such as Swiss small and mid-cap equities but also real estate (cf. speech by S. Walter, 'Current challenges and supervisory priorities in asset management', June 2025).

INVESTOR COMPOSITION OF SWISS INVESTMENT FUNDS

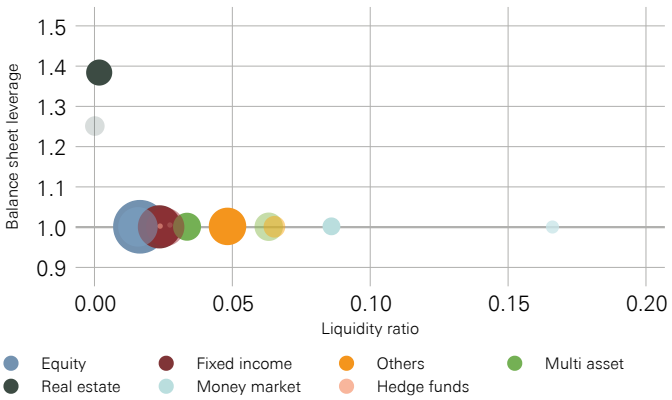
Fund units held in Swiss banks' custodian accounts — Chart 4.7



Source(s): SNB

RISK METRICS OF SWISS INVESTMENT FUNDS

By investment strategy, avg. median for 2018 (light), 2025 (dark) — Chart 4.8



Note: Balance sheet leverage = assets to NAV; liquidity ratio = HQLA to NAV; size of circle is proportional to total assets.

Source(s): SNB

liquid assets (HQLA) mostly make up less than 5% of NAV (cf. chart 4.8) – increase the likelihood of some funds needing to resort to LMTs in the event of a shock. This could potentially lead to a more widespread loss of investor confidence, triggering a wave of redemption requests and fire sales of assets by funds. Second, a growing number of Swiss real estate funds have increased their balance sheet leverage over the past decade. As a result, median leverage of funds following a real estate strategy has risen from 1.25 to just under 1.4 in 2025 (cf. chart 4.8); the regulatory limit for real estate funds amounts to 1.5.[22] Higher leverage could lead to procyclical effects in the event of a real estate price correction if funds were forced to sell (comparatively illiquid) assets at depressed prices to reduce leverage.[23] Moreover, for funds in general, it is notoriously difficult to adequately capture off-balance-sheet (synthetic) leverage and its potential impact on liquidity risk.[24] Third, while individual funds appear too small to directly impact financial stability, they could be relevant as a group. For example, a significant share of funds follows an investment strategy which replicates the performance or development of other funds and asset classes,[25] resulting in potential herding behaviour and procyclicality. Moreover, for some asset classes, particularly Swiss fixed income instruments, the market share of domestic bonds held by investment funds appears material.[26] In such cases, investment funds could impact market dynamics, particularly in system-wide boom and bust episodes.

The Swiss fund sector has remained resilient during the recent international stress episodes, which have affected funds in other jurisdictions. Only a small number of Swiss real estate funds of funds were forced to use gating[27] for short-lived instances during the pandemic due to redemption requests.[28] However, the uncertainty regarding Swiss funds' actual role in the event of a severe system-wide stress episode is high due to data limitations and gaps, risk assessment challenges (particularly for off-balance-sheet leverage) and limited relevant historical evidence.

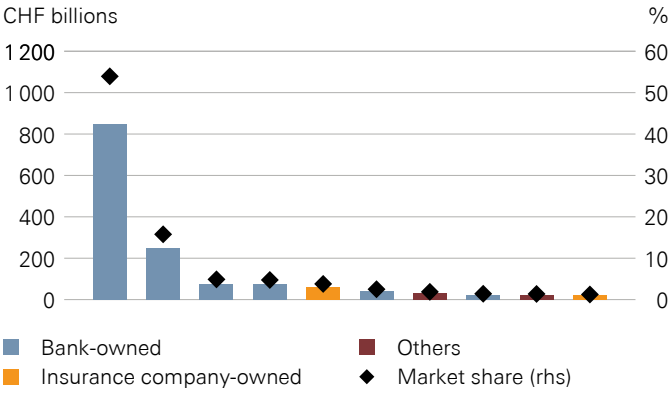
Contagion and amplification channels through interconnections could play important role for financial stability

The various interconnections between investment funds and other financial intermediaries (cf. subchapter 4.1) can lead to contagion and amplification of shocks. First, investment funds exhibit different kinds of linkages with banks in Switzerland, e.g. through balance sheet exposures, but also through business ties. Banks' average assets-side balance sheet exposure to Swiss funds consists mostly of mortgage lending to real estate funds. While mortgage exposure to Swiss funds is small for the average bank (at around 0.5% of the balance sheet at end-2025), it is more relevant for some domestically focused banks. Banks also face liabilities-side balance sheet exposure to Swiss funds; however, due to data limitations, it is difficult to assess the true importance of investment funds as providers of funding to banks in Switzerland.[29] In addition to balance sheet linkages, banks are connected to Swiss investment funds through material business ties. For instance, banks have a dominant position as fund management companies,[30] with six of the top ten fund management companies being bank-owned (cf. chart 4.9); more generally, bank-owned fund management companies have a market share of over 80%. In many cases, these banks also act as custodian banks for investment funds.

