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Zuercher Kantonalbank

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Zuercher Kantonalbank

SACP	aa-	+	Support	+3	+	Additional Factors	0

Anchor	a-	
Business Position	Strong	+1
Capital and Earnings	Very Strong	+2
Risk Position	Adequate	0
Funding	Average	0
Liquidity	Strong	

ALAC Support	0
GRE Support	+3
Group Support	0
Sovereign Support	0

Issuer Credit Rating
AAA/Stable/A-1+

Major Rating Factors

Strengths:	Weaknesses:
• Strong domestic franchise in the Zurich area, complemented by a sound country-wide presence in corporate lending, private banking, and asset management. • Sound financial profile characterized by very strong capitalization and stable earnings. • Close ties with the financially strong Canton of Zurich, facilitated by full ownership and a statutory guarantee	• Some concentration risk due to focus on real estate lending in the home region. • Weaker cost efficiency than cantonal bank peers.

Outlook: Stable

The stable outlook on Zuercher Kantonalbank (ZKB) indicates that we are unlikely to take a positive or negative rating action over the next two years. We continue to see the bank benefiting from its GRE status, with an extremely high likelihood of receiving government support if needed.

A downgrade could occur if we negatively reassessed ZKB's role for or link with the Canton of Zurich, or if there were changes in the statutory guarantee, which may also lead to our reassessment of ZKB's status as a GRE. While the outlook on the ratings is stable, a one-notch downgrade of the canton would trigger a similar action on ZKB. Moreover, a sharp weakening in the bank's capitalization, as reflected in the deterioration of the RAC ratio below 15%, might also result in a downgrade.

An improvement in ZKB's SACP remains a remote scenario at this stage, given the bank's financial position and ownership structure.

Rationale

The ratings on ZKB reflect its anchor of 'a-', its strong business position, owing to a strong and diverse business profile; very strong capital and earnings, mirroring our projected risk-adjusted capital ratio (RAC) ratio of over 18% in the next 24 months; adequate risk position, reflecting its highly collateralized residential mortgage portfolio and generally sound asset quality; average funding; and strong liquidity, supported by strong metrics and the cantonal guaranty. The SACP is 'aa-'.

We consider ZKB a government-related entity (GRE) with an extremely high likelihood of receiving extraordinary government support in times of stress. We base this on our view of ZKB's very important role in the Canton of Zurich and its integral link to its home canton, which provides three notches uplift to our assessment of ZKB's SACP.

Anchor: 'a-' for banks operating mainly in Switzerland

Our criteria use our Banking Industry Country Risk Assessment (BICRA) economic risk and industry risk scores to determine a bank's anchor, the starting point in assigning an issuer credit rating (ICR). Our anchor for a bank operating mainly in Switzerland is 'a-'. We view the trends for both economic and industry risk as stable.

Our economic risk score of '2' for Switzerland is supported by the country's highly diversified and competitive economy, very high household income levels, and banks' prudent loan underwriting standards. However, it also reflects that risks remain, owing to the cumulative rise in Swiss house prices over the past few years. Although imbalances remain moderate in a global context, they have led the regulator to enact macro prudential measures to rein growth in mortgage indebtedness. We recognize that house price growth have cooled down since beginning 2014, while lending has recently picked up again after several years with moderate growth. In our view, house prices and household indebtedness remain historically high. The very high mortgage debt level is mitigated by the large amount of financial assets, including pensions, held by households in Switzerland.

Our industry risk score of '2' primarily reflects the banking sector stability and a relatively high share of deposit funding. Banks' net interest margins continue to decline gradually, given the pressure on deposit margins from the negative yield environment. This is partly offset, however, by higher margins on lending products, fee income from investment advisory-related activities, and cost management. As a result, banks are still able to generate returns on core banking products that are adequate to meet their cost of capital. Moreover, in our view, the Swiss regulator's regulatory initiatives are more stringent than those in other European banking industries.

