

# **Quantitative and qualitative disclosure of capital adequacy, liquidity and climate related financial risks**

Disclosure as at 31 December 2023

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## 1 Key abbreviations in disclosure

|                        |   |
|------------------------|---|
| <b>AT1</b>             | Additional Tier 1 capital   |
| <b>CAO</b>             | Capital Adequacy Ordinance  |
| <b>CaR</b>             | Capital at risk   |
| <b>CCB</b>             | Countercyclical buffer  |
| <b>CCF</b>             | Credit conversion factors   |
| <b>CCP</b>             | Central counterparty  |
| <b>CCR</b>             | Counterparty credit risk  |
| <b>CET1</b>            | Common Equity Tier 1 capital  |
| <b>CRM</b>             | Credit risk mitigation  |
| <b>CVA</b>             | Credit valuation adjustment   |
| <b>D-SIB</b>           | Domestic systemically important bank  |
| <b>EAD</b>             | Exposure at default   |
| <b>eCCB</b>            | Extended countercyclical capital buffer   |
| <b>EL</b>              | Expected loss   |
| <b>ΔEVE</b>            | Change in the economic value of equity  |
| <b>G-SIB</b>           | Global systemically important bank  |
| <b>HQLA</b>            | High-quality liquid assets  |
| <b>IRB</b>             | Internal ratings-based approach   |
| <b>IRRBB</b>           | Interest rate risk in the banking book  |
| <b>LCR</b>             | Liquidity coverage ratio  |
| <b>LGD</b>             | Loss given default  |
| <b>LRD</b>             | Leverage ratio denominator  |
| <b>ΔNII</b>            | Change in net interest income   |
| <b>PD</b>              | Probability of default  |
| <b>PONV</b>            | Point of non-viability  |
| <b>QCCP</b>            | Qualifying central counterparty   |
| <b>RWA</b>             | Risk-weighted assets  |
| <b>RWA density</b>     | RWA divided by total assets and off-balance-sheet exposures (post-CCF and post-CRM) |
| <b>SA-BIS</b>          | International standardised approach for credit risk                                 |
| <b>SA-CCR</b>          | Standardised approach for measuring counterparty credit risk exposures              |
| <b>SFT</b>             | Securities financing transactions   |
| <b>Stressed VaR</b>    | Value at risk under a stress scenario   |
| <b>T2</b>              | Tier 2 capital  |
| <b>TCFD</b>            | Task Force on Climate Related Financial Disclosure                                  |
| <b>TLAC</b>            | Total loss absorbing capacity   |
| <b>UNEP-FI</b>         | United Nations Environment Programme Finance Initiative                             |
| <b>UN PRI</b>          | United Nations Principles for Responsible Investment                                |
| <b>VaR</b>             | Value at risk   |
| <b>VA and P for EL</b> | Value adjustments (VA) and provisions (P) for expected losses (EL)                  |

### About the figures

The amounts stated in this report have been rounded off. The total may therefore vary from the sum of the individual values.

The following rules apply to the tables:

- 0 (0 or 0.0) Figure that is smaller than half the unit of account used
- No data available, not meaningful or not applicable

## 2 Introduction and material changes

Zürcher Kantonalbank is providing this information as at 31 December 2023 in accordance with its disclosure obligations. The relevant provisions form part of the Capital Adequacy Ordinance (CAO) and the disclosure requirements set out in FINMA Circular 2016/1 "Disclosure - banks" of 28 October 2015, last revised on 8 December 2021.

### About the company

Zürcher Kantonalbank is an independent public-law institution of the Canton of Zurich. The endowment capital provided by the Canton of Zurich forms part of Zürcher Kantonalbank's own funds. The canton also provides a state guarantee for all the bank's non-subordinate liabilities should the bank's resources prove inadequate.

The group includes as parent company the largest cantonal bank and the second largest universal bank in Switzerland. The broadly diversified consolidated group also includes Swisscanto Holding Ltd. with its subsidiaries and sub-subsidiaries (Swisscanto Fondsleitung AG, Swisscanto Vorsorge AG, Swisscanto Private Equity CH I AG, Swisscanto Private Equity CH II AG and Swisscanto Asset Management International SA), which are mainly engaged in asset management business, Zürcher Kantonalbank Finance (Guernsey) Ltd., which focuses on issuing structured investment products, ZKB Securities (UK) Ltd., which engages in equity brokerage and research, and Zürcher Kantonalbank Österreich AG, which operates in international private banking. The group also includes the representative office Zürcher Kantonalbank Representações Ltda. as well as a majority stake in Philanthropy Services Ltd.