22 Art. 96 paras. 1 and 1[bis] CISO implies that debt may not exceed on average one-third of the market value of all real estate assets in normal times. This is equivalent to stating that balance sheet leverage, as measured by total assets divided by NAV, may not exceed 1.5 in normal times.
23 Cf. also FINMA Risk Monitor 2024 and 2025.
24 Cf. also ECB, Financial Stability Review, May 2015, box 7, 'Synthetic leverage in the investment fund sector'. For Swiss funds, available information suggests that most funds' synthetic exposure stems from currency derivatives.
25 For example, for equity funds, multi-asset funds, fixed income funds and 'Others', the share of total assets held by funds following a passive investment strategy or a fund-of-funds strategy corresponds to 40–60%. The share is significantly lower for money market funds and funds following a real estate strategy, and significantly higher for Swiss hedge funds.

TOP 10 FUND MANAGEMENT COMPANIES OF SWISS FUNDS[1]

By type of institution, as at Q4 2025 — Chart 4.9



1 In terms of total assets of all Swiss funds.

Source(s): SNB

26 The domestic asset holdings of fixed income funds correspond to around one-third of bonds issued by domestic borrowers listed on SIX Swiss Exchange. The corresponding figure for equity is about 20% (i.e. domestic asset holdings of equity funds as a share of stocks listed on SIX Swiss Exchange). For domestic real estate, domestic real estate assets held by Swiss funds following a real estate strategy correspond to just over 2% of the estimated market value of Swiss residential, retail and office properties (cf. Wüest Partner, Immobilienmarkt Schweiz 2026/1).
27 Gating refers to the introduction of provisions in the fund contract that allow the proportionate reduction of redemption requests if a certain percentage or threshold is reached for a certain point in time, if there are exceptional circumstances and if this is in the interests of the remaining investors (cf. FINMA Annual Report 2020).
28 Cf. FINMA Risk Monitor 2020, p. 7, together with FINMA Annual Report 2022, p. 54.
29 The assessment is based on a survey which only covers part of the banking sector and is on an unconsolidated basis.
30 Services can be provided for own funds and/or third-party funds ('private label' or 'white label' funds). The latter allow third parties to launch their own fund products under their own name, while certain tasks such as the administration of the fund can be outsourced to the fund management company.

Such business ties can potentially create reputational[31] and legal risks and hence result in step-in risk[32].

Second, Swiss funds are also linked with other Swiss NBFIs. Investment funds are an important investment vehicle for institutional investors – particularly for pension funds (cf. chart 4.3). While these investors often invest via single-investor funds and therefore, as explained above, have fewer incentives to run, regulatory requirements aimed at protecting institutional investors in the long term may lead to procyclical behaviour in a system-wide stress event. Institutional investors could, for example, be required to redeem their investment fund units during stress episodes to remain compliant with their own regulatory requirements; this in turn could lead to a materialisation of liquidity risk at investment funds.

Third, a more indirect form of interconnection between Swiss funds and other financial intermediaries, particularly banks, results through common exposures to a specific market. For Switzerland, common exposure to the Swiss real estate market could be of particular relevance. A price correction in the Swiss real estate market could not only impact the banking sector (cf. subchapter 3.6.2) but also have repercussions on funds following a real estate strategy. Countermeasures at one or both entities could in turn lead to further downward pressure on prices, amplifying the initial shock. When real estate prices fall, investment funds may be required to reduce leverage (cf. previous discussion) or could be faced with a materialisation of liquidity risk due to higher redemption requests and difficulties in rolling over mortgage funding from banks. This could eventually force real estate funds to sell real estate assets, putting further downward pressure on an already stressed market.

Internationally, common exposures in two other markets have been under scrutiny. Authorities have thoroughly examined how government bond markets have been impacted by hedge funds. In Switzerland, hedge funds play only a limited role (cf. also box 'Limited role of hedge funds in the Swiss government bond market'). In addition, authorities have investigated the increasing relevance of, and risks associated with, private credit markets – i.e. credit granted outside the banking sector – for corporate lending. In countries where private credit is particularly relevant, private credit funds emerge as key players. In Switzerland, private credit appears less relevant for the financing of the domestic economy.[33] However, interest in (global) private credit investments at Swiss institutional investors appears to have increased over the past decade amid a search for yield as well as risk diversification considerations. While important data gaps exist, ongoing initiatives[34] will help to shed light on the current relevance of NBFI financing in Switzerland.

31 Cf. IMF FSAP, Technical Note, 'Securities market: Selected issues in regulation and supervision', November 2025.
32 According to the BCBS, "step-in risk is the risk that a bank decides to provide financial support to an unconsolidated entity that is facing stress, in the absence of, or in excess of, any contractual obligations to provide such support. The main reason for step-in risk might be to avoid the reputational risk that a bank might suffer were it not to provide support to an entity facing a stress situation." (cf. BCBS, Guidelines – Identification and management of step-in risk, October 2017, p. 4).

33 Cf., for example, SECO, 'Studie zur Finanzierung der KMU in der Schweiz 2021', available in German, French and Italian.
34 SECO's upcoming study on the financing of small and medium-sized enterprises as well as data gathered by FINMA as part of its annual data collection exercise in the asset management sector will provide further insights into the relevance of private credit for the financing of corporates.