Table 1

Zuercher Kantonalbank Key Figures					
		--Year-ended Dec. 31--			
(Mil. CHF)	**2018***	**2017**	**2016**	**2015**	**2014**
Adjusted assets	163,517	163,689	157,817	154,286	158,391
Customer loans (gross)	89,284	87,227	85,096	81,605	86,409
Adjusted common equity	10,903	10,665	10,266	9,979	9,206
Operating revenues	1,209	2,350	2,341	2,212	1,938
Noninterest expenses	706	1,438	1,515	1,431	1,297
Core earnings	496	894	799	761	581

*Data as of June 30.

Business position: Solid operational stability owing to diverse business profile and strong franchise

We consider ZKB's business profile to be strong, reflecting the bank's diverse business activities and our expectation of sustainable revenue generation through the economic cycle. These strengths outweigh the bank's geographic concentration on the wider Zurich area.

With total assets of Swiss franc (CHF) 163.7 billion (about €141.4 billion) on June 30, 2018, ZKB is the largest cantonal bank and fourth-largest bank in Switzerland with an estimated market share of about 8%-9% in customer deposits and customer lending. While we consider concentration on the wider Zurich area to remain a weakness for the ratings, we view positively the bank's long-standing presence in its home region, one of Switzerland's economically strongest regions, with a leading market share of about 40% in retail banking. Compared with other Swiss cantonal bank peers, this concentration is offset by diverse business activities conducted on a national scale, including corporate lending to small and midsize enterprises and large corporations, as well as private banking. Furthermore, ZKB provides services for other cantonal banks as an originator of syndicated loans and a participant in the market for traded structured investment products.

In 2015, ZKB took over Swisscanto, an asset management company previously owned by the country's cantonal banks collectively. Swisscanto complemented ZKB's product offering and strengthened its business profile and earnings capacity. The combined asset management activities created the country's third-largest investment fund manager. While we regard this takeover generally as a good strategic fit for ZKB, Swisscanto also brought certain challenges. We notice general margin pressure on active fund managers in a low-yield environment, as well as increasing competition and regulation around product suitability and pricing transparency, which also required an update of ZKB's pricing model and the introduction of new service schemes.

Compared with most commercial banks in Europe, ZKB has demonstrated sound profitability, particularly during the most recent financial crises. We expect its solid revenues to benefit from a strong annuity characteristic, with only about 15% coming from trading or market sensitive income. This is underpinned by the bank's very stable and long-standing customer base, which we expect it to maintain thanks to its public ownership and the guarantee from the canton.

We expect that interest income, mainly from its deposit-taking and lending activities, should continue to account for more than 50% of total revenues. Revenues from fee and commission currently account for 33% of revenues compared with 25%-30% before the Swisscanto acquisition. We do not expect this share to grow materially but, in our view, the introduction of new service schemes in asset management will compensate the anticipated loss of revenues from the elimination of kick-back fees for fund distributors in Switzerland.

We also consider further downside risk to fee generation in asset management following the expiration of earn-out payments after 2018. ZKB had incentivized former co-owner cantonal banks to further distribute Swisscanto products by deferred earn-out payments as a further element of the acquisition price for Swisscanto. However, a number of cantonal banks already replaced Swisscanto products with self-produced fund vehicles and we expect this trend to continue.

We believe that the bank's financial targets remain focused on long-term value for its owner, the Canton of Zurich, and that the bank will continue to benefit from the strong support of its owner, as demonstrated by an amended cantonal bank law that came into effect on Jan. 1, 2015, and included an increase of the canton's endowment capital facility for ZKB by CHF1.075 billion to CHF3 billion. ZKB drew CHF500 million on this facility on June 30, 2015, leaving a residual facility of CHF575 million. We do not include this capital in our assessment or expect ZKB to utilize the residual capital buffer in the next few years. However, we note the availability of such funds if ever needed.

Table 2

Zuercher Kantonalbank Business Position

		--Year-ended Dec. 31--			
(%)	**2018***	**2017**	**2016**	**2015**	**2014**
Total revenues from business line (currency in millions)	1,217	2,358	2,358	2,279	2,005
Return on average common equity	7.8	7.1	6.5	7.3	6.9

*Data as of June 30.

Capital and earnings: Very strong capital remains the key rating strength

We expect ZKB's risk-adjusted capital (RAC) ratio to improve towards 19% over the next 12-18 months. The bank's ratio, which does not capture the above-mentioned additional available endowment capital, remains in the middle range for rated Swiss cantonal banks with RAC ratios of above 25%, but at the upper end of the range of RAC ratios of all banks we rate globally.