### Calculation approaches for risk-based capital requirements

A selection of different approaches is available to banks for the calculation of risk-based capital requirements for credit, market and operational risks.

The capital requirement for credit risks is mainly calculated using the internal ratings-based approach (foundation IRB or F-IRB). For exposures where the IRB approach cannot be used, the capital requirement for credit risks is calculated using the international standardised approach (SA-BIS). The standardised approach for measuring counterparty credit risk exposures (SA-CCR) is used to determine the credit equivalent of derivatives. The capital requirement for the risk of credit value adjustments (CVA risk) due to the counterparty credit risk of derivatives is calculated in accordance with the standardised approach.

The capital requirement for market risk is calculated based on the internal market risk model approach (the value-at-risk model) approved by FINMA. Capital requirements are based on the market risks in the trading book and the exchange rate, precious metals and commodity risks in the banking book. Besides the daily value-at-risk (VaR) figures, daily stressed VaR figures are also included in the calculation of capital requirements. The total risk is also calculated using the model approach, although the value changes in risk factors are based on data that were observed in a period with significant market stress for Zürcher Kantonalbank. The capital requirement for the specific risks of interest rate instruments is calculated using the standardised approach.

Zürcher Kantonalbank uses the basic indicator approach to determine the capital requirement for operational risks.

### Risk-based capital requirements for systemically important banks

The risk-based capital adequacy requirements for systemically important banks basically consist of capital adequacy requirements for the bank to continue its activities (going concern) and requirements for additional loss-absorbing capital (gone concern). In addition to these, since July 2012, there has been a countercyclical buffer requirement in Switzerland, which is activated, adjusted or suspended by the Federal Council at the request of the Swiss National Bank (SNB).

The risk-based total going concern requirement consists of a base requirement and additional requirements, calculated on the basis of market share and total exposure. Under Art. 129, para. 2 CAO, the base requirement for Zürcher Kantonalbank is 12.86 percent of risk-weighted assets (RWA). There are currently no additional requirements

for Zürcher Kantonalbank as a result of market share or total exposure. On top of this comes the countercyclical buffer (CCB) under Art. 44 CAO. This requires banks to hold an additional 2.5 percent of capital for residential mortgages, corresponding to a requirement of 0.93 percent (parent company: 0.92 percent) of RWA as at the reporting date. The requirement for the extended countercyclical buffer (eCCB) under Art. 44a CAO, which is currently 0.03 percent of RWA, also applies. This results in a risk-based total requirement (going concern) of 13.82 percent for the Group as at 31 December 2023 (parent company: 13.81 percent).

Under Art. 132, para. 2 CAO, the risk-based gone concern requirement is measured based on the total going concern requirement (without CCB, without eCCB) and varies for systemically important banks with and without international operations. For systemically important banks without international operations, such as Zürcher Kantonalbank, the requirements came into effect on 1 January 2019. Based on the transitional provisions in Art. 148j CAO, the gone concern requirement in 2023 is 3.20 percent of RWA. This will increase in stages until 2026, when the gone concern requirement will be equal to 40 percent of the total going concern requirement for Zürcher Kantonalbank (without CCB, without eCCB).

In a letter dated 3 September 2019, FINMA set the risk-based gone concern requirement for contingency planning at Zürcher Kantonalbank at 7.86 percent from 2026, including the total stipulated in the CAO based on size and market share (mirroring the going concern requirement). Under the transitional provisions in Art. 148j CAO, this is equivalent to an additional risk-based requirement of 1.69 percent as at 31 December 2023. This results in a total risk-based gone concern requirement of 4.89 percent as at 31 December 2023. The total risk-based gone concern requirement is being increased gradually to 7.86 percent by 2026, as already mentioned.

#### **Calculation approaches for unweighted capital adequacy requirements (leverage ratio)**

When calculating the derivative exposure for the purposes of unweighted capital adequacy requirements (leverage ratio), margin no. 51.1 of FINMA Circular 2015/3 "Leverage Ratio - Banks" allows banks the option of using the standardised approach (SA-CCR). Zürcher Kantonalbank has used this since 31 December 2018 both as required for risk-based capital adequacy requirements and voluntarily for the leverage ratio.

#### **Unweighted capital adequacy requirements (leverage ratio) for systemically important banks**

The unweighted capital adequacy requirements for systemically important banks also consist of capital adequacy requirements for the bank to continue its activities (going concern) and additional loss-absorbing capital (gone concern). Any countercyclical buffer (CCB) and extended countercyclical capital buffer (eCCB) requirement is not applicable to the leverage ratio.