Box: Limited role of hedge funds in the Swiss government bond market

Over recent years, the growing presence of hedge funds – a leveraged type of non-bank financial intermediary (NBFI) – in several foreign government bond markets has caused financial stability concerns among central banks and regulators.[35] These hedge funds have been attracted by relative value opportunities[36] in large and liquid sovereign bond markets – often using strategies such as the cash-futures basis trade[37] – and by the ability to enhance returns through leverage obtained in repo markets. As a result, hedge funds have become important players in these markets alongside more traditional NBFIs such as pension funds.[38] While hedge fund activity can improve market functioning and liquidity, it may also amplify volatility and market stress during periods of rapid deleveraging.

In contrast to some foreign markets, in Switzerland hedge funds play only a limited role in the government bond market, which reflects several structural factors. First, Swiss hedge funds are small in both size and number. Second, they typically have no access to the SIX repo trading platform,[39] which is also true for foreign hedge funds. This limits hedge funds' ability to enhance return through leverage.[40] Third, the Swiss government bond market is small – around CHF 80 billion at end-2025 – and relatively illiquid in international comparison. Consequently, derivative and repo markets that reference Swiss government bonds are significantly smaller than those referencing larger government bond markets. In particular, the Swiss government bond futures market is very small and plays only a negligible role compared to futures markets in some other jurisdictions. As a result, relative value strategies are difficult to exploit, making the Swiss government bond market structurally unattractive for hedge funds. Finally, for foreign investors, participation in such strategies can be even less attractive due to the cost of hedging the Swiss franc, to Swiss withholding tax, and to yields that are typically lower than abroad.

In fact, the Swiss government bond market is dominated by traditional domestic buy-and-hold investors – such as pension funds, insurance companies and investment funds other than hedge funds – which account for around 75% of all holdings. Most foreign investors in Swiss government bonds also have a longer-term investment horizon. At roughly 10%, their share is comparatively small and has been declining in recent years.

Based on available data and market intelligence, the role of hedge funds in the Swiss government bond market currently does not pose a financial stability concern. Nonetheless, developments in this market should be monitored. International experience shows that the composition of market players in government bond markets can change quickly and substantially.[41] Moreover, stress events in foreign government bond markets may spill over to Switzerland, for example through interest rate and foreign exchange channels, as well as through exposure of Swiss intermediaries to foreign markets. Finally, data limitations regarding hedge fund activity, both at the country level and in capturing cross-border trading activities, may hinder effective monitoring of key dynamics. Data challenges for the NBFI sector more generally have also been identified at the global level. Indeed, in 2025, the Financial Stability Board (FSB) defined a workplan to address 'nonbank data challenges'.[42]

35 For example, for the US, cf. Federal Reserve Board, Financial Stability Report, October 2023, p. 33; for the UK, cf. Bank of England, Financial Stability Report, July 2025, p. 68; for the euro area, cf. ECB, Financial Stability Review, May 2024, box 3, p. 45.
36 Strategies which exploit relative value opportunities take advantage of small price differences between related financial instruments.
37 This strategy involves the simultaneous purchase and sale of government cash bonds and futures with the aim of exploiting any mispricing between the two.
38 Cf. Bank of England, Financial Stability Report, July 2025, p. 68.
39 This is currently the main repo trading platform in Switzerland.
40 Access to repo financing is important because most fixed-income relative value strategies rely on using government bonds as collateral to obtain short-term, low-cost leverage, which amplifies the small price discrepancies these trades seek to exploit. Without reliable and predictably priced repo funding, hedge funds would struggle to finance long cash positions or cover shorts efficiently, making many basis and curve trades uneconomic or operationally unfeasible.
41 Cf. Bank of Canada, Financial Stability Report 2025.
42 Cf. FSB, FSB Workplan to Address Nonbank Data Challenges, 9 July 2025.

5
Special topics

5.1 STABLECOINS: RISKS AND REGULATORY TRADE-OFFS FROM A FINANCIAL STABILITY PERSPECTIVE

KEY POINTS

- The risks posed by stablecoins primarily stem from their promise of at-par convertibility despite their potentially volatile backing, and from their interconnections with the rest of the financial system.
- In Switzerland, risks to financial stability from stablecoins are currently limited due to low volumes and low adoption.
- Risks to financial stability can be mitigated with adequate regulation, but international regulatory coordination is important to prevent regulatory arbitrage across jurisdictions.

Stablecoins are privately issued digital assets whose value is typically pegged to an official currency such as the US dollar or the Swiss franc and which are intended to be used as money themselves. In this respect, stablecoins are similar to bank deposits – the predominant form of money in circulation. Unlike bank deposits, however, they are tradable which makes them bearer-like instruments and transferable almost like cash. Furthermore, stablecoins are typically backed by a narrow balance sheet, hence they entail fewer transformation risks[1].

Stablecoins are at present primarily used as money in the crypto ecosystem, but they are not limited to that. As they are typically issued on blockchains that operate 24/7 and on a global scale, offering programmability, traceability, and relatively cheap and fast transactions, other use cases are evolving. Examples for such use cases are remittances or the store of value for people in jurisdictions with high inflation and a lack of safe investment alternatives (e.g. due to capital flow restrictions).

1 Such as maturity, liquidity, credit and currency risks.

While stablecoins may be of relevance for the SNB as a central bank in many respects, this special topic focuses on financial stability considerations. More specifically, it focuses on the financial stability risks attached to the stablecoin as a settlement asset. Furthermore, the focus is on asset-backed stablecoins, as this is the predominant form in use today and thus of particular interest in the ongoing regulatory discussion.

