

ISSUER PROFILE

13 May 2019

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Contacts

Jakob Palek +49.69.70730.890
Associate Analyst
jakob.palek@moodys.com

Andrea Wehmeier +49.69.70730.782
VP-Senior Analyst
andrea.wehmeier@moodys.com

Alexander Hendricks, +49.69.70730.779
CFA
Associate Managing Director
alexander.hendricks@moodys.com

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Zuercher Kantonalbank

Key Facts and Statistics - FYE December 2018

Company overview

Zuercher Kantonalbank (ZKB) is a full-service Swiss bank with strong regional operations in the canton of Zurich. As of 31 December 2018, ZKB held a 6.9% share of Swiss domestic client deposits, 7.5% share of Swiss domestic loans and an 8.4% share of total Swiss domestic banking assets, based on its total consolidated assets of CHF169.4 billion. It is Switzerland's largest cantonal bank and the country's third-largest provider of investment funds.

ZKB provides a large range of products and services to retail clients, small and medium-sized enterprises (SMEs), large corporate customers, institutions, public authorities and other organisations, mainly in the canton of Zurich. The bank's core activities include financing, investment and asset management, trading and capital market activities, deposit-taking, payment transaction services and the card business.

As of 31 December 2018, ZKB operated through a network of 75 banking outlets, including branches of Zürcher Kantonalbank Österreich AG in Salzburg and Vienna as well as six automated banks. The bank also distributes its products and services through representative offices in China, India, Singapore and Brazil. In addition, the bank offers its products and services through alternative delivery channels, including ATMs and internet, telephone, smart devices and E-Banking.

ZKB was founded in 1870 as an independent public-law institution of the canton of Zurich. In accordance with the constitution of the canton, the bank is ultimately supervised by the cantonal parliament of Zurich.

Sources: Company reports (annual report Dec 2018 and Dec 2012), Swiss National Bank, Moody's Investors Service research

Financial highlights

Note: The financials presented below are those reported by the entity and are not adjusted for Moody's analytic purposes. For Moody's generated ratios on Zuercher Kantonalbank, please see [Zuercher Kantonalbank](#) page on Moodys.com.

Exhibit 1

Latest full-year results

Zuercher Kantonalbank

In CHF Million	31-Dec-18	31-Dec-17	31-Dec-16	% Change 18/17	% Change 17/16
Total Assets	169,408	163,881	157,985	3.37	3.73
Customer Assets	295,194	288,802	264,754	2.21	9.08
Total Shareholders' Equity	11,852	11,228	10,793	5.56	4.03
Basel III (IRB)* - Total Eligible Capital	12,658	12,019	11,564	5.32	3.93
Basel III (IRB)* - Total Capital Ratio (%)	20.2	18.8	17.5	140 bps	130 bps
Net Income	788	782	761	0.77	2.76

Note: Based on consolidated financial data

*Basel III (SA BIS) in 2016.

Sources: Company reports (annual report Dec 2018 and Dec 2017)

Business description

ZKB is a full-service bank that provides retail clients in the canton of Zurich with financing, investment and asset management, trading and capital markets, the borrowing business, payment transactions and the card business. The bank also offers these services to key stakeholder groups, including to corporate customers, employees, public authorities and to other public sector institutions and organisations.

ZKB divides its activities into the following four business segments: Products, Services and Direct Banking; Corporate Banking; Private Banking; and Institutionals and Multinationals.

Products, Services and Direct Banking: This segment includes retail banking activities, and offers banking products and services such as mortgage-lending, deposit-taking and payment-transaction services.

Corporate Banking: This segment provides services to SMEs, large corporations, wealth and asset managers, pension funds, and public authorities and institutions, to which it delivers notably the aforementioned products and services, along with real estate, succession planning, capital goods leasing, acquisition financing, and structured and syndicated financing. In 2015, ZKB acquired Swisscanto Invest, which widened the product portfolio of its assets management business.

Private Banking: This segment includes the high-net-worth individual and private banking customer sector. The segment offers advisory services to and facilitates investment mandates for wealthy individuals. Its services include tax, inheritance and financial planning, buying and selling of real estate, asset management, retirement analysis and fiduciary investments.

Institutionals and Multinationals: This segment provides investment banking products and services, including trading and capital market transactions, asset management, investment solutions and advisory services, as well as research services for investment and trading customers concerning international investments, equities and bonds. Furthermore, ZKB actively trades in foreign exchange, precious metal exchange-traded funds, commodity contracts and equity derivatives markets. In addition, the bank issues structured products and securities on the Swiss market. The bank also offers international banking services, including international payments and trade finance such as letters of credit and collection, export finance and bank guarantees.

Sources: Company reports, Company data

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moodys.com for the most updated credit rating action information and rating history.