The unweighted total going concern requirement consists of a base requirement and additional requirements, calculated on the basis of market share and total exposure. Under Art. 129, para. 2 CAO, the base requirement for Zürcher Kantonalbank is 4.5 percent of total exposure. There are currently no additional requirements for Zürcher Kantonalbank as a result of market share or total exposure. The result as at 31 December 2023 for both the group and parent company is a total going concern requirement of 4.5 percent.

Under Art. 132, para. 2 CAO, the unweighted gone concern requirement is measured based on the total going concern requirement and varies for systemically important banks with and without international operations. For systemically important banks without international operations, such as Zürcher Kantonalbank, the requirements came into effect on 1 January 2019. Based on the transitional provisions in Art. 148j CAO, the gone concern requirement in 2023 is 1.05 percent of total exposure. This will increase in stages until 2026, when the gone concern requirement will be equal to 40 percent of the total going concern requirement for Zürcher Kantonalbank.

In a letter dated 3 September 2019, FINMA increased the unweighted gone concern requirement for contingency planning at Zürcher Kantonalbank from 2026 in the same ratio as for the risk-based gone concern requirements. Under the transitional provisions in Art. 148j CAO, this is equivalent to an additional unweighted requirement of 0.55 percent as at 31 December 2023. This results in a total unweighted gone concern requirement of 1.60 percent

as at 31 December 2023. The total unweighted gone concern requirement is being increased gradually to 2.75 percent by 2026.

### **Material changes in the selection of approaches to calculating the capital ratios**

There were no material changes in the selection of approaches to calculating the capital ratios in the quarter under review.

### **Changes in group regulatory capital and liquidity in comparison with the previous quarter**

As at 31 December 2023, the capital base of Zürcher Kantonalbank comfortably exceeded the regulatory requirements on both a risk-based and unweighted basis. The liquidity situation of Zürcher Kantonalbank also remains comfortable.

For explanations of the main reasons that led to the changes compared with the previous quarter, we refer to our comments on table KM1 starting on page 26.

Group risk-weighted assets (RWA) as at 31 December 2023 amounted to CHF 78,952 million (30 September 2023: CHF 80,050 million). They were therefore CHF 1'098 million lower than in the previous quarter.

Risk-based capital adequacy requirements on a going concern basis as a systemically important bank stood at CHF 10,910 million on 31 December 2023 (30 September 2023: CHF 11,042 million), compared to eligible capital on a going concern basis in the group of CHF 14,797 million (30 September 2023: CHF 14,014 million). This is equivalent to surplus cover of CHF 3,887 million (30 September 2023: CHF 2,972 million). The surplus cover therefore increased by CHF 915 million in the fourth quarter of 2023.

The core capital ratio (going concern) on a group basis as at 31 December 2023 was 18.7 percent (30 September 2023: 17.5 percent). It was thus 4.9 percentage points (30 September 2023: 3.7 percentage points) above the 13.8 percent going concern requirement (30 September 2023: 13.8 percent).

At CHF 6,330 million (8.0 percent of RWA), the eligible additional loss-absorbing capital exceeded the gone concern requirement by CHF 2,470 million as at 31 December 2023 (as at 30 September 2023 the surplus cover was CHF 1,177 million). This means that as at 31 December 2023, Zürcher Kantonalbank already fully met the total risk-based gone concern requirement of 7.86 percent, as defined by FINMA for contingency planning at Zürcher Kantonalbank.

The total leverage ratio exposure increased by CHF 546 million from 30 September 2023 to CHF 223,870 million.

The unweighted total going concern requirement remains unchanged at 4.5 percent. Eligible capital on a going concern basis for the leverage ratio is the same as for the risk-based requirements. This results in surplus cover in the leverage ratio on a going concern basis of 2.1 percentage points as at 31 December 2023 (30 September 2023: 1.8 percentage points), equivalent to CHF 4,723 million (30 September 2023: CHF 3,964 million).

Eligible capital on a gone concern basis for the leverage ratio is also the same as for the risk-based requirements. At CHF 6,330 million (2.8 percent of total exposure), the eligible additional loss-absorbing capital exceeds the gone concern requirement of CHF 3,592 million as at 31 December 2023. This means that as at 31 December 2023, Zürcher Kantonalbank already fully met the total unweighted gone concern requirement for contingency planning of 2.75 percent, as defined by FINMA for contingency planning at Zürcher Kantonalbank.

