Eidgenössische Finanzmarktaufsicht FINMA
Autorité fédérale de surveillance des marchés financiers FINMA
Autorità federale di vigilanza sui mercati finanziari FINMA
Swiss Financial Market Supervisory Authority FINMA

FINMA Risk Monitor 2025

Contents

Monitoring risks: central to forward-looking oversight of the financial markets

The Swiss Financial Market Supervisory Authority FINMA is an independent public supervisory authority. It has the legal mandate to protect investors, creditors and policyholders and ensure the proper functioning of the financial markets. By fulfilling this mandate, it contributes to enhancing the reputation, competitiveness and future sustainability of the Swiss financial centre.

Supervision of the financial sector is the main focus of FINMA's work. The activities of financial market participants involve particular risks – both in the financial and non-financial sphere. These risks can jeopardise client protection and the proper functioning of the financial markets. It is primarily the responsibility of each financial market participant to mitigate this risk exposure through an appropriate risk culture and risk management. The supervisory authority's role is to make sure that supervised financial institutions fulfil this responsibility and manage their exposure to risks effectively, continuously and in a forward-looking manner. The goal is that they cannot be destabilised by risks, either now or in the future. Assessing the risk situation of individual supervised institutions is therefore a central part of FINMA's supervisory activity.

The Risk Monitor creates transparency both for supervised institutions and the wider public about how FINMA fulfils its statutory responsibilities. Firstly, it provides an overview of what FINMA believes are the most important risks facing supervised institutions. The focus is on risks it views as principal risks due to their loss potential and probability of occurrence over a time horizon of up to three years. Secondly, FINMA sets out its supervisory expectations in relation to the risks discussed in the Risk Monitor.

Many of the principal risks FINMA has identified are rooted in the macroeconomic and geopolitical environment. After a period of falling inflation, inflation rose modestly again in several countries in mid-2025, for example the US and UK. This was partly a result of rising energy prices. US trade policy could further drive up US inflation in 2026. Inflation remained stable in Switzerland in the summer of 2025, but inflation expectations rose here too. In general, inflation forecasts are currently subject to particularly high uncertainty. A resurgence in inflation could lead to higher interest rate expectations and put downward pressure on asset prices. At the same time, US trade policy is leading to a weaker economic outlook, not least in Switzerland, although the scale of the impact is hard to predict. The US government has been levying additional tariffs of 39% on around 60% of Swiss exports to the US since 7 August 2025. Switzerland is therefore, at least temporarily, facing considerably higher tariffs than comparable US trading partners (EU: 15%, UK: 10%, Japan: 15%). On 14 November, Switzerland and the US signed a memorandum of understanding to align the additional tariffs with the level applied to the EU. Estimates of the impact of US tariffs do not suggest it will drive the Swiss economy into recession. In addition to inflation expectations and trade policy, geopolitical tensions remain a prime source of uncertainty for the financial markets.

Note

The risks referred to in this report and the focal points of FINMA's supervisory activity are not an exhaustive list. Other risks not cited may also be (or become) very significant. This Risk Monitor is expressly not intended as a basis for investment decisions. The occurrence of extreme events ("tail risks") is always possible, including in connection with risks that FINMA has categorised as less serious and therefore not included in the Risk Monitor.

Most of the risks previously identified by FINMA remain high. The arrows indicate changes compared to last year's Risk Monitor: the risk increased (↑), remained the same (→) or decreased (↓). Risks that were already categorised as high may be described as remaining unchanged even if there has been some aggravation in the risk situation.

Compared with previous years, FINMA assumes that the Swiss financial institutions have adapted to the main hindrances to international market access. As a result, the probability of an additional earnings hit for Swiss financial institutions caused by obstacles to market access has declined. Hence, FINMA no longer classifies the risk relating to financial institutions' international market access as a principal risk. However, this risk does not include market access for the wider economy or any potential macroeconomic effects of current trade policy challenges.

The principal risks for 2025 are as follows:

- **Risks associated with real estate and mortgages (→):** The rate of increase in real estate prices has slowed compared with the negative interest rate period. At the same time, mortgage debt in Switzerland is one of the highest in the world relative to gross domestic product. The risks of overheating therefore remain high. In a property crash, retail banks would be at the forefront in facing the threat of huge write-downs and losses in their mortgage portfolios. Real estate has also become a substantial proportion of life insurers' investment portfolios in the low interest rate environment of recent years. Supervisory focus: FINMA reviews the resilience of banks and insurers to price corrections on the property market in various ways, including stress tests and surveys of real estate exposures outside Switzerland. If necessary, it can impose bank-specific capital add-ons. Compliance with self-regulatory standards for sustainable mortgage underwriting remains an emphasis in on-site inspections.

  Credit risk: other loans (→): Lending volumes increased substantially during the long period of low interest rates, which has increased the vulnerability of loan portfolios. Leveraged finance and Lombard loans granted by banks, as well as the Swiss SMEs and corporate lending business are particularly affected. The rapid growth in non-bank financial institutions and private markets lending in recent years can be a source of contagion effects for banks and insurance companies. Supervisory focus: FINMA monitors leveraged finance positions closely, carries out supervisory discussions and on-site inspections on the corporate customer business and monitors Lombard lending with a focus on the risks of concentrated or illiquid collateral.
- **Market risk: credit spread risk (↑):** Wider credit spreads on corporate or sovereign bonds can lead to significant losses and higher costs to insure against credit defaults for banks and insurers. This can hit profitability and undermine confidence in these institutions. The credit spread risk is becoming more relevant against the backdrop of increased political risk in various regions of the world. Supervisory focus: FINMA monitors this risk through its regular loss-potential analysis and by identifying outliers.
- **Liquidity and funding risk (→):** A loss of confidence in a bank can lead to a rapid outflow of liquidity and trigger a downward spiral. This process can be accelerated by the social media dynamics, which can destabilise individual institutions or the entire financial system. Growing geopolitical and trade policy risks can also make it more difficult to access funding in foreign currencies. Real estate funds with illiquid assets can also come under pressure if they have to process a large number of redemptions. Supervisory focus: FINMA continuously monitors banks' liquidity and funding risks and regularly reviews whether they have complied with regulatory requirements. If problems are identified, it takes targeted action. It also addresses risks in foreign currency funding.

- **Money laundering (→):** An inadequate anti-money laundering policy can give rise to considerable legal and reputational risks for financial intermediaries. In asset management in particular, institutions sometimes take high risks that are not limited by a defined risk tolerance. Clients from high-risk countries and crypto transactions continue to pose an elevated money laundering risk. Supervisory focus: FINMA conducts on-site reviews of compliance with money laundering due diligence obligations across all supervisory categories. The focus lies on determining and implementing risk tolerance and procedures for dealing with high-risk clients.
- **Sanctions (→):** Trade sanctions on goods are an area of growing risk. Providing financial services and financing in connection with sanctioned goods is prohibited and presents considerable legal risks for financial intermediaries. Particularly in the context of the sanctions on Russia, the associated US secondary sanctions and the potential for these to be broadened further, legal and reputational risks have intensified considerably. Supervisory focus: In relation to the Russian sanctions, FINMA carries out targeted on-site reviews and investigations of sanctions management at exposed financial institutions.
- **Outsourcing (→):** Outsourcing of critical functions to third-party providers remains a key source of operational risk in the financial sector. The growing use of cloud services and software-as-a-service models leads to increased dependence on a few critical ICT providers. This concentration gives rise to systemic risk: outages and data breaches could have far-reaching effects on the stability of the Swiss financial market. FINMA has observed that some risks in the supply chain are insufficiently identified and managed. Even incidents at third parties that are not classified as significant outsourcing providers could have a far-reaching impact on the Swiss financial market. Supervisory focus: FINMA monitors outsourcing risk by means of specific, on-site reviews – at supervised institutions and their service providers – as well as by systematically evaluating supervisory and audit data. It has an inventory of significant outsourcings to identify concentration on a narrow group of service providers. The focus is on outsourcing of critical functions that are central to operational resilience.
- **Cyber risks (↑):** Cyber attacks on financial institutions and their external service providers are continuing to increase and therefore represent an ongoing high operational risk. Multiple institutions are often affected at the same time due to the increasing concentration on a small number of service providers. A further increase in cyber attacks can be expected. Common forms of attack include distributed denial-of-service (DDoS) attacks,[1] deliberate or unintentional insider threats and cyber fraud with payment methods such as Twint or debit cards. Supervisory focus: FINMA monitors cyber risk through targeted on-site inspections and additional audit actions at banks in supervisory categories 1 and 2. For institutions in categories 3 to 5, FINMA implements a standard audit programme to manage cyber risks and conducts surveys to assess the maturity of institutions' cyber protection policies. It has also published an audit programme for managing cyber risks for fund managers and managers of collective assets.
- **ICT risks (↑):** The increasing complexity of modern information and communications technology (ICT) systems and their extensive interlinkages increase operational risks for financial institutions. Malfunctioning software components, inadequate maintenance, poor data quality and the use of outdated legacy systems can lead to system outages. Past incidents have underlined the critical importance of a resilient system design and effective incident management. FINMA expects ICT systems to be able to continue to operate through redundancies or alternative functions even if components malfunction. Supervisory

[1] Attacks on the availability of technology infrastructure, cf. Cyberthreats identified by the National Cyber Security Centre NCSC.

focus: FINMA monitors ICT risks by means of specific on-site reviews and analysis of supervisory and audit data.

Principal risks

FINMA takes a risk-based approach to supervision. The intensity of its supervision is dictated firstly by the risks the financial market participants are exposed to and secondly by the principal risks arising from the current environment. This section will discuss the nine principal risks identified by FINMA for its supervised institutions and the Swiss financial centre over a time horizon of up to three years.

Risks associated with real estate and mortgages (→)

The risks relating to real estate and mortgages have been an important topic for FINMA for some time. Due to the rise in property prices over many years, the risk of the market overheating remains high. The biggest risks for the institutions supervised by FINMA are in the areas of credit risk and market (i.e. valuation) risk. FINMA also recognises significant reputational risks in the lending business.

Mortgage debt in Switzerland is among the highest in the world as a proportion of gross domestic product. Past crises have shown that problems in the real estate market can spread quickly to financial institutions and the entire real economy. Swiss banks' lending volumes have risen sharply since the year 2000. **Mortgage lending by banks in Switzerland reached around CHF 1.24 trillion in June 2025, although current growth rates are lower than during the negative interest rate period.** On average, around three quarters of all mortgage loans are held by retail banks. Two thirds of these loans relate to financing of owner-occupied properties. The remaining third is accounted for by loans for investment properties, which inherently entail higher risks.