As of year-end 2017, ZKB's RAC ratio stands at 17.9% and lower than the 20.3% one year-ago. As part of ZKB's move to an advanced internal ratings-based approach for credit risks we received more detailed information on ZKB's risk parameters. This implied material higher credit conversion factors (CCF) on ZKB's revocable and irrevocable loan commitments than under the Swiss standardized approach (SA-BIZ) previously. As a result, the total exposure at default (EADs) figures on corporate and retail exposure increased significantly with a negative effect on our risk-weighted assets figure.

This effect was partly mitigated by ongoing earnings retention and only moderate growth in customer loans broadly in line with the market. We anticipate future loan growth in line with the market, partly offsetting net interest margin pressure from the negative interest rate environment in Switzerland. We also expect ZKB to maintain its dividend distributions to the canton at about 50% of core earnings. Also, from 2015 on, ZKB started to pay compensation to the canton for the cantonal guarantee, amounting to about CHF20 million-CHF25 million annually.

The quality of ZKB's capital and earnings adds to our capital assessment. The bank continues to deliver stable earnings, despite the ongoing challenges from the strong Swiss franc and the negative interest rate environment in its core market. In June 2017, the bank replaced an additional Tier 1 capital instrument with a similar instrument with notional of CHF750 million that can be called the first time in 2023. However, we forecast that the share of hybrid capital instruments within total adjusted capital will remain relatively low and hover between 5% and 7%.

We note that the bank's cost efficiency ratio has improved to about 61% compared to about 65% over recent years, mainly driven by cost-measures and positive synergy effects following the Swisscanto integration. This remains slightly weaker than those of its main cantonal bank peers, which are typically in the range of 50%-60%. It is also weaker compared with peers in the Nordics, but in line with or even slightly better than Western European banks. We expect the cost-to-income ratio to remain on a slightly positive trend over the coming years, but also consider that the lower cost efficiency reflects the bank's broader and nationwide set of more diverse operations and higher staff compensation levels in Zurich.

Table 3

Zuercher Kantonalbank Capital And Earnings

		--Year-ended Dec. 31--			
(%)	**2018***	**2017**	**2016**	**2015**	**2014**
Tier 1 capital ratio	17.4	17.6	16.4	16.8	15.6
S&P Global Ratings' RAC ratio before diversification	N/A	17.9	20.3	19.1	19.0
S&P Global Ratings' RAC ratio after diversification	N/A	15.7	18.7	19.0	19.0
Adjusted common equity/total adjusted capital	93.6	93.4	94.6	94.4	94.0
Net interest income/operating revenues	51.4	51.5	51.3	52.4	55.2
Fee income/operating revenues	32.8	32.8	31.1	30.0	27.4
Market-sensitive income/operating revenues	12.9	14.6	16.7	15.6	15.4
Noninterest expenses/operating revenues	58.4	61.2	64.7	64.7	66.9
Preprovision operating income/average assets	0.6	0.6	0.5	0.5	0.4
Core earnings/average managed assets	0.6	0.6	0.5	0.5	0.4

*Data as of June 30. N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

Table 4

Zuercher Kantonalbank RACF [Risk-Adjusted Capital Framework] Data

(Mil. CHF)	**Exposure***	**Basel III RWA**	**Average Basel III RW (%)**	**S&P Global RWA**	**Average S&P Global RW (%)**
Credit risk					
Government and central banks	45,275	1,313	3	196	0
Of which regional governments and local authorities	2,341	1,122	48	83	4