With the current composition of eligible capital and eligible additional loss-absorbing capital, Zürcher Kantonalbank meets the final rules from 2026 as follows: There is surplus cover of CHF 3,887 million above the risk-based going



concern requirement and CHF 166 million above the risk-based gone concern requirement. On an unweighted basis, the surplus cover amounts to CHF 4,723 million above the going concern requirement and CHF 215 million above the gone concern requirement.

As a systemically important bank, Zürcher Kantonalbank is subject to stricter liquidity requirements than non-systemically important banks. Zürcher Kantonalbank's ongoing comfortable liquidity situation is reflected in the liquidity coverage ratio (LCR). On a group basis, the LCR decreased lightly from the previous quarter and stood at an average of 147 percent in the fourth quarter of 2023 (third quarter of 2023: 148 percent).

The Liquidity Ordinance on the net stable funding ratio (NSFR) state that the NSFR of Zürcher Kantonalbank must be at least 100 percent. On a group basis, the NSFR amounts to 117 percent as at 31 December 2023 (30 September 2023: 117 percent), which means this liquidity requirement is met comfortably.

### 3 Publication frequency of the details on capital and liquidity

The following table gives an overview of the publication frequency of capital and liquidity details which have to be disclosed under current regulations (FINMA Circular 2016/1 "Disclosure - banks"). Tables marked n/a are not applicable for Zürcher Kantonalbank and so are not produced. All other tables are published at the prescribed frequency for domestic systemically important banks reporting financial information semi-annually.

| Reference | Table name   | QUAL or QC <sup>1</sup> | Disclosure frequency |            |        |
|-----------|--|-------------------------|----------------------|------------|--------|
|           |  |                         | Quarterly            | Semiannual | Annual |
| n/a       | Disclosure requirements for systemically important banks: risk-based capital requirements based on capital ratios  | QC                      | ■                    |            |        |
| n/a       | Disclosure requirements for systemically important banks: unweighted capital requirements based on the leverage ratio  | QC                      | ■                    |            |        |
| n/a       | Main features of regulatory capital instruments and of other TLAC-eligible instruments in accordance with the provisions for systemically important banks                | QUAL / QC               | ■                    |            |        |
| KM1       | Key metrics  | QC                      | ■                    |            |        |
| KM2       | Key metrics - TLAC requirements (at resolution group level)  | QC                      | n/a                  | n/a        | n/a    |
| OVA       | Bank risk management approach  | QUAL                    |                      |            | ■      |
| OV1       | Overview of RWA  | QC                      |                      | ■          |        |
| LI1       | Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories                      | QC                      |                      |            | ■      |
| LI2       | Main sources of differences between regulatory exposure amounts and carrying values in consolidated financial statements   | QC                      |                      |            | ■      |
| LIA       | Explanations of differences between accounting and regulatory exposure amounts   | QUAL                    |                      |            | ■      |
| PV1       | Prudent valuation adjustments (PVA)  | QC                      |                      |            | ■      |
| CC1       | Composition of regulatory capital  | QC                      |                      | ■          |        |
| CC2       | Reconciliation of regulatory capital to balance sheet  | QC                      |                      | ■          |        |
| CCA       | Main features of regulatory capital instruments and of other TLAC-eligible instruments in accordance with the provisions of the CAO for non-systemically important banks | QUAL / QC               |                      | ■          |        |
| TLAC1     | TLAC composition for G-SIBs (at resolution group level)  | QC                      | n/a                  | n/a        | n/a    |
| TLAC2     | Material subgroup entity - creditor ranking at legal entity level  | QC                      | n/a                  | n/a        | n/a    |
| TLAC3     | Resolution entity - creditor ranking at legal entity level   | QC                      | n/a                  | n/a        | n/a    |
| GSIB1     | Disclosure of G-SIB indicators   | QC                      | n/a                  | n/a        | n/a    |
| CCyB1     | Geographical distribution of credit exposures used in the countercyclical buffer   | QC                      |                      | ■          |        |
| LR1       | Leverage ratio: summary comparison of accounting assets vs leverage ratio exposure measure   | QC                      |                      | ■          |        |
| LR2       | Leverage ratio: leverage ratio common disclosure template  | QC                      |                      | ■          |        |
| LIQA      | Liquidity: liquidity risk management   | QUAL / QC               |                      |            | ■      |
| LIQ1      | Liquidity: Liquidity coverage ratio (LCR)  | QC                      |                      | ■          |        |
| LIQ2      | Liquidity: Net stable funding ratio (NSFR)   | QC                      |                      | ■          |        |