Insurance companies and pension funds also engage in mortgage lending, but their market share is low, at 3% and 2% respectively of the overall mortgage market. However, life and general insurers have increased their exposure to directly held property in the low interest rate environment of recent years. **In total, life insurers hold around CHF 67 billion of investments in mortgages and real estate (28% of their investment portfolios).** For general and health insurers, the equivalent figure is around 13 billion (8% of their investment portfolios). Life insurers therefore have a substantial exposure to the real estate market. Alongside insurers, real estate funds also invest directly in property. There are currently 76 Swiss real estate funds with net assets of CHF 73.24 billion under FINMA's supervision. These funds mostly invest in Swiss property.

Their affordability and the client's creditworthiness are key for the default risk of mortgages. Principles-based requirements for these criteria are set out in self-regulation. FINMA observes in its supervisory work that the resulting leeway is being excessively exploited by various banks. Many banks stipulate looser affordability criteria in internal guidelines or make a high proportion of exception-to-policy (ETP) loans outside the affordability criteria they have set themselves. This can increase default risks and is at odds with the requirement for prudent and cautious lending practices. **FINMA will closely monitor the application of principles-based regulation in this area in its supervisory work. It will seek to make the rules more prescriptive if required.** In its Guidance on risks in the real estate and mortgage markets published in 2025, FINMA draws attention to the need for possible regulatory improvements in mortgage lending. This guidance is based on the findings from FINMA's supervision. The Swiss implementation of the final Basel III standards does not differentiate capital requirements based on affordability. This simplification was designed to minimise the costs of implementing the final Basel III standards. The undifferentiated risk weights laid down in the Swiss implementation correspond to an average of increased and non-increased risk weights. When weighting the individual components of this average, the regulation implicitly assumes that 15% of mortgage loans in the portfolio are not fully compliant with the affordability criteria or the prudent valuation principle. However, in new lending we have observed ETP ratios of well over 15% for affordability at many banks. If this situation continues in the longer term, it could create a need to take action on capital requirements. Until now, FINMA has imposed institution-specific risk mitigation measures such as capital add-ons when it has identified overly loose underwriting criteria or excessive ETP ratios.

Credit risk is not just determined by clients' creditworthiness. The value of the loan collateral, i.e. the property valuation, is key for the level of potential losses in the event of default. **FINMA has observed low capitalisation rates being used in some cases in its supervision, which can increase the valuation risk.** In general, it is advisable to define the loan-to-value (LTV) limits in line with the risks and thereby reduce the size of the risks. Events such as the landslide in Blatten, Canton of Valais, demonstrate that possible threats from natural disasters need to be included in valuations. In this context, it is worth noting that holiday apartments in mountain regions are one of the market segments that have seen rapid price increases in recent years.

In general, the low interest rates are continuing to support demand for residential property. The pace of price increases has picked up again after a temporary slowdown. Real price growth of detached houses (i.e. adjusted for inflation) was negative for a time, but has returned comfortably to positive territory in the last few quarters. In investment properties, the rate of price increases has fallen sharply compared to the peaks under the negative interest rate regime, but remains positive. Meanwhile, net demand for rental apartments has remained high in recent years due to high immigration and relatively low levels of construction. Demographic change is also having an impact on the residential property market, both on the demand and supply side.

In commercial property, a price correction cannot be ruled out due to the geopolitical uncertainties and current difficulties surrounding export tariffs to the US. The heightened recession risk and possible second round effects could also put the price of commercial properties under pressure.

"Many banks stipulate looser affordability criteria in internal guidelines or make a high proportion of exception-to-policy loans outside the affordability criteria they have set themselves."

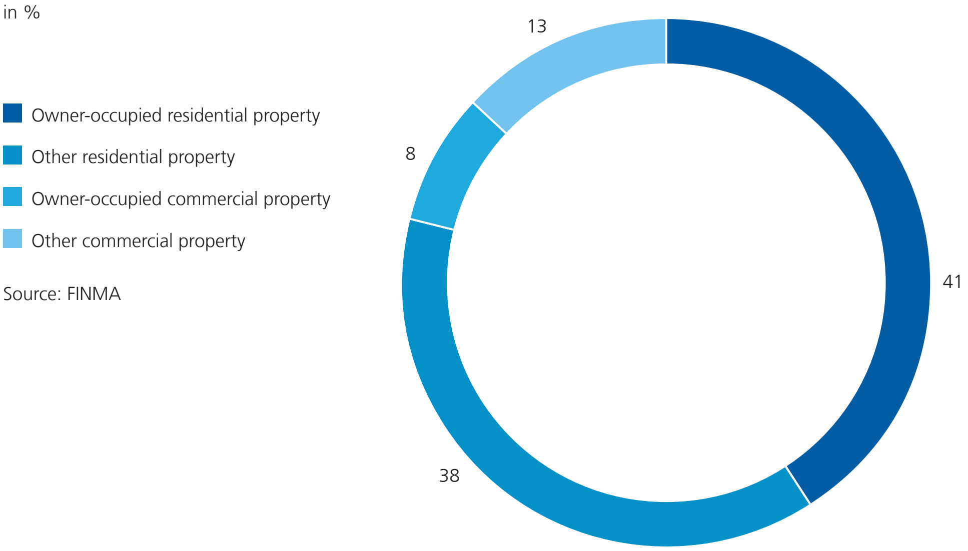
Financial institutions that invest directly or indirectly in real estate are also exposed to valuation risk, i.e. the risk of volatility in prices. For insurers, the mark-to-market valuation of the balance sheet in the Swiss Solvency Test (SST) means that a downward correction in property prices reduces the value of assets, leading to a deterioration in solvency. With real estate funds, significant corrections in property prices lead to rising borrowing ratios, which could in certain circumstances result in a breach of the maximum loan-to-value limits for real estate funds. If a fund is confronted with redemptions by investors at the same time, liquidity risk rises sharply. The fund can then be forced to raise liquidity in a challenging market environment to enable it to honour investor redemptions on time. This can often only be achieved by selling properties and can lead, in a worst-case scenario, to the fund being liquidated.

For banks' mortgage lending business, the implementation of the final Basel III standards from 1 January 2025 means more risk-differentiated capital requirements (Art. 72c CAO). In addition, the reform includes the introduction of the principle of value at origination (Art. 72b CAO) along with some enhanced qualitative requirements. Since then, FINMA has observed a reduction in risk-weighted assets in the mortgage lending business in the standardised approach at a number of banks. This has been driven by lower loan-to-value ratios in the owner-occupied residential property segment as well as lower risk weights for low loan-to-value ratios. For banks using the internal ratings-based approach (IRB), the leeway for determining risk-weighted positions is restricted by the new minimum floor, which is based on the standardised approach (Art. 77 para. 2 CAO). This applies to the Swiss mortgage business and limits the difference in risk-weighted positions for residential properties between the IRB approach and the standardised approach. Most IRB banks already apply the 72.5% minimum floor relative to the standardised approach for the total of all positions secured against property in Switzerland.[2]

Discussions with auditors have pointed to the importance of an appropriate treatment of collateral. **The risk management of loan exposures backed both by securities and mortgages must be calibrated to the differing characteristics of the collateral.** Adding mortgage liens when calculating the margin requirement for loans backed by securities must not be permitted. Some banks are also active in real estate markets abroad, where interest rates have risen much more sharply than in Switzerland, or could rise again in future. Falling property valuations can have a correspondingly bigger impact on credit quality here. FINMA therefore expects the

Breakdown of risk-weighted assets on Swiss banks' mortgage lending by segment

in %

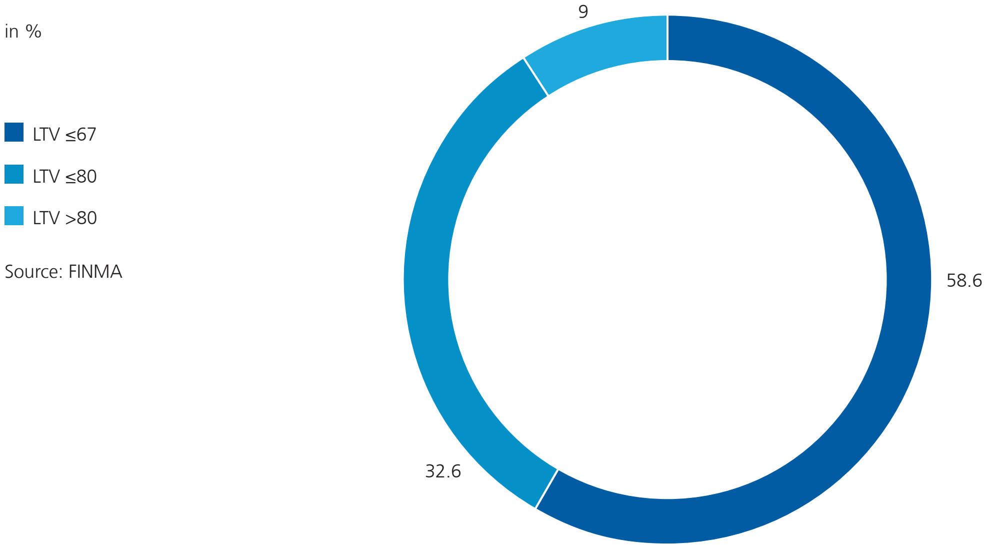


Source: FINMA

[2] This paragraph was amended on 1 December 2025. In the original version published on 17 November 2025, a tendency towards a rise in risk-weighted assets in the mortgage lending business was described for IRB banks. However, a review has shown that the data was insufficient for either this or an opposing statement to be made. The table originally included on this page has been omitted for the same reason.

Breakdown of LTVs by risk-weighted assets on Swiss banks' mortgage lending in the owner-occupied residential property segment

in %



Source: FINMA

banks to exercise appropriate risk management in the relevant segments.

FINMA continues to monitor important reputational risks in the lending business (cf. FINMA Guidance 02/2025). It recommends that banks systematically record, limit and monitor any reputational risks in a way that is transparent to knowledgeable third parties, for example as part of the loan application during the lending process.

