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To the Grand Council of the Canton of Fribourg  
of **Banque Cantonale de Fribourg, Fribourg**

Geneva, 21 March 2025

except as to income statement, as to which the date is 16 June 2025

## Report of the statutory auditor

### Report on the audit of the financial statements



#### Opinion

We have audited the financial statements of Banque Cantonale de Fribourg (the Company), which comprise the statement of financial position as at 31 December 2024, the statement of income, and the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2024 and of its financial performance and its cash flows for the year then ended in accordance with the applicable financial reporting framework for banks and comply with the Swiss law and law on Banque Cantonale de Fribourg.



#### Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the financial statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

### Valuation of loans and advances to customers and mortgages

**Risk** Lending operations constitute the Bank's main activity. Their assessment is based on an internal control system set up by the Bank to limit and manage credit risks. All credit commitments require prior analysis and definition of a counterparty rating, which allows for an assessment of the credit risk on a scale of 1 to 12 (1 being the best credit rating and 12 the worst).

Subsequently, each receivable is subject to a periodic internal review at a frequency defined in the credit manual. Based on these ratings, overdue and non-performing loans are identified and are subject to a specific procedure.

The identification of risks and the evaluation of the corresponding value adjustments are thus based on ratings and analyses that involve a significant degree of judgment on the part of the Executive Board. Given the volume of loans granted, the assessment of customer loans and mortgages is considered a key element of the audit.

The procedures for monitoring and handling overdue and non-performing loans are set out on page 60 and following, as well as page 69 of the notes to the financial statements. The amounts of value adjustments are shown on page 75 of the notes to the financial statements.

**Our audit response** Our work consisted in assessing and testing the key controls relating to the granting (compliance with internal directives and validation competencies), recording, release and monitoring of loans, as well as the methodology for identifying default risk and assessing value adjustments.

In addition, we have performed detailed procedures which consisted in particular in:

- ▶ verifying, on the basis of a sample of overdue receivables, their correct treatment and recording in the accounts, as well as their validation by the competent authorities;
- ▶ verifying the correct treatment and accounting of interest on impaired receivables;
- ▶ verifying, based on a sample of impaired receivables, their correct treatment and accounting in the accounts, as well as their validation by the competent authorities;
- ▶ verifying the general IT controls relating, in particular, to the Finnova and CreditMaster IT systems;
- ▶ verifying, based on a sample of "non-impaired" loans, that there are no indications that the evaluation of the credits was not appropriate, and that the classification of the latter was erroneous.

Finally, we have audited the compliance with the accounting standards applicable to banks with regard to the valuation and presentation of advances to customers and mortgages in the financial statements.

Our audit procedures did not give rise to any reservations regarding the valuation of loans and advances to customers and mortgages.

### Assessment of the latent risk of default

**Risk** The assessment of the latent risk of default on the non-impaired loan portfolio, respectively on receivables not covered by individual value adjustments, is also considered a key element of the financial audit because of the potential impact on the result and the margin of appreciation in defining the method to be applied.

The calculation corresponds to the provisioning based on an individual loss rate fixed for each of the first nine rating classes. The current rates are justified by the Bank by considering the evolution of its loan portfolio, the volume of new loans granted, the evolution of the real estate market and its risk analysis.



The amounts of these value adjustments are the subject of an internal procedure presented on page 60 and the amounts are presented on page 75 of the notes to the annual accounts.

#### **Our audit response**

We have performed the following procedures:

- ▶ verification of the determination of the amount of the value adjustments for latent risk;
- ▶ review of the loss rates applied to the rating classes and the underlying assumptions.

Our audit procedures did not give rise to any reservations regarding the assessment of the latent risk of default



#### **Other information**

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



#### **Board of Directors' responsibilities for the financial statements**

The Board of Directors is responsible for the preparation of the financial statements, which give a true and fair view in accordance with the applicable financial reporting framework for banks, with the Law on the Cantonal Bank of Fribourg, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.



#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on EXPERTsuisse's website at: <https://www.expertsuisse.ch/en/audit-report>. This description forms an integral part of our report.



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## Report on other legal and regulatory requirements



In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the financial statements according to the instructions of the Board of Directors.

Based on our audit in accordance with Art. 728a para. 1 item 2 CO, we confirm that the proposal of the Board of Directors complies with Swiss law and the Law on Banque Cantonale de Fribourg. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Licensed audit expert  
(Auditor in charge)

Licensed audit expert