Financial stability risks, regulatory measures and trade-offs

Financial stability risks associated with significant stablecoin volumes primarily stem from stablecoins' promise of at-par convertibility despite their potentially volatile backing, and from their interconnections with the rest of the financial system. These risks are similar to those inherent in bank deposits and can be mitigated with adequate regulation but not eliminated completely, as there are trade-offs that give rise to new financial stability risks elsewhere. These trade-offs need to be weighed in the ongoing process to establish a regulatory framework.

A stable value is key for a stablecoin to serve as a means of payment, but narrow margins on safer reserve assets may prevent sufficient build-up of buffers. Vice versa, if a stablecoin's reserve assets are higher yield-bearing but more volatile (e.g. due to low quality or significant residual maturity), the stablecoin's stability, i.e. the promise of at-par convertibility, is at greater risk. Without sufficient buffers in place, a run on the stablecoin may occur. While backing stablecoins with highly secure and liquid assets reduces their vulnerability to runs, this approach carries downsides. In general, the narrower a stablecoin's balance sheet – i.e. the more a stablecoin's reserves are restricted to safe, liquid and short-term assets – the more stable it is. But the corresponding lower yields on these assets could substantially erode the profitability of stablecoin issuers, particularly in an environment with low interest rates. Narrow margins leave little room for building buffers and absorbing losses, thus creating another source of systemic vulnerability.

In a crisis, a more stable and thus safer stablecoin increases the risk of depositors running from banks to stablecoins, thereby amplifying the very instability of the traditional financial sector that prudential regulation seeks to prevent. However, such instabilities already exist in the current system due to safer options other than stablecoins, for example provided by banks with explicit or implicit state guarantees.[2] Importantly, from a financial stability perspective, such instabilities should promote stricter requirements for banks rather than weaker ones for stablecoins.

2 In Switzerland, for example, cantonal banks which are backed by a government guarantee were affected by deposit inflows during the crisis at Credit Suisse. During the 2023 US regional bank crisis, the major banks were affected by such inflows because depositors assumed that these institutions were too big to fail and therefore more likely to be bailed out.

Stablecoins and banks are exposed to two-way contagion risk through two distinct channels: common reserve assets and mutual liability holdings. Both can amplify stress across the broader financial system.

As regards reserve assets, a run on a stablecoin may lead to fire sales with negative price spirals that could spill over to other holders of such assets whose prices are under pressure. This in turn may trigger another run on a similarly exposed financial institution, reinforcing this vicious cycle. However, this channel should be of lesser concern if the reserve assets qualify as high-quality liquid assets (HQLA).

As regards mutual liability holdings, this channel is more significant and arises when stablecoins hold bank deposits as reserves, or when banks hold stablecoins. This creates two risk dimensions: solvency risk and liquidity risk.

Solvency risk materialises when a liability event at one institution impairs the balance sheet of another. For example, Circle's USD stablecoin experienced a major de-peg event – i.e. the stablecoin's value fell significantly below par – in 2023 because a substantial part of its reserves was (uninsured) deposits with the struggling Silicon Valley Bank.

Liquidity risk materialises if a stablecoin issuer rapidly withdraws large deposit volumes from its banking counterparties. This highlights the fragility of bank deposits of institutional depositors and calls for a 100% outflow rate for such deposits in the liquidity regulation for banks. If a stablecoin is backed by bank deposits, this poses a greater risk to financial stability than a stablecoin directly backed by HQLA. Significant holdings of bank deposits by stablecoins pose a concentration risk for both stablecoins and banks. Strict regulation for stablecoins and banks, with a particular focus on liquidity, is therefore required to ensure stable funding, to prevent this channel from amplifying stress across the system, and thus to support financial stability. Since deposits from financial institutions such as stablecoin issuers are considered flighty and treated as such in the regulations, banks should be required to hold HQLA against such deposits or to increase the maturity of other liabilities.

Currently minor implications for financial stability in Switzerland, although regulatory arbitrage is a potential risk due to stablecoins' cross-border nature

The implications for financial stability in Switzerland are at present relatively minor due to the low volume of CHF stablecoins and the low exposure to, and relevance of, foreign-denominated stablecoins in Switzerland. The outstanding volume of CHF stablecoins remains modest.[3] However, this might change if they were to significantly simplify global access to the Swiss franc and, supported by upcoming regulations, develop into a form of money accepted by the broader public.

Preventing regulatory arbitrage across jurisdictions and financial institutions is important and calls for sufficient international regulatory coordination given stablecoins' global and cross-border nature. Such coordination and the implementation of relevant international standards can prevent a regulatory 'race to the bottom' and the issuance of stablecoins in more lightly regulated jurisdictions. Otherwise, regulatory arbitrage could jeopardise Swiss regulation and constitute a source of risk to financial stability in Switzerland. A level playing field across stablecoin issuers and traditional financial institutions according to the principle of 'same activity, same risk, same regulation' is key. Indeed, the stablecoin issuers' simpler business model (compared to banks) may justify simplified regulation for these entities, provided regulatory arbitrage can be avoided and risks do not shift to stablecoins despite the generally less risk-sensitive nature of simplified regulation.

The SNB is closely monitoring developments and is actively engaged at both national and international level to assess the risks associated with stablecoins. While regulation is underway in Switzerland and internationally, important details are still to be finalised. These include, for example, the requirements for the composition and quality of reserve assets for stablecoins, for their liquidity management, and for their equity capital.