A reform of the taxation system for residential property in Switzerland was approved at the referendum of 28 September 2025. It includes among other things the abolition of the taxation of imputed rental value for owner-occupied residential properties as well as the partial abolition of the tax deductibility of mortgage interest and maintenance costs. The partial abolition of the tax deductibility of mortgage interest will reduce the incentives for households to take out mortgages in future. **Lower household mortgage debt in theory reduces the credit risk for mortgage lenders. However, in the current interest rate environment the change in the taxation system will on average lead to lower post-tax living costs for owner-occupier households. This could tend to push up property prices.** Furthermore, the abolition of tax deductibility could have an inhibiting effect on renovations. These are important to ensure that a property's value remains stable as the collateral for a mortgage. FINMA will continue to closely monitor financial institutions' lending activities, particularly in relation to loan-to-value ratios and affordability.

Credit risk: other loans (→)

The lending business depends to a large degree on the general economic situation. Geopolitical tensions, trade policy or unexpected monetary decisions are very likely to impact on the real economy and pose a risk to borrowers' ability to pay. Declining earnings and falling market valuations can lead to losses on Lombard loans and corporate lending. Both higher interest rates and an economic downturn can put large counterparties in the corporate lending or asset management business into difficulty. Resultant loan defaults can lead to considerable losses.

Loan volumes increased significantly during the long period of low interest rates and have remained high since. The resultant increased vulnerability to the macroeconomic environment (interest rates and economic downturns) currently goes hand-in-hand with a period of higher geopolitical and trade tensions. In spite of easing inflation pressure compared to recent years, the backdrop for the credit markets remains challenging.

Outside Switzerland, most Swiss banks are only active in the classic commercial lending business on a limited scale. On the one hand, this business can be motivated by cross-selling, i.e. generating revenue from other lines of business with particular corporate customers (e.g. issuing securities or advisory services). The resultant credit risks usually remain at least partly on the banks' balance sheets. **On the other hand, banks can combine and syndicate the loans, so they do not remain on their books after the transactions are completed.** In this case credit risks are limited to external shocks during the duration of the transactions.

The Lombard loan portfolio makes up a significant part of the large international banks' assets. **There is a risk that the securities pledged as collateral can fall in value by more than the haircuts that have been applied to them.** If the clients concerned are unable to meet the resultant margin calls, this can lead to significant loan losses for banks. Concentration risks can also arise if loans are backed by single securities (single stock lending) or undiversified collateral. The same is true if many of the banks have made Lombard loans against similar collateral.

Domestically oriented banks are heavily involved in the Swiss SME and corporate lending business. **Due to the current international trade situation and the resultant uncertainties about the economic outlook, these institutions face rising credit risks in their loan portfolios.** FINMA expects the banks to identify these credit risks at an early stage and take appropriate action to limit loan losses. Recognising write-downs early and comprehensively based on an expected loss approach is particularly important.

Private market financing continues to grow strongly and is a largely unregulated market segment. Past experience has shown that non-bank financial institutions (NBFIs) can transmit considerable shocks to the banking sector in the event of a default. **The leverage of NBFIs via borrowing from banks and thus the vulnerability of banks are generally increasing. In the insurance segment, the adoption of the prudent person principle in the revision of the Insurance Supervision Act in 2024 has meant some liberalisation of the investment regulations. This could lead insurance compa-**

“Past experience has shown that non-bank financial institutions can transmit considerable shocks to the banking sector in the event of a default.”

nies to deepen their involvement with the NBFI sector as well. The increasing importance and complexity of this financing creates a risk that loan losses could spread rapidly in a crisis – with a potentially systemic impact.

While credit risk at banks manifests itself primarily through loan losses, insurers and asset managers are more likely to be impacted by a deterioration in credit quality or higher default rates by bond issuers, as they are less involved in lending but hold substantial portfolios of fixed-interest securities. These are subject to country and counterparty risk. The credit risk spreads for European and US corporate bonds were volatile at times in the reporting year due to geopolitical and trade-related uncertainties.

Market risk: credit spread risk (↑)

Credit spread risk is the risk of losses due to changes in credit spreads on bond yields. Credit spreads on corporate bonds initially continued to narrow at the start of 2025. However, against the backdrop of increased market uncertainty and geopolitical risks, spreads rose again in the course of the year, particularly for companies with weaker credit ratings (high yield bonds). The continuing subdued growth outlook, high or rising government debt levels in many countries and a further rise in geopolitical tensions could prompt an upsurge in risk aversion. This could lead to higher spreads on government or corporate bonds.

> “Higher spreads on corporate or sovereign bonds could have a considerable impact on banks.”

In the light of high sovereign debt levels following the COVID-19 pandemic and current geopolitical and trade policy tensions, country risks are becoming more relevant. **Higher spreads on corporate or sovereign bonds could have a considerable impact on banks.** Direct losses on banks’ portfolios or credit valuation adjustments on derivative transactions are possible. This could in turn trigger a loss of confidence through to deposit outflows, higher costs to insure against credit defaults, and higher funding costs.

Insurers are also affected by spread widening on sovereign or corporate bonds. **As asset values are**

marked to market in the Swiss Solvency Test (SST), spread widening means that the value of these bonds falls and solvency deteriorates. Bonds held in tied assets are usually valued at amortised cost: in this case, the value of a bond is only affected by a deterioration in its creditworthiness or a default event, but not by movements in interest rates.

Liquidity and funding risk (→)

Liquidity and funding risk refers to the risk that in a crisis financial institutions will not have sufficient liquid funds to meet their short- to medium-term obligations. This can have various causes, such as elevated demand for collateral from counterparties, rating downgrades or limited or inadequate access to central bank liquidity. Furthermore, systemic or individual events can lead to trading partners and investors only providing liquidity on less favourable terms or withdrawing it altogether.

If depositors lose confidence in a bank, this can quickly lead to large liquidity outflows. Word of this liquidity outflow can lead to more and more deposits being withdrawn – a bank run – and mean refinancing on the capital markets becomes impossible or funding can only be obtained at punitive rates. Creditors of other banks can also panic at reports about a bank experiencing liquidity problems and withdraw deposits or refuse to roll over capital market funding (contagion effect). Depending on the size of the bank and the number of banks affected, this has the potential to destabilise the entire financial system. **The turmoil in the banking sector in March 2023 showed that the speed and volume of deposit outflows is being accentuated by advances in the digitalisation of finance.** The introduction of instant pay-

“Global banks are increasingly exposed to geopolitical risks. This may result in restricted or even denied access to sources of finance and foreign currency, for example in swap markets.”

ments could create additional challenges for liquidity management, particularly intraday liquidity.

Global banks are also increasingly exposed to geopolitical risks. This may result in restricted or even denied access to sources of finance and foreign currency, for example in swap markets. Hence, banks should be aware of and manage concentrations in their refinancing sources at all times in order to minimise the risks of concentrated outflows as much as possible.

At insurance companies, significant corrections in the financial markets can lead to increased liquidity risk. Falling market values of liquid assets reduce available liquidity. At internationally active insurance companies, issues such as a funding requirement for subsidiaries can put additional pressure on liquidity.

The solvency calculation for insurers (SST) has a one-year horizon and requires insurance companies to be able to raise funding on the capital markets at short notice if necessary. **If an insurance company suffers a significant loss near the year-end and the markets experience a substantial downward correction at the same time, this could lead to higher funding costs for the firm in question.** Thus, insurers are heavily exposed to turbulence on the markets.

Liquidity risks at umbrella real estate funds with daily redemptions and funds that invest in illiquid asset classes have eased due to the interest rate cuts by various central banks. However, meeting redemption requests submitted in the previous year can be challenging for individual real estate funds.

Money laundering (→)

The Swiss financial centre is a leading global cross-border wealth management hub for private clients. This makes it particularly exposed to money laundering risks. Current geopolitical developments and conflicts give rise to additional potential for new global money flows seeking access to the safe haven of Swiss financial institutions. Money laundering risk therefore remained high in 2025. Breaches of due diligence and reporting obligations can result in legal consequences and reputational damage for financial institutions both in Switzerland and abroad. They can also harm the reputation of the Swiss financial centre.

> “Particularly in the asset management segment, high risks, which are not adequately monitored and limited by the anti-money laundering framework, can still be observed.”

Financial intermediaries’ compliance capabilities must be appropriate for the risks they incur. The annual money laundering risk analysis is an integral part of this. FINMA published Guidance on this issue in 2023. **The “tone from the top” – a clearly defined risk tolerance by the financial intermediary’s board of directors – is an essential prerequisite for an effective anti-money laundering policy.** Exclusions must be in place for certain particularly risky client segments and services, and the intermediary must be able to monitor and limit the tolerated risks at all times. Particularly in the asset management segment, high risks, which are not adequately monitored and limited by the anti-money laundering framework, can still be observed.

Politically exposed persons (e.g. public officials or leading figures in state or quasi-state companies) from high-risk countries pose particularly high money laundering, legal and reputational risks for financial intermediaries. Such client relationships can entail participation in money laundering-related offences, such as misappropriation, bribery or fraud. Financial intermediaries must therefore investigate the source of such persons' assets in detail and ensure they derive from legal sources. In the current geopolitical context, it is particularly important to rigorously identify and mitigate money laundering and corruption risks and the associated long-term reputational risks for the Swiss financial centre.

Money laundering risk is also elevated in the crypto sector. Cryptocurrencies are often used as means of payment in cyber attacks, illegal online trade or to circumvent sanctions (cf. FINMA Guidance 06/2024). Financial intermediaries active in the crypto sector without appropriate management of money laundering risks jeopardise the reputation of the financial centre.

Sanctions (→)

Risks associated with sanctions – primarily legal, reputational and operational risks – remain high for Swiss financial institutions. The State Secretariat for Economic Affairs (SECO) is responsible for ensuring that the sanctions are enforced, while FINMA is responsible for monitoring the organisational rules contained in financial market law.

> "Due to existing and possible additional sanctions, the risks relating to sanctions on Russia, Iran and North Korea remain very high."

Financial institutions must capture, limit and monitor all risks appropriately, including legal and reputational risks and procedures for dealing with domestic and foreign sanctions. The risks for sanctions of goods in particular are elevated. For a range of goods – particularly arms-related goods and "dual-use" goods – not only trade with sanctioned countries, but also the provision of certain associated financial services is prohibited. The prohibition also applies if Swiss financial intermediaries supply the services to clients based in third countries.