Exhibit 2
Operating income
 (% consolidated, for 2018)



Source: Company report (annual report Dec 2018; pg: 149)

Distribution channels

ZKB operates mainly in the Greater Zurich area, but also in neighboring domestic and international markets.

As of 31 December 2018, ZKB operated through a network of 75 (31 December 2017: 78) banking outlets, including branches of Zürcher Kantonalbank Österreich AG in Salzburg and Vienna as well as six automated banks, and 340 ATMs (31 December 2017: 350). The bank also distributes its products and services through representative offices in China, India, Singapore and Brazil.

In addition, the bank offers its products and services through alternative delivery channels, including internet, telephone and E-Banking.

In 2018, ZKB in collaboration with Swiss Post, Swiss Federal Railways, Swisscom and other banks and insurance companies, founded the Swiss Sign Group, with an aim to create and implement a digital identity for Switzerland.

As of 31 December 2018, ZKB held an 8.4% share of Swiss domestic banking assets, based on its total consolidated assets of CHF169.4 billion. ZKB held a market share of 7.5% of the domestic loan market and 6.9% of the domestic client deposits.

Upon finishing the acquisition of Swisscanto in March 2015, the fund management services of both companies merged, making ZKB the third-largest fund provider in Switzerland.

In 2018, ZKB posted strong growth in both traditional asset management mandates and new advisory mandates. As of 31 December 2018, ZKB reported CHF295.2 billion in assets under management.

Sources: Company reports (annual report Dec 2018 and Dec 2015), Moody's Investors Service research

Ownership structure

ZKB is a public-law institution independent of the canton of Zurich. The canton guarantees the bank's liabilities (except subordinated liabilities).

It operates both domestically and internationally through various subsidiaries, including Zuercher Kantonalbank Österreich AG, which was acquired in February 2010 (formerly known as Privatinvest Bank AG).

Although ZKB is not listed on any stock exchange, it complies with the corporate governance principles prescribed by the SIX Swiss Exchange on 1 January 2016.

Sources: Company reports (annual report Dec 2018, Dec 2015, Dec 2013 and Dec 2011), Moody's Investors Service research

Participations

As of 31 December 2018, ZKB's subsidiaries and affiliates were as follows:

Exhibit 3

Zuercher Kantonalbank

Fully consolidated participations

Company	Domicile	Business Activity	Share Capital (in CHF Million)	Share of Capital in %	Voting Rights in %
Fully Consolidated					
Zuercher Kantonalbank Finance (Guernsey) Ltd	Guernsey	Financial services	1	100	100
Swisscanto Holding Ltd. ¹	Zurich	Participations	24	100	100
Swisscanto Fund Management Company Ltd. ²	Zurich	Fund management	5	100	100
Swisscanto Pensions Ltd.	Zurich	Financial services	1	100	100
Swisscanto Private Equity CH I Ltd	Zurich	Financial services	0	100	100
Swisscanto Asset Management International SA	Luxembourg	Fund management	0	100	100
Zürcher Kantonalbank Österreich AG	Salzburg	Financial services	6	100	100

Notes: 1) Swisscanto Holding Ltd. holds 100% of the shares in Swisscanto Fund Management Company Ltd., Swisscanto Pensions Ltd. and Swisscanto Asset Management International S.A. Swisscanto Funds Centre Ltd. in London was sold on 1 October 2018 to Clearstream International SA, Luxembourg, the post-trade services provider of the Deutsche Börse Group.

2) Swisscanto Fund Management Company Ltd. holds 100% of the shares of Swisscanto Private Equity CH I Ltd.

Source: Company report (annual report Dec 2018)

Exhibit 4

Zuercher Kantonalbank

Significant non-consolidated participations¹

Company	Domicile	Business Activity	Share Capital (in CHF Million)	Share of Capital in %	Voting Rights in %
Reported under non-consolidated participations – of which using the equity method					
Technopark Real Estate AG	Zurich	Project planning, construction, maintenance	40	33.3	33.3
– of which other non-consolidated participations					
Pfandbriefzentrale der schweizerischen Kantonalbanken AG	Zurich	Pfandbrief institution	1,625 ²	17.8	17.8
Aduno Holding AG ³	Zurich	Participations	25	14.7	14.7

Notes: 1) All non-consolidated participations whose share of capital is more than 10% are shown. In addition, either the share of the participations in the bank's capital must be more than CHF2 million or the book value must be more than CHF15 million

2) Of which, CHF325 million has been paid up

3) Requirement to surrender shares when new shareholders are admitted in accordance with the shareholder agreement

Source: Company report (annual report Dec 2018)

Exhibit 5

Zuercher Kantonalbank

Subsidiaries not fully consolidated

Company	Domicile	Business Activity	Share Capital (in CHF Million)	Share of Capital in %	Voting Rights in %
Subsidiaries Not Fully Consolidated					
Zürcher Kantonalbank Representações Ltda. ¹	São Paulo	Representative office	0	100	100
ZüriBahn AG ²	Zurich	Cable car	5	100	100