<sup>1</sup> Qualitative (QUAL) or quantitative with comments (QC)



| Reference | Table name  | QUAL or QC <sup>1</sup> | Disclosure frequency |            |        |
|-----------|---|-------------------------|----------------------|------------|--------|
|           |   |                         | Quarterly            | Semiannual | Annual |
| CRA       | Credit risk: general qualitative information about credit risk  | QUAL                    |                      |            | ■      |
| CR1       | Credit risk: credit quality of assets   | QC                      |                      | ■          |        |
| CR2       | Credit risk: changes in stock of defaulted loans and debt securities  | QC                      |                      | ■          |        |
| CRB       | Credit risk: additional disclosure related to the credit quality of assets  | QUAL / QC               |                      |            | ■      |
| CRC       | Credit risk: qualitative disclosure requirements related to credit risk mitigation techniques   | QUAL                    |                      |            | ■      |
| CR3       | Credit risk: credit risk mitigation techniques - overview   | QC                      |                      | ■          |        |
| CRD       | Credit risk: qualitative disclosures on banks' use of external credit ratings under the standardised approach for credit risk           | QUAL                    |                      |            | ■      |
| CR4       | Credit risk: standardised approach - credit risk exposure and credit risk mitigation (CRM) effects                                      | QC                      |                      | ■          |        |
| CR5       | Credit risk: standardised approach - exposures by asset classes and risk weights  | QC                      |                      | ■          |        |
| CRE       | IRB: qualitative disclosures related to IRB models  | QUAL                    |                      |            | ■      |
| CR6       | IRB: credit risk exposures by portfolio and probability of default (PD) range   | QC                      |                      | ■          |        |
| CR7       | IRB: effect on RWA of credit derivatives used as CRM techniques   | QC                      |                      | ■          |        |
| CR8       | IRB: RWA flow statements of credit risk exposures under IRB   | QC                      |                      | ■          |        |
| CR9       | IRB: back-testing of PD per portfolio   | QC                      |                      |            | ■      |
| CR10      | IRB: specialised lending and equities under the simple risk weight method   | QC                      |                      | ■          |        |
| CCRA      | Counterparty credit risk: qualitative disclosure related to counterparty credit risk  | QUAL                    |                      |            | ■      |
| CCR1      | Counterparty credit risk: analysis of counterparty credit risk (CCR) exposure by approach   | QC                      |                      | ■          |        |
| CCR2      | Counterparty credit risk: credit valuation adjustment (CVA) capital charge  | QC                      |                      | ■          |        |
| CCR3      | Counterparty credit risk: standardised approach of CCR exposures by regulatory portfolio and risk weights                               | QC                      |                      | ■          |        |
| CCR4      | IRB: CCR exposures by portfolio and PD scale  | QC                      |                      | ■          |        |
| CCR5      | Counterparty credit risk: composition of collateral for CCR exposure  | QC                      |                      | ■          |        |
| CCR6      | Counterparty credit risk: credit derivatives exposures  | QC                      |                      | ■          |        |
| CCR7      | Counterparty credit risk: RWA flow statements of CCR exposures under the Internal Model Method (IMM)                                    | QC                      |                      | ■          |        |
| CCR8      | Counterparty credit risk: exposures to central counterparties   | QC                      |                      | ■          |        |
| SECA      | Securitisations: qualitative disclosure requirements related to securitisation exposures  | QUAL                    |                      |            | ■      |
| SEC1      | Securitisations: exposures in the banking book  | QC                      |                      | ■          |        |
| SEC2      | Securitisations: exposures in the trading book  | QC                      |                      | ■          |        |
| SEC3      | Securitisations: exposures in the banking book and associated regulatory capital requirements – bank acting as originator or as sponsor | QC                      |                      | ■          |        |
| SEC4      | Securitisations: exposures in the banking book and associated capital requirements – bank acting as investor                            | QC                      |                      | ■          |        |
| MRA       | Market risk: general qualitative disclosure requirements related to market risk   | QUAL                    |                      |            | ■      |
| MR1       | Market risk: market risk under SA   | QC                      |                      | ■          |        |
| MRB       | Market risk: qualitative disclosures for banks using the Internal Model Approach (IMA)  | QUAL                    |                      |            | ■      |
| MR2       | Market risk: RWA flow statements of market risk exposures under IMA   | QC                      |                      | ■          |        |
| MR3       | Market risk: IMA values for trading portfolios  | QC                      |                      | ■          |        |
| MR4       | Market risk: comparison of VaR estimates with gains/losses  | QC                      |                      | ■          |        |
| IRRBBA    | Interest rate risk: interest rate risk in the banking book (IRRB) risk management objective and policies                                | QUAL / QC               |                      |            | ■      |
| IRRBBA1   | Interest rate risk: quantitative information on exposure structure and repricing  | QC                      |                      |            | ■      |
| IRRB1     | Interest rate risk: quantitative information on IRRBB   | QC                      |                      |            | ■      |
| REMA      | Remuneration: policy  | QUAL                    | n/a                  | n/a        | n/a    |
| REMA1     | Remuneration: remuneration awarded during the financial year  | QC                      | n/a                  | n/a        | n/a    |
| REMA2     | Remuneration: special payments  | QC                      | n/a                  | n/a        | n/a    |
| REMA3     | Remuneration: deferred remuneration   | QC                      | n/a                  | n/a        | n/a    |
| ORA       | Qualitative disclosure requirements related to operational risks  | QUAL                    |                      |            | ■      |
| Annex 4   | Corporate Governance  | QUAL                    | ■                    |            |        |
| Annex 5   | Climate-related financial risks   | QUAL / QC               |                      |            | ■      |