3 CHF stablecoins have an estimated total market capitalisation of well under CHF 50 million (end-2025), which is very low compared to the CHF 657 billion in sight deposits held at banks in Switzerland (end-2025).

5.2 FINANCIAL MARKET INFRASTRUCTURES IN SWITZERLAND AND THE SNB'S OVERSIGHT ROLE – WITH A FOCUS ON CENTRAL COUNTERPARTIES

KEY POINTS

- Three systemically important financial market infrastructures – a central counterparty, a central securities depository and a payment system – are based in Switzerland, all operated within SIX Group.
- Financial market infrastructures' transaction values are multiples of Swiss GDP. The non-availability of their services could lead to serious losses or liquidity shortfalls and spill over to other market participants, hence jeopardising financial stability.
- The SNB cooperates closely with FINMA in overseeing systemically important financial market infrastructures. The SNB oversees their compliance with the minimum requirements for financial and non-financial risks as stipulated in the National Bank Ordinance and thus contributes to safeguarding financial stability.

Systemically important financial market infrastructures (SI-FMIs) underpin the smooth functioning of financial markets; their resilience is thus a matter of public interest. This special topic provides an overview of Switzerland's SI-FMIs, outlines why they are systemically important and explains how the SNB fulfils its oversight mandate, using the example of the Swiss central counterparty SIX x-clear.

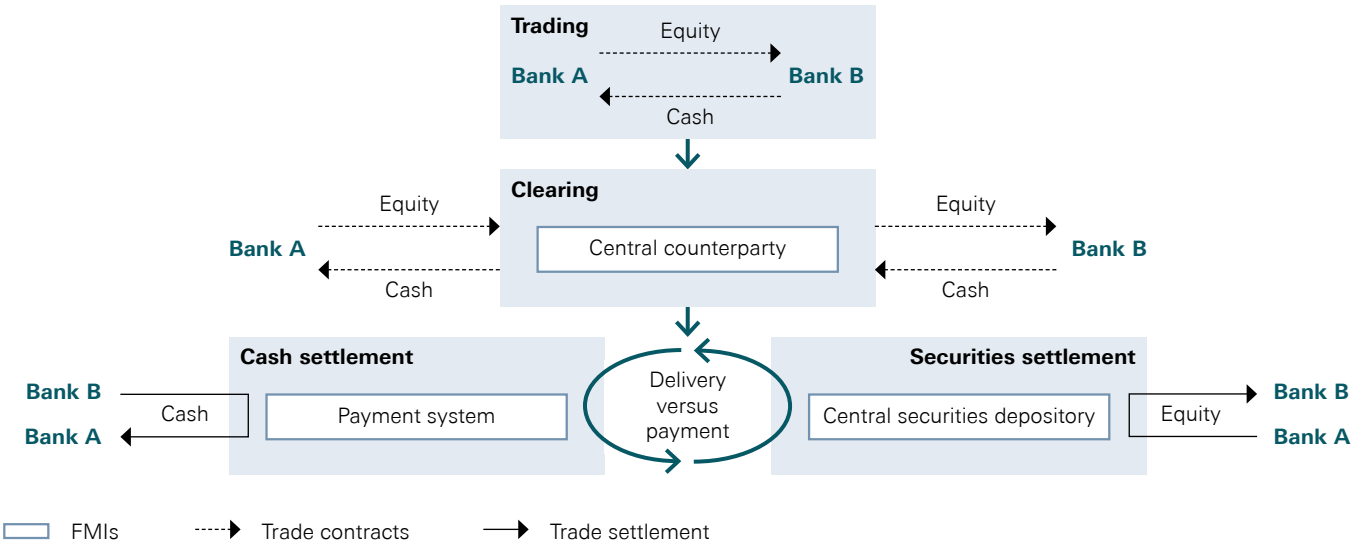
Financial market infrastructures (FMIs) are systems through which participants submit securities transactions or payments for clearing, settling or recording under a common set of rules.[4] Typical FMIs are central counterparties (CCPs), central securities depositories (CSDs) and payment systems. On the one hand, their centralised services for market participants create economies of scale and enhance market efficiency by reducing idiosyncratic risks. On the other hand, economies of scale and other barriers to entry may limit competition and confer market power on an FMI. With increasing size, some FMIs become so important for the financial system that their non-availability could generate negative externalities for the financial system and jeopardise financial stability. These characteristics explain why FMIs are subject to oversight and regulation.

To understand how FMIs work, consider the example of bank B purchasing equity from bank A against cash (cf. chart 5.1). If both parties agree to use a CCP, then once the trade is concluded, the CCP interposes itself between bank A and bank B and thus assumes participants' bilateral

4 Cf. CPSS-IOSCO, Principles for financial market infrastructures, 2012. Clearing is the process of transmitting, reconciling, confirming and, in some cases, netting reciprocal obligations as well as calculating the final positions for settlement of a payment or securities transaction. In a financial transaction, settlement is the fulfilment of a payment or delivery obligation, i.e. the payment transfer or the transfer of the securities from the transmitting bank to the recipient bank.

ROLE OF FINANCIAL MARKET INFRASTRUCTURES IN A STYLISED TRANSACTION

Chart 5.1



Source(s): SNB

credit risk.[5] The CCP then initiates settlement of the transaction with the CSD. The CSD, as custodian for securities in the financial system, records the change in securities ownership from bank A to bank B, and thus finalises the securities settlement. In a synchronised process known as delivery versus payment, the payment system simultaneously transfers the corresponding payment from bank B to bank A (cash settlement).