Table 4

Zuercher Kantonalbank RACF [Risk-Adjusted Capital Framework] Data (cont.)					
Institutions and CCPs	14,806	4,175	28	3,950	27
Corporate	45,298	26,213	58	29,300	65
Retail	62,928	16,137	26	15,578	25
Of which mortgage	60,008	13,686	23	13,898	23
Securitization§	0	0	0	0	0
Other assets†	775	775	100	766	99
Total credit risk	169,082	48,612	29	49,792	29
Credit valuation adjustment					
Total credit valuation adjustment	--	3,390	--	0	--
Market risk					
Equity in the banking book	422	1,246	295	3,093	734
Trading book market risk	--	3,711	--	6,105	--
Total market risk	--	4,957	--	9,198	--
Operational risk					
Total operational risk	--	4,286	--	4,782	--
(Mil. CHF)		**Basel III RWA**		**S&P Global RWA**	**% of S&P Global RWA**
Diversification adjustments					
RWA before diversification		63,822		63,771	100
Total Diversification/Concentration Adjustments		--		8,857	14
RWA after diversification		63,822		72,629	114
(Mil. CHF)		**Tier 1 capital**	**Tier 1 ratio (%)**	**Total adjusted capital**	**S&P Global RAC ratio (%)**
Capital ratio					
Capital ratio before adjustments		11,255	17.6	11,414	17.9
Capital ratio after adjustments‡		11,255	17.6	11,414	15.7

*Exposure at default. §Securitisation Exposure includes the securitisation tranches deducted from capital in the regulatory framework. †Other assets includes Deferred Tax Assets (DTAs) not deducted from ACE. ‡Adjustments to Tier 1 ratio are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons). RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital.CHF--Swiss Franc. Sources: Company data as of Dec. 31, 2017, S&P Global.

Risk position: Historically high residential housing prices pose a potential risk

We consider ZKB's risk position to be adequate, and in line with the economic risk score of '2' for Swiss domestic exposures. It also reflects the bank's low-risk, highly collateralized, and granular residential mortgage portfolio and generally sound asset quality.

We note that ZKB's business model continues to concentrate on lower-risk retail lending, collateralized mortgage loans, lending to small and midsize enterprises, and corporate lending. Loans collateralized by residential real estate loans account for about 76% of ZKB's loan book but only 40% of its total assets. This remains lower than for other cantonal banks due to ZKB's broader business range including a higher share of trading securities (5% of total assets), but also high amounts of cash and reserves at the central bank (25%), as well as reverse repurchase agreements (repos) and securities borrowed (9%).

Moreover, ZKB's exposure to real estate markets is offset, in our opinion, by what we regard as conservative underwriting standards, prudent risk management, high granularity, and high levels of collateralization. This should enable the bank to maintain its favorable loan loss record. In line with its cantonal bank peers, new loan loss provisions on customer loans have been very low in recent years on the back of the favorable economic environment and rising house prices (3 basis points only in the first half of 2018). Nevertheless, in our view, recent long-term house price increases in Switzerland, specifically in the Zurich region, could lead to a heightened risk of correction and possibly higher credit losses than we observed in recent years.

Loans collateralized by commercial real estate, collateralized by other means, or unsecured account for about 25% of customer lending, which is higher than that of the bank's cantonal bank peers. In our opinion, such exposures tend to be riskier than purely residential real estate lending. If Switzerland's export-oriented industries were to suffer materially--which we currently do not expect--from the sustained strength of the Swiss franc, these exposures could lead to higher loan losses, in our view. Although ZKB typically grants syndicated loans without collateral, we expect the bank to maintain stringent monitoring, even of high quality large exposures.

Growth in customer loans has been at the upper end of Swiss domestic peers' average over recent years but has slowed down recently. We note, however, that growth figures at ZKB were more volatile in the past given that they include more substantial portions of reverse repo transactions than peers.

ZKB's securities portfolio amounted to CHF15 billion as of June 30, 2018. We regard the asset quality of the non-trading securities portfolio (worth CHF4.6 billion) as sound. The portfolio focuses on Swiss covered bonds, as well as sovereign and public sector obligors in Switzerland and Germany, and on European supranational institutions.

Most of the bank's trading revenues are client initiated, and slightly more volatile than its interest and fee business. ZKB also engages in proprietary trading operations but mainly acts as a market maker in fixed income and foreign exchange products. Although these operations are limited, they increase the volatility of the bank's earnings. However we believe that the bank will maintain a low risk appetite and that its risk management tools will allow it to closely monitor these activities.