Due to existing and possible additional sanctions, the risks relating to sanctions on Russia, Iran and North Korea remain very high. These also include secondary sanctions, which are intended to stop entities outside the US from maintaining business contacts with persons and companies sanctioned by the US government (cf. OFAC Guidance).

Outsourcing (→)

The growth in outsourcing of important and critical functions to third parties is one of the main challenges for financial institutions in the area of operational risk management. Dependence on external service providers has increased further in recent years, driven by digitalisation, efforts to raise efficiency and a focus on core competencies. While outsourcing has numerous advantages such as scalability, innovation and increased operational resilience, it also poses a new set of risks. These must be carefully identified, monitored and managed. Outages of critical functions and malfunctions at key service providers can have a significant impact on financial institutions' business activities. In extreme cases, they could adversely affect the functioning of the financial market.

Financial institutions have been using external service providers to perform core or significant support tasks for many years. **Outsourcing has continued to grow in recent years.** The number of significant outsourcings per institution has risen again slightly. The number of relevant sub-outsourcers and thus the complexity of the supply chain has also increased.

The majority of supervised institutions already outsource significant parts of their ICT infrastructure and its operation to third parties. At banks, this is the case for eight out of ten institutions. The trend towards cloud usage means that this share continues to rise at all supervised institutions. The share of software-as-a-service outsourcing, where both ICT infrastructure and software operation are outsourced as an overall service, is also growing. The number of outsourcings to a public cloud service provider[3] continued to increase compared with the prior year, although a little less rapidly than in previous years.

Business functions are also outsourced to third parties on a significant scale. Around 70% of banks outsource at least a significant portion of payments transactions to an external service provider. Similarly, 70% of insurance companies outsource their investment activities. Particularly at insurance companies and asset managers of collective investment schemes, risk management and compliance functions are often delegated to third parties at least in part.

Nine out of ten banks report that they have outsourced at least part of a critical function to third parties. Critical functions are defined in FINMA Circular 2023/1 "Operational risks and resilience – banks" and are usually those where there is a short time tolerance for disruption. This gives rise to the expectation of a high service level and therefore a significant degree of dependence on the service provider. For other financial institutions, there is no supervisory definition of critical functions, and no specific data is gathered on these. It is a reasonable assumption that there is also a trend towards outsourcing of business-critical functions in other types of institutions. **However, the responsibility for the orderly performance of outsourced functions cannot be delegated and remains with the outsourcing institution** (FINMA Circular 18/3 margin no. 23). Further requirements in accordance with FINMA Circular 18/3 "Outsourcing" and the circulars on corporate governance (FINMA Circulars 17/1 and 17/2) emphasise the obligation to appropriately monitor and manage service providers.

[3] A provider of services on servers used by multiple customers.

> "The fulfilment of requirements outsourced to third parties, notably in the area of systems and information security, remains the supervised entities' responsibility."

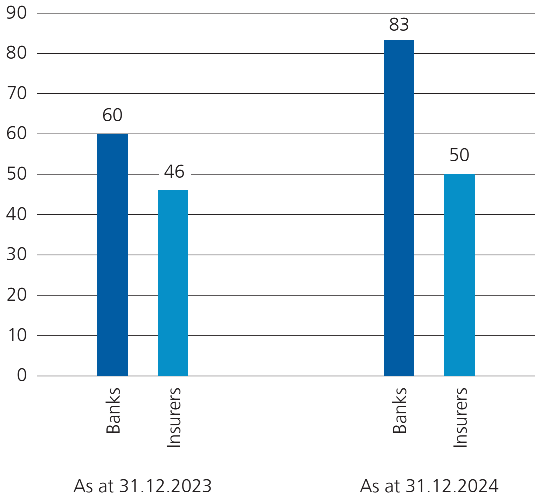
The increasing concentration on a small number of service providers, particularly in ICT infrastructure and cloud services, is another key risk. Numerous institutions use the same providers, which can lead to a systemic dependency. An outage or data breach at one of these central service providers could have a very serious impact on the entire Swiss financial market.

FINMA has found that there is further potential for improvement in the identification and evaluation of supply chain risks in particular. The fulfilment of requirements outsourced to third parties, notably in the area of systems and information security, remains the supervised entities' responsibility. This is crucially important, as around half of cyber attacks on financial institutions are now made via third parties (cf. section on cyber and ICT risks below). Cyber attacks can also involve third parties that are not classified as a significant outsourcing within the meaning of FINMA Circular 18/3 "Outsourcing" but nonetheless play an important role in systems and functions. This underlines the relevance of integrated risk management, both for significant outsourcings and other third parties, in ensuring a supervised institution's operational resilience.

On top of this, there are geopolitical uncertainties that have to be taken into account, for example when working with foreign service providers. Political tensions, regulatory changes or sanctions can jeopardise the availability or integrity of outsourced services.

Against this backdrop, it is essential that financial institutions continually develop their governance structures and monitoring systems with respect to outsourcing. This is fundamental to strengthening operational resilience and protecting the proper functioning of the financial centre in the long term.

Number of significant outsourcings to a public cloud service provider



Source: FINMA

Cyber risks (↑)

The number of reports to FINMA about cyber attacks has continued to rise during the last twelve months covered by this Risk Monitor. Once again, the significant increase in attacks involving third parties and critical functions, as well as fraud in relation to payment methods, are particularly notable.

Reports by supervised institutions to FINMA about cyber attacks demonstrate a growing trend of cyber attacks on third parties. These reports cover around 47% of all cyber incidents reported to FINMA. **Due to the concentration of outsourcing on a few service providers, multiple supervised entities are affected by outages or reductions in service in the event of an attack on these service providers.** It can be assumed that cyber attacks on ICT supply chains will continue to increase. Financial institutions therefore have to put appropriate technical and organisational measures in place. These include procedures vis-à-vis third parties to protect significant business processes as well as critical functions and data (cf. section on outsourcing above).

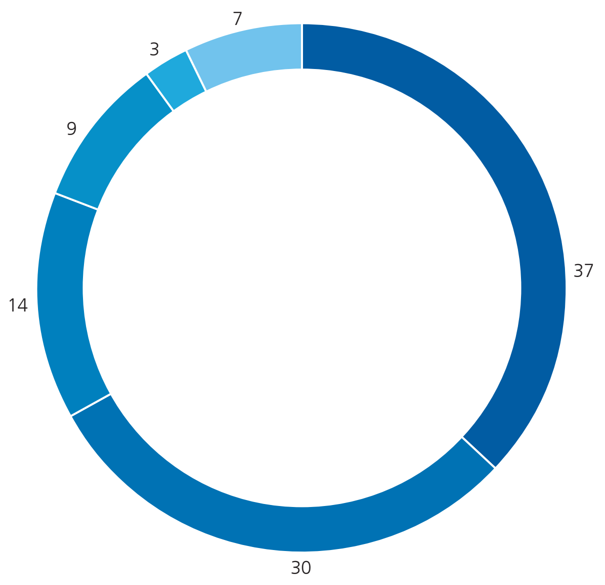
DDoS attacks in targeted waves have occurred several times with the aim of compromising the availability of technology infrastructure. This led to time-limited restrictions on services for Swiss financial market participants and their customers. This is a trend that was also already identified in the prior year and continued in 2025.

As in 2024, email traffic remained a central infection vector for cyber incidents. **At affected institutions, the protective measures that have been implemented are typically on a limited scale and rela-**

Breakdown of cyber reports received by FINMA in the last twelve months

Type of attack in %

- Unauthorised access
- DDoS
- Identity fraud
- Malware
- Improper use
- Other



Source: FINMA

tively unsophisticated. This relates both to the organisational issue of raising awareness as well as the technical security measures.

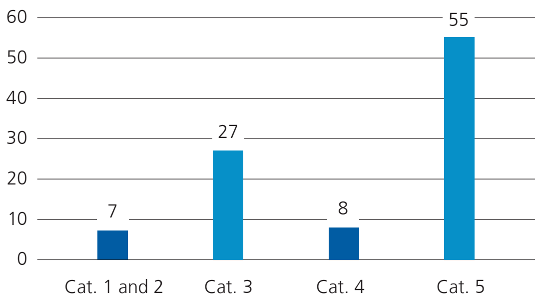
Moreover, effective processes to identify and eliminate software weaknesses within the technology infrastructure promptly and configuration management with no gaps are also important. Finally, there is also a partial need for further action in relation to reporting, for example in defining processes and thresholds for reporting outages.

> “Reports by supervised institutions to FINMA about cyber attacks demonstrate a growing trend of cyber attacks on third parties.”

Supervised institutions are increasingly reporting incidents that have their source within their own organisation, known as “insider” threats.[4] In addition to malicious actions such as sabotage, theft or extraction of data, unintentional errors are also a serious threat source. This includes sending out sensitive information by mistake or the misconfiguration of systems. In spite of their high loss potential, activities of persons with legitimate access to data and systems are not monitored systematically or only inadequately checked.

Enquiries by citizens, reports from other public bodies and press reports point to a sharp increase in cyber fraud incidents involving methods of payment, for example Twint or debit cards. **Fraudsters use fraudulent requests for payment, manipulated selling platforms or phishing messages to gain access to login details and transaction approval mechanisms.** The true scale of the losses is unclear, as many incidents are not reported or documented owing to the absence of a systematic process for recording them. In the event of fraud, customers are in some cases unable to block affected services quickly enough if customer services are not available or several parties are involved. It can be assumed that fraud involving payment methods will continue to increase.

Number of reports of cyber attacks from September 2024 to August 2025 by supervisory category



Source: FINMA

[4] Persons with legitimate access to sensitive data and systems, such as current or former employees, service providers or partners.

ICT risks (↑)

The complexity of modern information and communications technology (ICT) systems, applications and networks continues to increase due to ever-rising demands, a rapid pace of development and new technologies and architectures. In addition, modern applications often have a large number of integrations with other systems via external and internal interfaces.

The increase in the complexity of ICT systems and dependence on them has further increased existing ICT risks. This includes risks due to faulty software components that can cause divergent system behaviour or even the total failure of an ICT system. In addition, there is a risk of incorrect maintenance or human error due to a lack of expertise in particular systems. This can lead directly to mismanagement of a system and can also increase the reaction time in the event of an incident. The quality of the data being processed is also relevant. Here, the main risks are that data from external sources is of inadequate quality or contains non-compliant formatting or other defects that create errors. Finally, it is also important to mention the problems presented by legacy[5] and end-of-life systems.[6] Often, a timely solution for errors or defects is no longer available for these systems.