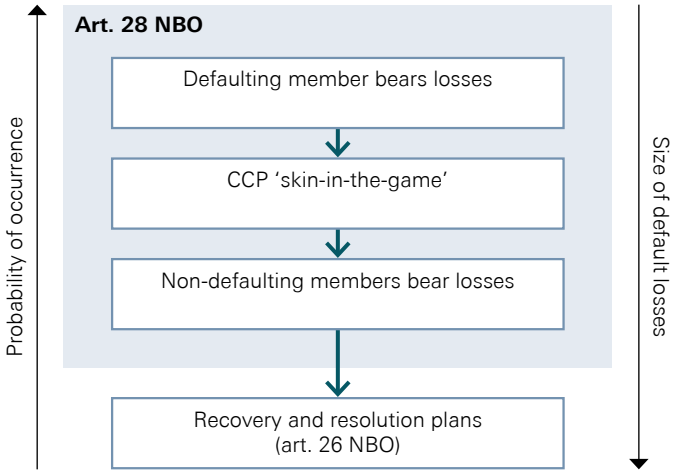
The SNB cooperates closely with FINMA in overseeing SI-FMIs

The Swiss Financial Market Supervisory Authority (FINMA) and the SNB are the authorities with the supervisory functions relating to the clearing, settlement and payment infrastructures in Switzerland. Under the Financial Market Infrastructure Act (FinMIA), FINMA is responsible for authorising FMIs and supervising their prudential soundness.[6] The SNB determines if an authorised FMI, domestic or foreign, is systemically important for the Swiss financial system. Its oversight is aimed at safeguarding the stability of the financial system. For this purpose, the SNB oversees compliance with the minimum requirements for financial and non-financial risks which are derived from international standards[7] and stipulated in the National Bank Ordinance (NBO). Besides focusing on operational risks, e.g. cyber risks, the minimum requirements are intended to ensure that SI-FMIs properly manage their credit and liquidity risks.

5 CCPs are not employed for clearing in all market segments, i.e. counterparties manage their bilateral contracts and associated risks themselves. Examples are the repo markets in Switzerland and the United States.
6 However, FMIs operated by the SNB or on its behalf are not subject to FINMA authorisation and supervision within the scope of this activity (art. 4 para. 3 FinMIA).
7 Cf. CPSS-IOSCO, Principles for financial market infrastructures, 2012.

WATERFALL IN THE EVENT OF A MEMBER'S DEFAULT

Chart 5.2



Source(s): SNB

Three systemically important FMIs are based in Switzerland

There are a variety of criteria to determine whether an FMI qualifies as systemically important for a financial system. In Switzerland, an FMI is designated systemically important by the SNB if its non-availability, or the difficulties of its participants to meet their obligations, could spill over to other market participants, lead to serious losses or liquidity shortfalls and thereby cause serious disruptions in the financial markets.[8] SI-FMIs based in Switzerland are SIX x-clear Ltd (SXC) as a CCP, SIX SIS Ltd (SIS) as a CSD, and SIX Interbank Clearing Ltd as the operator of the Swiss Interbank Clearing (SIC) payment system – all subsidiaries of SIX Group Ltd. The system manager of the SIC payment system is the SNB itself.

The three SI-FMIs provide important services to the Swiss financial system. SIS safekeeps and settles securities in Swiss francs and from around 65 foreign markets. The SIC system, in turn, is the payment system in Switzerland used by around 290 participants to settle their large-value payments and a substantial part of their retail payments in Swiss francs.[9] In 2024, Swiss FMIs' transaction values were multiples of Swiss GDP, ranging from approximately 11 times GDP for each of SIS and SXC, to 66 times GDP for SIC.[10] The difference in order of magnitude relates to the fact that payments include both cash settlements in securities transactions and pure payments, for example related to payments for goods and services (such as rents or wages) or the granting of a loan.

Minimum requirements enhance SXC's loss-absorbing capacity

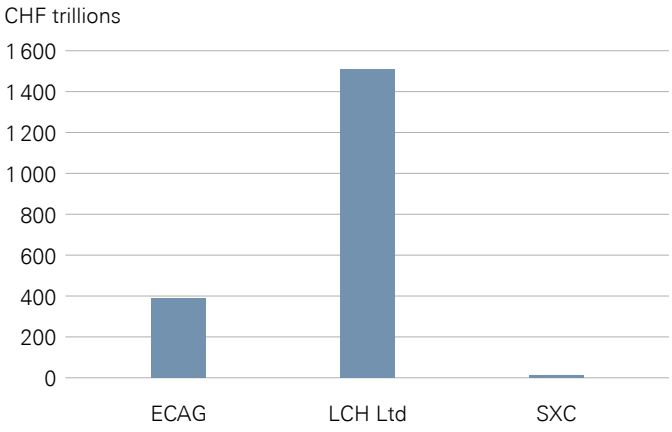
In its role as CCP, SXC interposes itself between the two sides of a trade, becoming the buyer to every seller and the seller to every buyer. This transforms a network of bilateral exposures into a star-shaped structure with SXC concentrating financial risks, particularly counterparty risks, at the centre.