Table 5

Zuercher Kantonalbank Risk Position

		--Year-ended Dec. 31--			
(%)	**2018***	**2017**	**2016**	**2015**	**2014**
Growth in customer loans	4.7	2.5	4.3	(5.6)	7.4
Total diversification adjustment/S&P Global Ratings' RWA before diversification	N/A	13.9	8.7	0.3	(0.1)
Total managed assets/adjusted common equity (x)	15.0	15.4	15.4	15.5	17.2
New loan loss provisions/average customer loans	0.0	0.0	0.0	0.0	0.1
Net charge-offs/average customer loans	N.M.	N.M.	N.M.	0.0	0.0
Gross nonperforming assets/customer loans + other real estate owned	0.0	0.7	0.7	0.7	0.9
Loan loss reserves/gross nonperforming assets	N.M.	50.4	52.3	50.7	97.0

*Data as of June 30. N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

Funding and liquidity: Ample coverage of loans through customer deposits

ZKB exhibits an average funding profile compared with other banks in Switzerland that we rate, whereas its liquidity remains strong, also compared with global banks.

In our view, ZKB continues to benefit substantially from the cantonal guarantee that allows the bank to maintain a strong franchise with a widespread and loyal depositor base. The bank's loan-to-deposit ratio was 107% on June 30, 2018, and is likely to remain balanced, not taking into account the bank's large equity position.

We expect ZKB's stable funding ratio to remain at a comfortable level around 110% over the medium term, compared with 108% as of June 30, 2018. The remainder of ZKB's funding mix is made up of interbank funding and capital market funding via secured and unsecured instruments. Due to the bank's status as a GRE, we expect its wholesale funding sources to remain stable or even benefit from a "flight to quality" effect in more challenging economic conditions.

Our assessment of ZKB's liquidity as strong reflects the bank's favorable liquidity position, which, in our view, would allow it to endure more than 12 months with no access to market funding. This is demonstrated by the bank's still sound liquidity ratio (broad liquid assets to short-term wholesale funding) of above 1.2x as of June 30, 2018. The ratio remains at the lower end compared with peers that have a strong assessment. However, we expect ZKB to maintain elevated liquidity and, owing to its close ties with the Canton of Zurich and loyalty of its customer base, it will remain less sensitive than other commercial banks in a more challenging operating environment.

Table 6

Zuercher Kantonalbank Funding And Liquidity					
		--Year-ended Dec. 31--			
(%)	**2018***	**2017**	**2016**	**2015**	**2014**
Core deposits/funding base	55.5	54.5	56.5	58.6	63.0
Customer loans (net)/customer deposits	107.2	106.8	104.8	100.6	103.7
Long-term funding ratio	69.5	68.9	71.6	74.0	75.8
Stable funding ratio	108.5	110.6	109.7	111.9	104.7
Short-term wholesale funding/funding base	33.0	33.6	30.6	28.0	26.1
Broad liquid assets/short-term wholesale funding (x)	1.2	1.2	1.3	1.4	1.3
Net broad liquid assets/short-term customer deposits	13.0	15.6	14.9	18.8	12.8
Short-term wholesale funding/total wholesale funding	73.3	73.0	69.8	67.1	69.8
Narrow liquid assets/3-month wholesale funding (x)	1.5	1.4	3.4	1.7	1.4

*Data as of June 30.

External support: Extremely high likelihood of extraordinary government support

We consider ZKB to be a GRE, given its full ownership by the Canton of Zurich. The long-term rating on ZKB is three notches higher than the bank's SACP, reflecting our opinion that there is an extremely high likelihood of timely and sufficient extraordinary support for ZKB from its owner in the event of financial distress. We base this on our view of the bank's integral link with, and very important role for, the canton. We base this assumption on the existing cantonal guarantee, which is stipulated by law, as well as ZKB's ownership structure and its importance for Zurich's regional economy. We think that any default by ZKB would have a significant systemic impact on the regional economy.

We expect the existing cantonal guarantees to remain in place in the medium term. While being outside our outlook horizon, we consider the potential risk that future agreements between Switzerland and the European Union (EU) regarding preferential market access for Switzerland might include the removal of remaining cantonal guarantees for all banks. In such a case, we may decide to lower or remove the GRE status of the bank, if we come to the conclusion that it weakened the role for, or link to, the Canton.