The CrowdStrike incident of 19 July 2024 is illustrative of ICT risks. The incident was caused by a malfunctioning CrowdStrike update and led to outages of numerous computer systems around the world. Many Swiss institutions were also directly or indirectly affected. FINMA closely monitored the incident through direct contact with the affected institutions. In most cases, the impact was less serious than the extreme outages that were seen in other sectors internationally. **Nonetheless, the incident highlighted that institutions must treat the evaluation of risks deriving from external software and automatic updates as critical.** At the same time, effective incident management is essential to address and document similar incidents and limit outages to a minimum. The incident also shows that current ICT systems have much too little or no resilience to malfunctioning software components. The loss of a single component should only have a minimal impact on the overall operation of the system. This relates in particular to components that are equipped with the highest rights. The overall system must be able to circumvent the malfunctioning components by recognising them and continuing operations through redundancies or alternative functionalities.

"The loss of a single component should only have a minimal impact on the overall operation of the system. This relates in particular to components that are equipped with the highest rights."

[5] Legacy systems are older systems that no longer correspond to current technological standards and the technologies currently in use in the company in respect of their hardware, software, architectures and interfaces.

[5] End-of-life systems are based on software that is no longer supported by the manufacturer and for which updates are therefore no longer provided.

FINMA's supervisory focus

FINMA aligns its supervisory focus with the risks discussed in this Risk Monitor. Important tools in supervision include regular supervisory discussions, on-site reviews, data surveys, stress tests and, in the case of insurance companies, the SST scenarios. FINMA also makes targeted use of specific supervisory instruments if it identifies weaknesses at a financial institution. This includes, for example, requiring a bank to hold more capital or change its organisation or governance. FINMA also draws on the support of third parties in its supervisory work.

An overarching supervisory focus for FINMA is governance, risk culture and risk management. A strong risk culture and clear management of risk appetite are important, particularly in the current elevated risk environment. Integrated risk management also takes account of how increased financial risks can affect the occurrence of non-financial risks. At the same time, governance issues are central pillars for preventive stability and resilience of supervised institutions. Hence, weaknesses in these areas are very often a precursor to institution-specific supervisory challenges. This relates both to financial and non-financial risks. FINMA exercises preventive supervision by means of early interventions.

Sustainable mortgage lending remains a focus of supervision. The business and risk policies that determine the banks' lending activities are subject to FINMA supervision. Since 2010, FINMA has also performed its own on-site supervisory reviews of mortgage lending practices alongside those carried out by auditors. On an individual basis, FINMA or the audit companies assess how the banks implement the binding self-regulation requirements of the Swiss Bankers Association with regard to affordability and property valuation. Moreover, FINMA also regularly reviews the risks involved in the banks' lending portfolios via stress tests and data analysis. FINMA also collects detailed data on insurance companies' real estate and mortgage portfolios and carries out stress tests and scenario analyses. Where there are geographical concentrations of properties, the SST also requires a tailored scenario with a corresponding capital position.

In its supervisory dialogue with the boards of financial institutions, FINMA regularly reminds them of their responsibilities with respect to lending policy. It will intervene if it identifies excessive risks or shortcomings in this context. It can impose institution-specific measures if necessary. On the one hand, these are designed to ensure appropriate affordability standards and sustainable mortgage lending and, on the other hand – through capital add-ons – to create adequate loss absorption capacity in the event of changes in risk drivers (e.g. interest rates, property prices). In addition, FINMA can impose limits on excessive risk appetite by instructing an institution to reduce risks or ensure appropriate and effective credit risk management.

Alongside mortgages, FINMA's main focus with regard to credit risks is leveraged finance positions, the corporate lending business in Switzerland and Lombard lending. This includes risks resulting from concentrated or illiquid collateral. In addition, FINMA has further strengthened its data-driven supervision – including through more advanced credit risk monitoring that systematically captures and analyses default risks in domestic loan portfolios.

Moreover, credit spread risk is part of FINMA's supervisory dialogue and regular loss potential analysis at larger institutions. Relevant outliers in transactions and positions with heightened market sensitivity are identified and evaluated in greater detail. At bigger banks, FINMA collects data on exposures to sovereigns.

FINMA continuously monitors the banks' liquidity and refinancing risks. It ensures that all regulatory requirements are met by means of regular and situation-dependent analysis. In addition, it regularly analyses compliance with the special provisions for systemically important banks. The requirements can be tightened if deficiencies are identified. Furthermore, potential risks in foreign currency refinancing, particularly in US dollars, are specifically addressed at affected banks. **Although a few participants on the Swiss financial markets have seen the beginnings of a trend towards tighter credit availability, FINMA has not identified any funding crunch on the market in its supervisory discussions.** However, overall funding costs have risen.

As regards the due diligence obligations in relation to money laundering, FINMA carries out on-site inspections across all supervisory categories. This includes in particular on-site inspections focusing on risk tolerance and procedures for dealing with politically exposed persons. With respect to digital assets, FINMA takes institution-specific action if needed. It also carries out on-site reviews and investigations in relation to the Russian sanctions at exposed financial institutions.

Specific on-site reviews of outsourcing risk are also carried out by FINMA – not just at supervised institutions, but also at service providers. It also evaluates supervisory and audit data and participates in the international discussions on standard-setting. One of the main areas of focus here is developing the "Principles for the sound management of third-party risk" of the Basel Committee on Banking Supervision (BCBS). A project to extend the current approach to outsourcing risks to a comprehensive third-party approach is also ongoing.

FINMA has observed an increase in concentration on a small number of service providers. It is raising awareness in financial institutions and service providers about the resultant risks and holds regular discussions with other supervisory authorities. It also maintains an inventory of significant outsourcings. Based on this, it determines the supervisory actions to be taken with regard to managing operational risks and ensuring operational resilience in accordance with FINMA Circular 23/1.

FINMA published an audit programme for cyber risk management for fund management companies and managers of collective assets in August 2025. This audit programme is the basis for the supervisory assessment of cyber risk management with respect to the institutions' governance, inventories, protection measures, risk detection and reactive capabilities. A standard audit programme for cyber risk management at banks in supervisory categories 3 to 5 was already in use as part of the standard audit strategy. FINMA systematically evaluates the results and requires the supervised institutions to put risk-based action plans in place to follow up on identified shortcomings. In parallel with this, FINMA obtains information on the maturity of the institutions' cyber defence policies via questionnaires. The results of this survey are incorporated into ongoing data-driven supervision and are designed to ensure that supervisory instruments are continuously developed in line with what is needed. In addition, FINMA will monitor red team exercises[7] more closely and expand scenario-based cyber exercises in accordance with the requirements of FINMA Circular 23/1 (margin nos. 61–70) on operational resilience.

FINMA monitors ICT risk in various ways including specific on-site reviews at supervised institutions and by evaluating supervisory and audit data. The data quality and data points requested from the institutions are reviewed continuously and where necessary may be changed to meet supervisors' needs. FINMA actively monitors international developments in this area and participates in the discussions on developing potential international risk mitigation measures. In particular, it monitors implementation of the requirements for the management of ICT risks in FINMA Circular 23/1 margin nos. 47–60.

[7] Red team exercises are simulated cyber attacks to improve cyber security.

Appendix: Report on climate-related financial risks

This report is being published to fulfil FINMA's obligations under Article 40*d* paras. 1 and 3 of the Federal Act on the Reduction of CO_2 Emissions and Article 129*a* paras. 1 and 3 of the Ordinance for the Reduction of CO_2 Emissions.

Climate change impacting on financial risks

Firstly, climate change is becoming inescapable around the world: temperatures are rising, glaciers and permafrost are melting, rainfall patterns are changing, and ecosystems are being disrupted. **Switzerland is one of the worst-affected countries;** the increase in temperature compared with the pre-industrial era already stands at 2.9 degrees (cf. article on climate change by MeteoSchweiz).

Climate change and other changes in the natural environment give rise to **physical risks,** for example through acute events such as storms and floods or chronic changes like the rise in the average temperature. Secondly, the shift to an economy that emits less greenhouse gases (GHG) and is more environmentally sustainable could lead to **transition risks,** for example as a result of climate policy measures and technological developments, judicial decisions or behavioural changes by market participants.

Physical and transition risks can lead to financial risks for financial institutions. These **climate and other nature-related financial risks** manifest themselves in the classic risk categories, for example credit, market, insurance, reputational, legal and operational risks. Events such as the storms in the cantons of Berne, Grisons, Ticino and Valais in the summer of 2024 and the landslide in Blatten in May 2025 demonstrate the importance of stable and forward-looking risk management by banks and insurers.

With the increase in physical risks, the **insurance gap** – i.e. the difference between insured and uninsured losses – is rising steadily around the world. Issues such as insurability and rapidly rising premiums are important for politicians, business and the wider public in many countries. Switzerland is a special case with over 95% of buildings and chattels insured against natural hazards and perils (see "Die Elementarschadenversicherung ist weltweit einzigartig" (Natural hazards insurance is unique globally) (available in German, French and Italian only) by the Swiss Insurance Association.[8] The compulsory buildings insurance that applies in most parts of Switzerland is one of the main reasons for this situation.[9] It is provided by cantonal buildings insurance in 19 cantons and in others by private insurance companies. A further reason is the double solidarity system (uniform cover and premiums for policyholders, with risk equalisation among the insurers; see the articles on cantonal building insurance and the natural perils pool).

Climate-related risk exposure at Swiss financial institutions

FINMA bases its assessments of risk exposure in this section on various datasets it collects from supervised institutions.[10] The data collected from the 32 banks and 44 insurance companies in supervisory categories 1 to 3 is particularly central. The risks that arise at these medium-sized to large financial institutions can represent the biggest threat to the Swiss financial centre.

Banks and insurers currently rate the **transition risks** for the Swiss financial centre as relatively low but expect them to increase within the next ten years. Banks and insurers also expect a definite increase in **physical risks** over time. While only three insurers rate their impact as high at present, five banks and a further seven insurers put it in this category in the more distant future.