To limit contagion effects and safeguard financial stability, the NBO requires SXC to have several loss-absorbing layers in place (cf. chart 5.2). These layers follow a default waterfall, defining the sequence of resources that SXC can draw on in the event of a participant's default. To cover the default losses, the first layer in the waterfall is the pre-funded resources from the defaulting member, drawing on its margin collateral and default fund contributions.[11] If the defaulter's margin and default fund contributions are insufficient, SXC must first apply its own dedicated financial resources ('skin-in-the-game') before drawing on the next layer: pre-funded contributions from

8 Cf. art. 22 para. 1 FinMIA.
9 Cf. SNB, The Swiss Interbank Clearing (SIC) payment system – Report on the SIC System and Disclosure Report, 2025.
10 Cf. BIS, CPMI Red Book statistics (data as at end-2024).
11 Margin collateral refers to financial resources that each clearing member posts with a CCP to cover potential losses in the event of a member's default. The default fund is a pre-funded, mutualised pool of financial resources to which all members contribute.

TOTAL VALUE OF DERIVATIVES CONTRACTS AND SECURITIES TRANSACTIONS

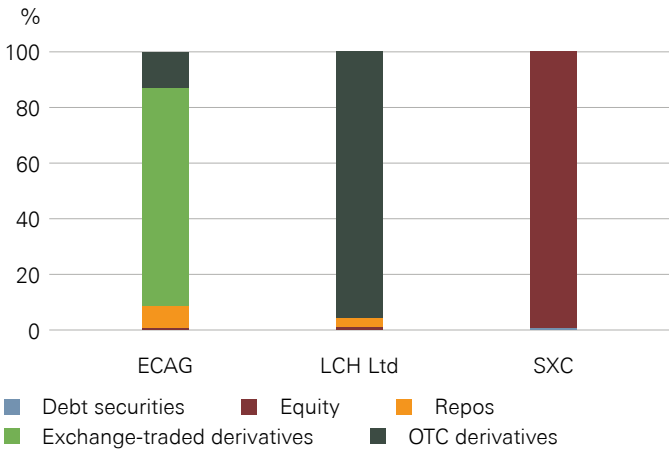
2024 Chart 5.3



Source(s): BIS, SNB

TRANSACTION VALUE BY INSTRUMENT TYPE

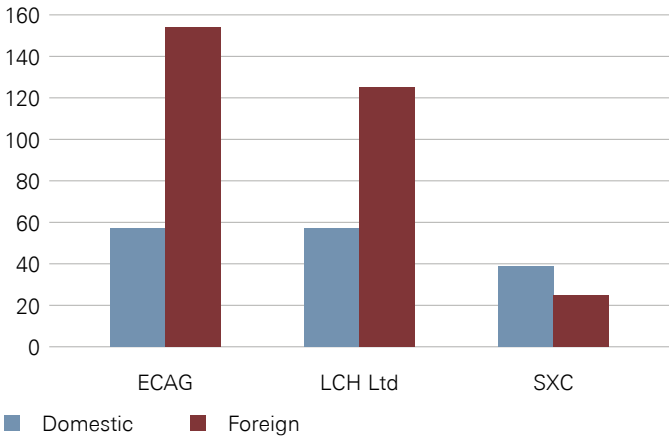
Share of total value, 2024 Chart 5.4



Source(s): BIS

NUMBER OF CLEARING MEMBERS BY DOMICILE

2024 Chart 5.5



Source(s): BIS

non-defaulting members to the default fund. Losses exceeding these resources from non-defaulting members are addressed through the CCP's recovery and resolution planning.

Three CCPs are systemically important for Swiss financial system

Swiss financial market participants use domestic and foreign CCPs for clearing, depending on the financial instrument. As the systemically important CCP domiciled in Switzerland, SXC clears cash instruments on behalf of around 60 members. Swiss financial market participants clear derivatives mainly through two foreign CCPs, rendering these also systemically important from the perspective of Switzerland: LCH Ltd, domiciled in the United Kingdom, and Eurex Clearing AG (ECAG), domiciled in Germany. The SNB participates in their supervision through supervisory colleges and regular exchanges with their home supervisory authorities.

SXC, LCH and ECAG have largely non-overlapping clearing portfolios. SXC clears almost exclusively equity, with a transaction value of CHF 9.8 trillion in 2024 (cf. charts 5.3 and 5.4). LCH concentrates on over-the-counter (OTC) interest rate swaps and ECAG on exchange-traded derivatives, with transaction values in 2024 of around CHF 1,500 trillion and around CHF 400 trillion, respectively. Furthermore, SXC's members are predominantly domiciled in Switzerland, while LCH and ECAG are global players with a high share of foreign participants (cf. chart 5.5). Due to their size and central role in the Swiss financial system, overseeing the resilience of SXC, LCH and ECAG remains a key priority for the SNB. At the same time, the reliance of Swiss market participants on foreign CCPs underscores the importance of effective cross-border supervisory cooperation.

