

Announcement of Periodic Review: Moody's announces completion of a periodic review of ratings of Zuercher Kantonalbank

25 Mar 2021

Frankfurt am Main, March 25, 2021 -- Moody's Investors Service ("Moody's") has completed a periodic review of the ratings of Zuercher Kantonalbank and other ratings that are associated with the same analytical unit. The review was conducted through a portfolio review discussion held on 23 March 2021 in which Moody's reassessed the appropriateness of the ratings in the context of the relevant principal methodology(ies), recent developments, and a comparison of the financial and operating profile to similarly rated peers. The review did not involve a rating committee. Since 1 January 2019, Moody's practice has been to issue a press release following each periodic review to announce its completion.

This publication does not announce a credit rating action and is not an indication of whether or not a credit rating action is likely in the near future. Credit ratings and outlook/review status cannot be changed in a portfolio review and hence are not impacted by this announcement. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody's.com for the most updated credit rating action information and rating history.

Key rating considerations are summarized below.

Zuercher Kantonalbank's (ZKB) Aaa backed deposit ratings reflect its a1 Baseline Credit Assessment (BCA), three notches of rating uplift from affiliate support, based on a maintenance guarantee provided by the bank's sole owner, the Canton of Zurich, and the application of Moody's Advanced Loss Given Failure (LGF) analysis to its liabilities, which indicates an extremely low loss-given-failure and results in one notch (rather than three notches) of rating uplift because of the Aaa rating ceiling. Moody's considers ZKB as a domestic systemically important bank and assumes that sovereign government support would be forthcoming in case of need, which however does not result in rating uplift at ZKB's rating level.

ZKB's a1 BCA reflects the bank's favourable liquidity position, comprising a high proportion of cash, its strong capitalization and only moderate asset risk, despite being concentrated in the dynamic Zurich real estate market. The BCA further takes account of the bank's meaningful exposure to confidence-sensitive market funding mitigated by low funding costs and continued market access even in a more stressed environment owing to the Canton's deficiency guarantee.

This document summarizes Moody's view as of the publication date and will not be updated until the next periodic review announcement, which will incorporate material changes in credit circumstances (if any) during the intervening period.

The principal methodology used for this review was Banks Methodology published in November 2019. Please see the Rating Methodologies page on www.moody's.com for a copy of this methodology.

This announcement applies only to EU rated, UK rated, EU endorsed and UK endorsed ratings. Non EU rated, non UK rated, non EU endorsed and non UK endorsed ratings may be referenced above to the extent necessary, if they are part of the same analytical unit.

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