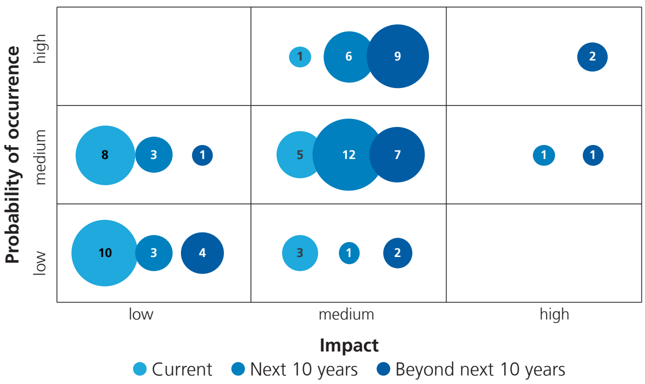
FINMA shares the financial market participants' view **that exposure to transition risks and physical risks will increase in future.** It is worth remembering that climate risk modelling remains highly uncertain. It is possible that the physical risks in particular are still being systematically underestimated.

[8] The Insurance Supervision Ordinance (ISO) recognises the following nine hazards as triggers of nature-related damage in Switzerland: fluvial flood, pluvial flood, storm, hail, avalanche, snow pressure, rockfall, rockslide, landslide. Damage caused by earthquakes is excluded and must be insured separately.

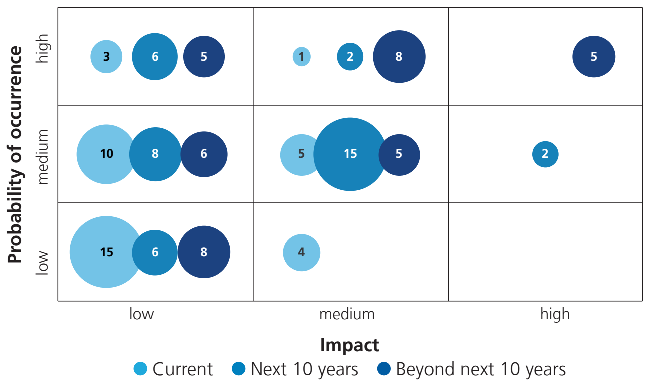
[9] There is no compulsory buildings insurance in the cantons of Geneva, Valais, Ticino and Appenzell Innerrhoden (except the Oberegg district).

[10] Data survey on climate-related financial risk at 32 banks in supervisory categories 1 to 3 (cut-off date: 31 December 2024); data collection for investment activities at 188 insurers in supervisory categories 2 to 5 (financial year 2024); 2024 survey on climate risks at 44 insurers in supervisory categories 2 and 3. If the charts show a smaller number of institutions, this is because data has not been received from all institutions at the date of publication.

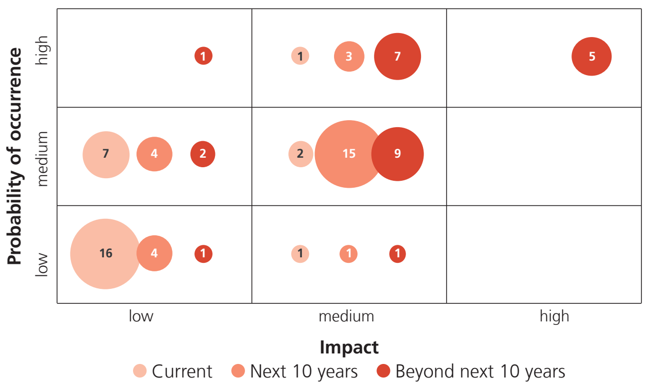
Assessment of transition risks by banks



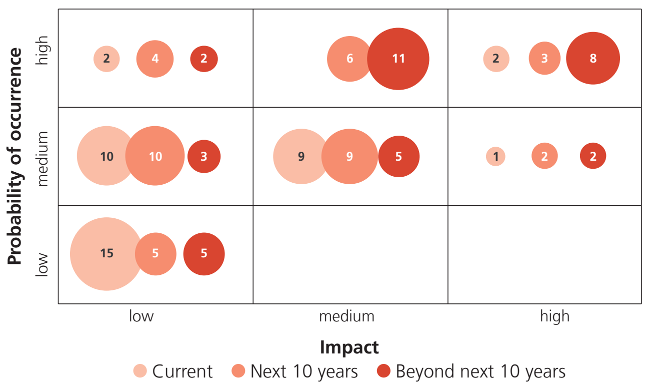
Assessment of transition risks by insurance companies



Assessment of physical risks by banks



Assessment of physical risks by insurance companies



Banks' and insurers' assessment of transition and physical risks over three time horizons. The size of the circles represents the number of banks or insurers who chose the response in question (the actual number is also stated).

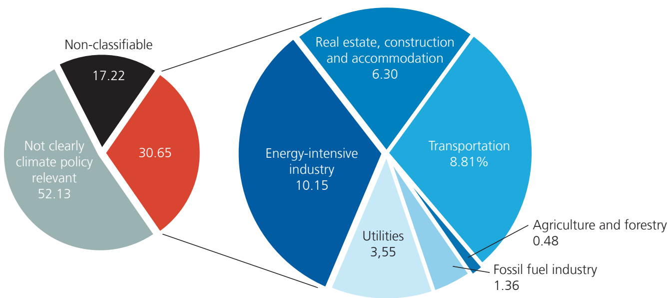
Banks' and insurers' exposure to climate-related financial risks can also be assessed based on the proportion of their exposures in climate policy relevant sectors (CPRS). These are the sectors of the economy that are particularly vulnerable to **transition risks** according to Battiston et al. (2017): agriculture and forestry, energy-intensive industry, fossil fuel industry, real estate, construction and accommodation, transportation and utilities.

Based on the data reported, around 30% of banks' corporate lending and bonds, project finance, equities and investments in the banking book can be attributed to climate policy relevant sectors. For insurers, it is around 9% of assets. However, at both banks and insurers some of the risk exposures cannot be classified owing to a lack of data. In addition, in both sectors the financial industry accounts for a substantial proportion of exposures. It is around half of all assets at insurers, while the exact share for banks is unknown. A proportion of these positions should also be attributed to climate policy relevant sectors, and the actual exposures are therefore probably underestimated. At the same time, hydroelectric and nuclear power play an important part in Swiss electricity production, and the proportion of solar and wind power is growing. Hence, the exposure in the utility sector is overestimated a little.

Proportion of banking book in climate policy relevant sectors: banks

Gross exposures to non-financial companies from loans (excluding mortgages), corporate bonds, project finance, equities and investments

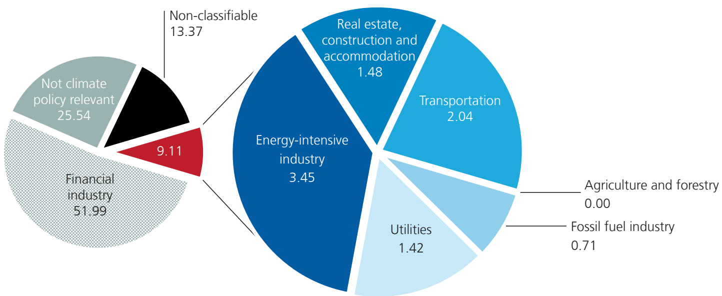
in %



Based on information from 31 institutions

Proportion of assets in climate policy relevant sectors: insurance companies

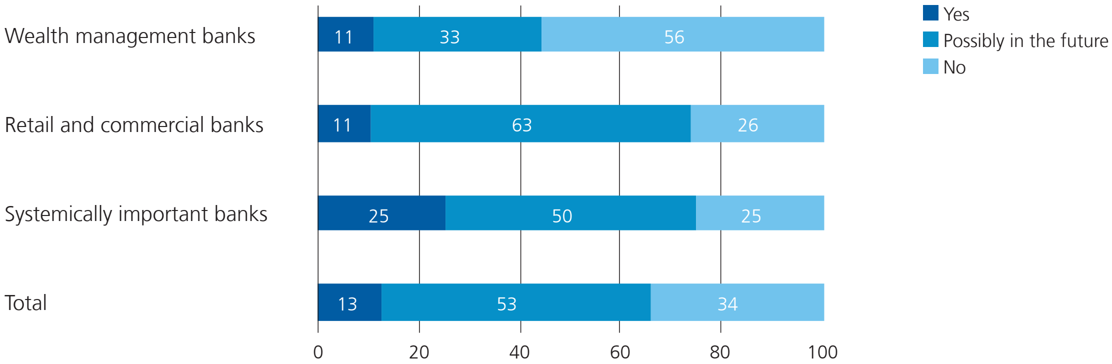
in %



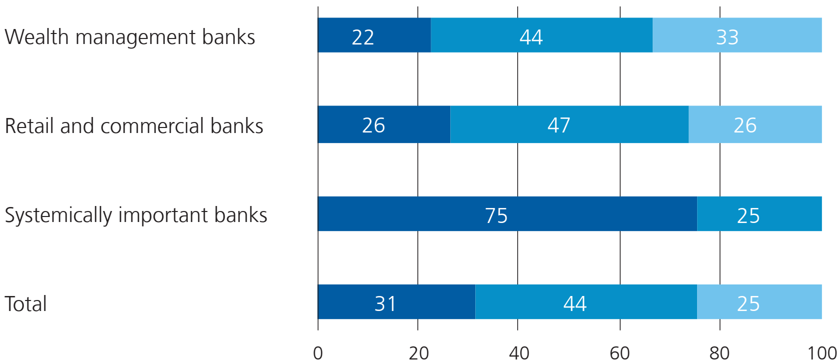
Based on information from 185 institutions

Financial institutions' business activities can lead to climate-related **legal and reputational risks.** 13% of banks believe they are exposed to these risks, as they finance activities with high greenhouse gas emissions. A further 53% believe they could be exposed in future. Just under a third of banks already see the accusation of greenwashing as a relevant risk today. A further 44% believe it could possibly become one in future. 16% of insurers regard the accusation of greenwashing as a relevant risk, while 45% see it as a possibility in future. Significant differences across the various banking and insurance sectors can be observed.