Abbreviations

AT1	Additional Tier 1
Basel III	International regulatory framework for banks developed by the BCBS
Basel III Final	'Basel III: Finalising post-crisis reforms', in force in Switzerland since 1 January 2025
BCBS	Basel Committee on Banking Supervision
BIS	Bank for International Settlements
CAO	Capital Adequacy Ordinance
CCP	Central counterparty
CCyB	Countercyclical capital buffer
CDS	Credit default swap
CET1	Common Equity Tier 1
CISA	Collective Investment Schemes Act
CISO	Collective Investment Schemes Ordinance
CSD	Central securities depository
DFB	Domestically focused bank
DF-SIB	Domestically focused systemically important bank
DORA	Digital Operational Resilience Act
DTI	Debt to income
ECAG	Eurex Clearing AG
ECB	European Central Bank
ELF	Extended Liquidity Facility
FINMA	Swiss Financial Market Supervisory Authority
FinMIA	Financial Market Infrastructure Act
FMI	Financial market infrastructure
FSAP	Financial Sector Assessment Program
FSB	Financial Stability Board
FSR	SNB Financial Stability Report
GDP	Gross domestic product
G-SIB	Global systemically important bank
HQLA	High-quality liquid assets
ICT	Information and Communications Technology
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IOSCO	International Organization of Securities Commissions
LCR	Liquidity coverage ratio
LMT	Liquidity management tool
L-QIF	Limited qualified investor fund
LTI	Loan to income
LTV	Loan to value
NAV	Net asset value

NBER	National Bureau of Economic Research
NBFI	Non-bank financial intermediary
NPV	Net present value
NSFR	Net stable funding ratio
PLB	Public liquidity backstop
RWA	Risk-weighted assets
SECO	State Secretariat for Economic Affairs
SFSO	Swiss Federal Statistical Office
SIB	Systemically important bank
SIC	Swiss Interbank Clearing
SI-FMI	Systemically important financial market infrastructure
SIS	SIX SIS Ltd
SXC	SIX x-clear Ltd
TBTF	Too big to fail
ZKB	Zürcher Kantonalbank

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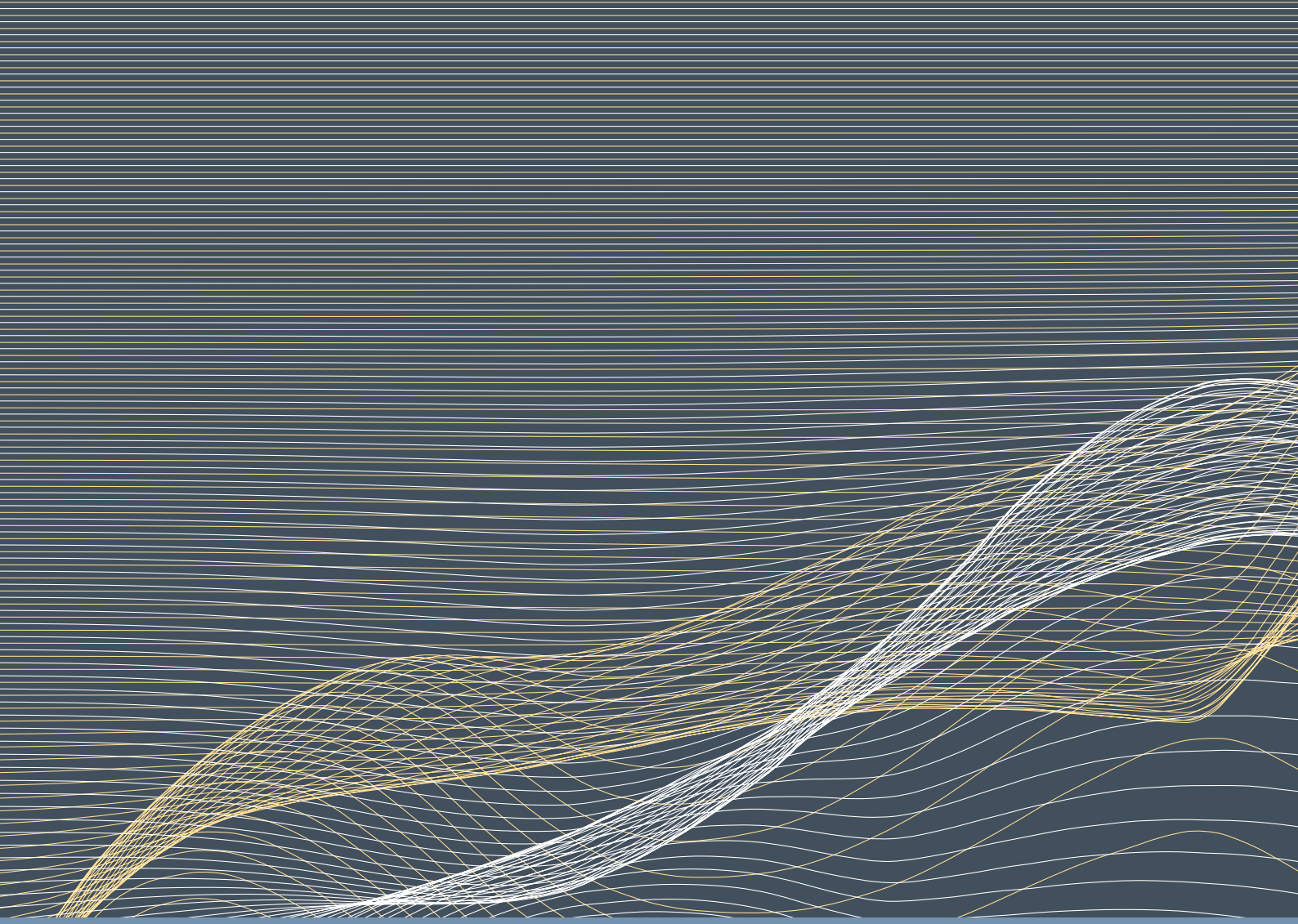

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