Notes: 1) Total assets (2017: CHF208,000; 2016: CHF165,000); result for the period (2017: CHF42,000; 2016: CHF65,000)

2) Total assets (2018: CHF5 million); loss for the period (2018: CHF145,000)

Source: Company report (annual report Dec 2018)

Company management

Exhibit 6

Zuercher Kantonalbank

Company Management	Age*	Current Title
Martin Scholl	57	ZKB: Chief Executive Officer
Christoph Weber	59	ZKB: Deputy Chairman of the Executive Board and Head of Private Banking
Heinz Kunz	57	ZKB: Head of Corporate Banking
Dr. Stephanino Isele	56	ZKB: Head of Institutionals and Multinationals
Daniel Previdoli	56	ZKB: Head of Products, Services and Direct Banking
Rudolf Sigg	57	ZKB: Chief Financial Officer
Roger Müller	56	ZKB: Chief Risk Officer
Dr. Jürg Bühlmann	51	ZKB: Head of Logistics

As of 12 Apr 2019

*As of 31 Dec 2018

Sources: Company report (annual report Dec 2018), Company data

Exhibit 7

Zuercher Kantonalbank

Board of Directors	Age*	Affiliation
Dr. Jörg Müller-Ganz	57	ZKB: Chairman of the Board of Directors
Dr. János Blum	61	ZKB: Deputy Chairman of the Board of Directors
Bruno Dobler	66	ZKB: Deputy Chairman of the Board of Directors
Amr Abdelaziz	41	ZKB: Member of the Board of Directors
René Huber	62	ZKB: Member of the Board of Directors
Roger Liebi	57	ZKB: Member of the Board of Directors
Henrich Kisker	63	ZKB: Member of the Board of Directors
Mark Roth	44	ZKB: Member of the Board of Directors
Peter Ruff	62	ZKB: Member of the Board of Directors
Walter Schoch	62	ZKB: Member of the Board of Directors
Anita Sigg	52	ZKB: Member of the Board of Directors
Rolf Walther	67	ZKB: Member of the Board of Directors
Stefan Wirth	57	ZKB: Member of the Board of Directors

As of 12 Apr 2019

*As of 31 Dec 2018

Sources: Company report (annual report Dec 2018), Company data

Company history

ZKB was founded in 1870 as an independent public-law institution of the canton of Zurich. The bank is directly accountable to the cantonal parliament, in accordance with the constitution of the canton of Zurich.

In 1997, the canton enacted various legal provisions affecting ZKB, mandating public-service requirements for the bank, focused on providing banking services to both retail and corporate clients in the canton of Zurich.

In February 2010, ZKB completed its acquisition of Privatinvest Bank AG from Commerzbank and Sparkasse Salzburg to further extend its private banking interests in Austria. In October 2011, Privatinvest Bank AG was renamed Zuercher Kantonalbank Österreich AG.

In December 2014, ZKB announced the acquisition of the remaining shares it did not already own of Swisscanto Group (a joint venture created by the cantonal banks in 1993) for CHF360.3 million (€299.7 million), plus a variable component dependent on future business volume. The acquisition became effective 25 March 2015. In June 2015, Balfidor Holding AG merged with Swisscanto Holding Ltd.

In October 2018, ZKB sold its subsidiary Swisscanto Funds Centre Ltd., to a post-trade services provider of the Deutsche Börse Group, Clearstream International S.A.

Note: Currency converted using exchange rate of CHF-€0.83167, as of 11 Dec 2014

Sources: Company reports (annual report Dec 2018, Dec 2015, Dec 2014 and Dec 2010), Moody's Investors Service research

Peer group

- » [Banque Cantonale Vaudoise](#)
- » [Berner Kantonalbank](#)
- » [Raiffeisen-Gruppe \(CH\)](#)
- » [St. Galler Kantonalbank](#)

Related websites and information sources

For additional information, please see:

The company's website

- » [Zuercher Kantonalbank](#)

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Moody's related publications

Issuer page on Moodys.com

- » [Zuercher Kantonalbank](#)

Credit opinion

- » [Zuercher Kantonalbank: Update after upgrade of AT1 ratings, February 2019 \(1157504\)](#)

Banking system outlook

- » [Banking System Outlook: Switzerland, Stable economic activity and strong capital cushions underpin our stable outlook, December 2018 \(1142268\)](#)

Banking system profile

- » [Banks - Switzerland: Banking System Profile, January 2018 \(1100252\)](#)

Rating methodology

- » [Banks, August 2018 \(1128883\)](#)

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available on the issuer's page. All research may not be available to all clients.

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