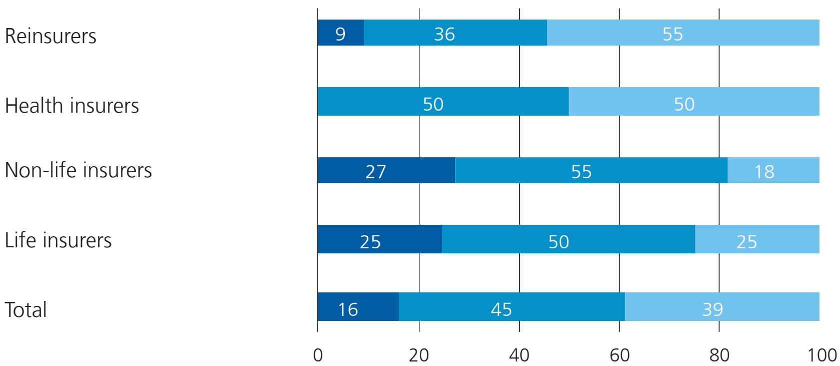
Legal and reputational risks from financing GHG emissions: banks
in %



Legal and reputational risks from greenwashing accusations: banks
in %



Legal and reputational risks from greenwashing accusations: insurance companies
in %

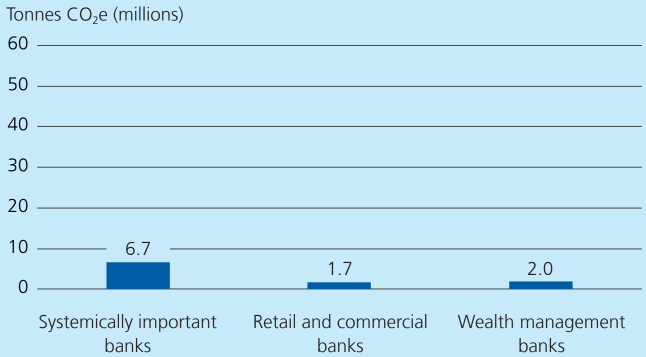


Spotlight on banks: transition risks and climate-related credit risks

Banks' exposure to **transition risks** can also be derived from their financing of activities by third parties (e.g. their clients) that give rise to **GHG emissions.** The so-called Scope 1 and Scope 2 emissions are financed by the banks by means of their corporate loans and bonds, project finance, equities and participations. They amount to 10.3 million tonnes of CO_2 equivalents. For assets under management, it is 53 million tonnes of CO_2 equivalents. With regard to financed emissions, we need to take into account that these can also involve financing transformations towards a more sustainable economy.

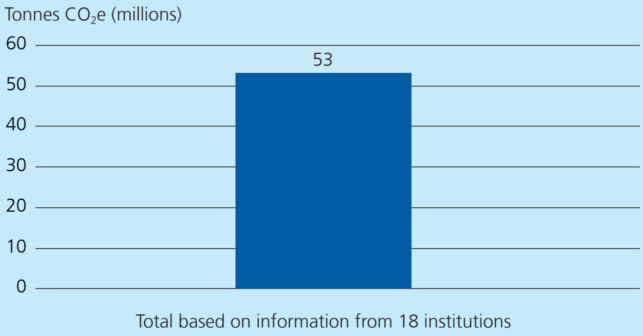
In addition, the **carbon footprint** shows how heavily each individual bank (ranked anonymously) invests in climate policy relevant sectors in their balance sheet business. The **weighted average carbon intensity (WACI)** shows the GHG intensity of production at the companies in the portfolios managed by the banks.

Scope 1+2 GHG emissions financed in climate policy relevant sectors: balance sheet business

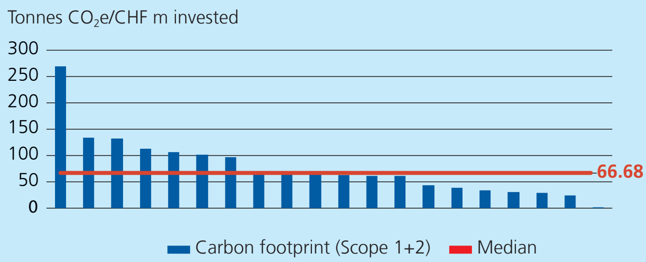


Based on information from 32 institutions

Scope 1+2 GHG emissions financed in climate policy relevant sectors: assets under management

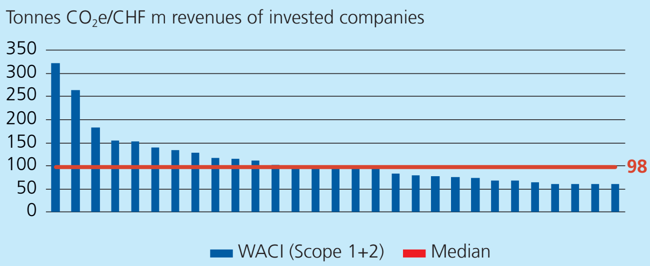


Carbon footprint (Scope 1+2), balance sheet business



Based on information from 20 institutions

WACI (Scope 1+2), assets under management



Based on information from 29 institutions

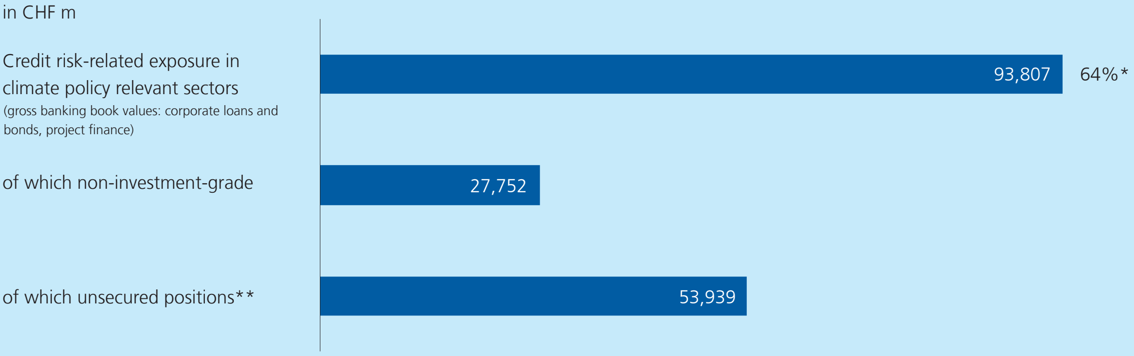
The charts below provide information on **climate-related credit risks.** 64% of credit risk-related exposures are in climate policy relevant sectors and therefore additionally subject to corresponding risks. Non-investment grade or unsecured positions indicate exposures that could potentially be particularly vulnerable to default risk. As discussed earlier, most banks see the highest risks further ahead in the future. The maturity structure below shows these longer-dated exposures that could therefore be more severely affected by climate risks.

Banks whose mortgage portfolios display **concentrations of real estate with medium or low energy efficiency**[11] are particularly exposed to transition risks and climate-related credit risks. The banks taking part in the survey put 34% of their properties in these categories, although a proportion of this figure is also based on internal bank estimates (see "sources used" chart). For 23% of mortgage loans, the property's energy efficiency is unknown and is therefore also potentially inadequate.

[11] "Low" energy efficiency corresponds to a total energy efficiency of F to G under the Cantonal Energy Certificate for Buildings (CECB), "medium" corresponds to total energy efficiency of D to E and "high" corresponds to total energy efficiency of A to C or certification under the Minergie standard.

Credit risk-related exposure in climate policy relevant sectors

in CHF m



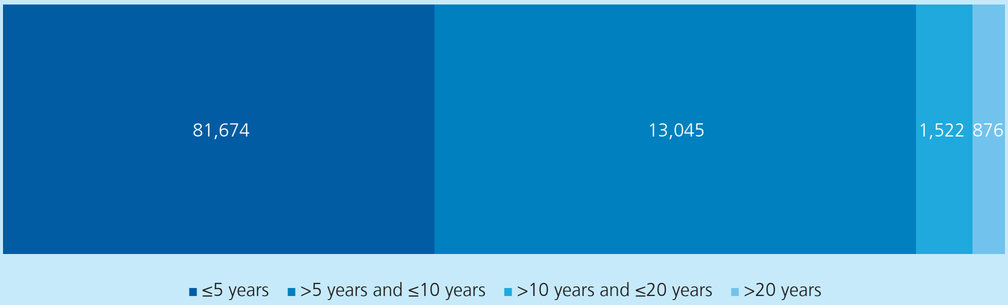
Based on information from 30 institutions

* Proportion of credit risk-related exposure in climate policy relevant sectors out of all sectors.

** Positions not secured by real estate or financial collateral recognised in the standardised approach.

Maturity structure of exposures in climate policy relevant sectors: banking book and trading book

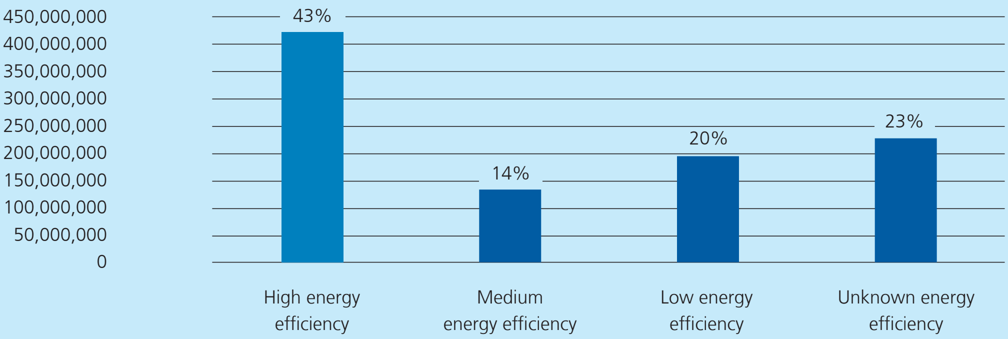
in CHF m



Based on information from 30 institutions

Mortgage lending volume by energy efficiency class

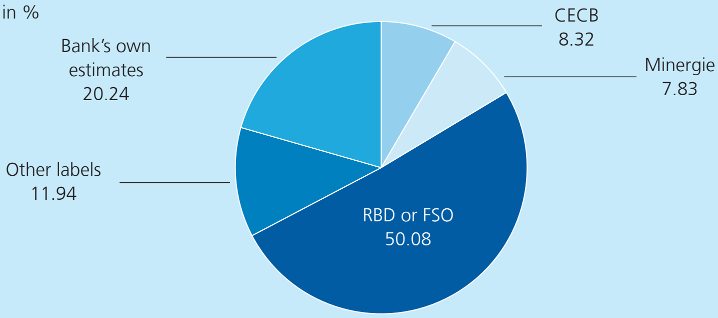
in TCHF



Based on information from 30 institutions

Sources used

in %



Based on information from 28 institutions

CECB refers to the Cantonal Energy Certificate for Buildings, RBD to the Federal Register of Buildings and Dwellings and FSO to the Federal Statistical Office.