A decision by the Swiss National Bank in November 2013 to classify ZKB as systemically important has no impact on the ratings. A proposal for the too-big-to-fail legislation concerning domestically important banks including ZKB has been published and we expect it will be transposed into national law soon. The proposed requirements will take into account that these banks are less complex and internationally oriented, which should allow a simpler resolution process and result in lower requirements than for UBS and Credit Suisse.

However, we already factor potential extraordinary support by the Canton of Zurich into the ratings under our GRE methodology and we consider this to be the strongest external support factor. Moreover, we believe that the prospects for extraordinary support by the Swiss government for commercial banks is now uncertain in view of the country's enhanced and effective resolution regime. Although ZKB might theoretically be eligible for ratings uplift from the SACP under our criteria for additional loss-absorbing capacity instead, such uplift does not apply to a bank with an SACP in the 'aa' category such as ZKB. Also, the maximum uplift available is less than the uplift under our GRE methodology.

Hybrid Issue Ratings

Our 'A' ratings on ZKB's two Tier 2 subordinated bond issuances reflect our analysis of the instruments and our assessment of ZKB's SACP at 'aa-'. We understand that the bonds do not benefit from the cantonal guarantee provided by the Canton of Zurich and consequently we notch down from our SACP assessment for the bank. The issue ratings are two notches below our SACP assessment for ZKB because we apply one notch for the instruments' subordination and one notch for their contingent capital clause (see paragraphs 83-85 and 90 in our "Bank Hybrid Capital And Nondeferrable Subordinated Debt Methodology And Assumptions," published Jan. 29, 2015, on RatingsDirect). We do not apply additional notching for the mandatory write-down trigger at a 5% regulatory common equity Tier 1 ratio of ZKB, given that it is set at a level that we consider to be a nonviability trigger.

Related Criteria

- Criteria - Financial Institutions - General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria - Financial Institutions - Banks: Bank Rating Methodology And Assumptions: Additional Loss-Absorbing Capacity, April 27, 2015
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- Criteria - Financial Institutions - Banks: Bank Hybrid Capital And Nondeferrable Subordinated Debt Methodology And Assumptions, Jan. 29, 2015
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- Criteria - Financial Institutions - Banks: Quantitative Metrics For Rating Banks Globally: Methodology And

Assumptions, July 17, 2013

- Criteria - Financial Institutions - Banks: Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- Criteria - Financial Institutions - Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Related Research

- Banking Industry Country Risk Assessment: Switzerland, Nov. 30, 2018

Anchor Matrix

Industry Risk	Economic Risk									
	1	**2**	3	4	5	6	7	8	9	10
1	a	a	a-	bbb+	bbb+	bbb	-	-	-	-
2	a	**a-**	a-	bbb+	bbb	bbb	bbb-	-	-	-
3	a-	a-	bbb+	bbb+	bbb	bbb-	bbb-	bb+	-	-
4	bbb+	bbb+	bbb+	bbb	bbb	bbb-	bb+	bb	bb	-
5	bbb+	bbb	bbb	bbb	bbb-	bbb-	bb+	bb	bb-	b+
6	bbb	bbb	bbb-	bbb-	bbb-	bb+	bb	bb	bb-	b+
7	-	bbb-	bbb-	bb+	bb+	bb	bb	bb-	b+	b+
8	-	-	bb+	bb	bb	bb	bb-	bb-	b+	b
9	-	-	-	bb	bb-	bb-	b+	b+	b+	b
10	-	-	-	-	b+	b+	b+	b	b	b-

Ratings Detail (As Of December 18, 2018)

Zuercher Kantonalbank		
Issuer Credit Rating		AAA/Stable/A-1+
Subordinated		A
Issuer Credit Ratings History		
24-Aug-2018	*Foreign Currency*	AAA/Stable/A-1+
03-Jul-2012		AAA/Negative/A-1+
20-Jan-1998		AAA/Stable/A-1+
24-Aug-2018	*Local Currency*	AAA/Stable/A-1+
03-Jul-2012		AAA/Negative/A-1+
20-Jan-1998		AAA/Stable/A-1+
Sovereign Rating		
Switzerland		AAA/Stable/A-1+
Related Entities		
Zurich (Canton of)		
Issuer Credit Rating		AAA/Stable/--

Ratings Detail (As Of December 18, 2018) (cont.)	
Senior Unsecured	AAA

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.