Management of climate-related financial risks by financial institutions

FINMA Circular 2026/1 sets out FINMA's expectations for how banks and insurers should manage climate-related financial risks. It will enter into force in stages from 1 January 2026. However, there have been climate-related disclosure obligations at both national and international level for some time. Thus, many medium-sized and bigger institutions in particular are already familiar with climate-related risk management issues. In general, FINMA has found that institutions in supervisory categories 1 to 3 are **working actively on embedding climate-related financial risks in their institution-wide risk management**.

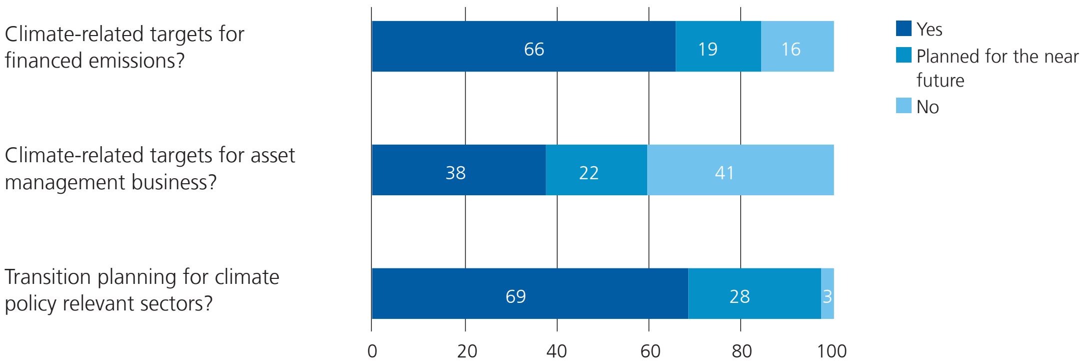
Reviews and expert discussions in 2024 and 2025 showed that the large banks and insurers have established a **governance structure** for their climate-related financial risks. They also carry out systematic assessments of the materiality of climate-related financial risks. Individual institutions still have weaknesses, for example a lack of clearly defined systematic risk evaluation criteria. Or the evaluation of the relevant sustainability issues for the institution lacks clear conclusions on the resulting financial risks.

FINMA also investigated the larger or internationally active insurers' **Own Risk and Solvency Assessments (ORSA)** in 2025. In ORSA, insurers carry out a forward-looking evaluation of their own risk exposure and capital requirement. FINMA has found a very heterogeneous approach to dealing with climate-related financial risks in ORSA. Some insurers presented a detailed analysis, while others with a similar business model did not investigate these risks, as they regarded them as not material.

FINMA also asked the banks and insurers in categories 1 to 3 about their climate-related targets in accordance with the Climate Innovation Act and the associated transition plans. 66% of the banks and insurance companies have **climate-related targets.** However, only 38% of the banks have defined equivalent targets in their asset management business. It is notable that although some insurers have set

Targets: banks

in %

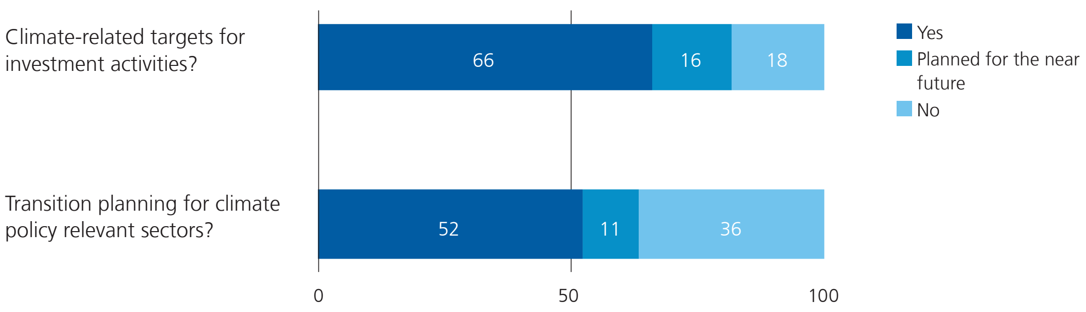


climate-related targets, they do not always have a specific timetable to achieve these targets.

Exposure limits for climate policy relevant sectors in investment portfolios are already widespread on the market: 53% of banks and 82% of insurers have set such exposure limits. These limits primarily relate to the fossil fuel industry (coal, oil, gas) and are designed firstly to meet climate targets and secondly to reduce risks. In some cases, they relate to the entire value chain (extraction and energy production) and in other cases to individual parts of it (especially electricity production from coal).

Targets: insurers

in %



Spotlight on insurers: underwriting

In their underwriting, insurers reduce their climate-related insurance risk directly by means of underwriting guidelines. In addition, they also help insured persons and firms to minimise their natural catastrophe (NatCat) risks by advising them or giving them financial incentives to take protective measures. Some insurers have also introduced underwriting restrictions (i.e. exposure limits) for climate-relevant economic sectors.

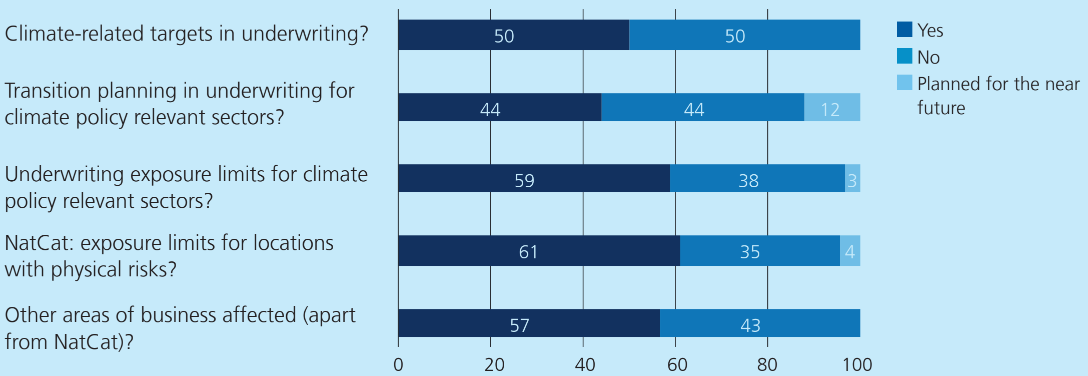
As with investment portfolios, the **exposure limits for climate policy relevant sectors** primarily relate to the fossil fuel industries of coal, oil and gas. Limits relating to mining and using coal are the most common. With oil and gas, insurance companies sometimes differentiate between conventional and unconventional production methods (e.g. tar sand mining, fracking).

Around two thirds of insurers underwriting NatCat risks have **exposure limits for geographical locations with high physical risks.** These are, on the one hand, general limits by continent, region or country. On the other hand, they are zones or regions with a high risk of damage from natural hazards (particularly in Switzerland). In this context, insurers have cumulative limits in relation to their entire NatCat exposure and also for individual natural hazard risks.

Just over half of insurers believe that, apart from NatCat, **other areas of their insurance portfolio** will be affected by climate change in future. They expect an impact on life insurance, travel and legal cover, daily sickness benefits and agriculture, among other areas. The causes include, alongside meteorological issues such as the increase in heatwaves and drought and extreme events, changing mobility preferences and legal action relating to climate protection.

Underwriting: insurers

in %



Measures taken by FINMA

As a general measure to address the potential risks, FINMA communicated its expectations for the management of climate and other nature-related financial risks to banks and insurers in the new **Circular 2026/1 "Nature-related financial risks"** in December 2024. The circular will enter into force in stages from 1 January 2026.

As a further general measure, FINMA communicated the **Requirements for climate-related disclosures** to the biggest banks and insurers (supervisory categories 1 and 2) in 2021. In 2024, it also carried out an ex-post evaluation that showed that these requirements have met their objectives. In view of this evaluation as well as ongoing national and international developments in sustainability reporting, FINMA has decided not to revise the requirements for the time being.

FINMA regularly carries out **benchmark evaluations** to identify outliers, i.e. institutions with particularly high risk exposures. These evaluations are based primarily on data collected from the banks and insurers in supervisory categories 1 to 3, systematic inspection of the institutions' documentation as well as structured discussions with them.

In the period from the end of 2024 to the middle of 2025, **institution-specific measures** taken by FINMA at outlier institutions included holding dedicated supervisory discussions or on-site inspections as well as informing these institutions of expectations to eliminate the weaknesses identified by FINMA. FINMA communicated expectations of this kind to a total of seven financial institutions. The weaknesses related in particular to the failure to deal systematically with physical risks in the lending process or to the absence of quantitative climate targets.

In addition to the work listed above, FINMA has twice conducted a **climate scenario analysis** at UBS in cooperation with the Swiss National Bank (SNB), most recently in 2024 (see SNB Financial Stability Report 2025). FINMA also carries out **comparative analyses of financial centres** on selected core topics. Together with the SNB, it began an analysis in 2025 of the loss potential in the Swiss building stock due to losses from physical risks under a variety of forward-looking climate scenarios. This was intended to deepen an initial analysis of this topic in 2024 that was subject to a large number of uncertainties (cf. p. 36 in the 2024 FINMA Annual Report). Further detail is to be added to the analysis by including data from Climada Technologies and Wüest Partner.

Abbreviations

BCBS Basel Committee on Banking Supervision
CAO Capital Adequacy Ordinance
CECB Cantonal Energy Certificate for Buildings
CO_2e CO_2 equivalent
DDoS Distributed denial of service
ETP Exception to policy
FSO Federal Statistical Office
GHG Greenhouse gas
ICT Information and communications technology
IRB Internal ratings-based
ISO Insurance Supervision Ordinance
LTV Loan to value
Margin no. Margin number
NatCat Natural catastrophes
NBFI Non-bank financial institution
NCSC National Cyber Security Centre
OFAC Office of Foreign Assets Control
ORSA Own Risk and Solvency Assessment
RBD Federal Register of Buildings and Dwellings
SECO State Secretariat for Economic Affairs
SME Small and medium-sized enterprise
SNB Swiss National Bank
SST Swiss Solvency Test
TCHF Thousands of Swiss francs
WACI Weighted average carbon intensity

Publication details

Published by
Swiss Financial Market Supervisory Authority FINMA
Laupenstrasse 27
CH-3003 Bern

Tel. +41 (0)31 327 91 00
Fax +41 (0)31 327 91 01

info@finma.ch
www.finma.ch

Design
Stämpfli Kommunikation, Bern

17 November 2025