<sup>1</sup> Qualitative (QUAL) or quantitative with comments (QC)

## 4 Disclosure requirements for systemically important banks

### Special disclosure obligations for systemically important financial groups and banks

Zürcher Kantonalbank has been deemed a domestic systemically important bank since November 2013.

#### 4.1 Risk-based capital requirements based on capital ratios (group and parent company)

| 31.12.2023  |                    |                 |                            |                 | Group |
|---|--------------------|-----------------|----------------------------|-----------------|-------|
| in CHF million and in % RWA   |                    |                 |                            |                 |       |
| Basis of assessment   | Current rules      |                 | Definitive rules from 2026 |                 |       |
|   | CHF million        |                 | CHF million                |                 |       |
| <b>Risk-weighted assets (RWA)</b>   | <b>78,952</b>      |                 | <b>78,952</b>              |                 |       |
| <b>Risk-based capital requirements (going concern) based on capital ratios</b>  | <b>CHF million</b> | <b>in % RWA</b> | <b>CHF million</b>         | <b>in % RWA</b> |       |
| <b>Total <sup>1</sup></b>   | <b>10,910</b>      | <b>13.8%</b>    | <b>10,910</b>              | <b>13.8%</b>    |       |
| of which CET1: minimum capital  | 3,553              | 4.5%            | 3,553                      | 4.5%            |       |
| of which CET1: buffer capital   | 3,205              | 4.1%            | 3,205                      | 4.1%            |       |
| of which CET1: countercyclical buffer   | 757                | 1.0%            | 757                        | 1.0%            |       |
| of which Additional Tier 1: minimum capital   | 2,763              | 3.5%            | 2,763                      | 3.5%            |       |
| of which Additional Tier 1: buffer capital  | 632                | 0.8%            | 632                        | 0.8%            |       |
| <b>Eligible capital (going concern)</b>   | <b>CHF million</b> | <b>in % RWA</b> | <b>CHF million</b>         | <b>in % RWA</b> |       |
| <b>Core capital</b>   | <b>14,797</b>      | <b>18.7%</b>    | <b>14,797</b>              | <b>18.7%</b>    |       |
| of which CET1   | 11,403             | 14.4%           | 11,403                     | 14.4%           |       |
| of which CET1 to cover additional Tier 1 requirements   | 2,331              | 3.0%            | 2,331                      | 3.0%            |       |
| of which additional Tier 1 high-trigger CoCos   | 1,064              | 1.3%            | 1,064                      | 1.3%            |       |
| of which additional Tier 1 low-trigger CoCos  | –                  | –               | –                          | –               |       |
| <b>Risk-based requirements for additional loss-absorbing capital (gone concern) based on capital ratios</b>             | <b>CHF million</b> | <b>in % RWA</b> | <b>CHF million</b>         | <b>in % RWA</b> |       |
| Total according to size and market share incl. additional requirement FINMA <sup>2,3</sup>                              | 3,860              | 4.9%            | 6,206                      | 7.9%            |       |
| Reduction based on holdings in additional capital in the form of CET1 or contingent capital as per Art. 132 para. 4 CAO | –                  | –               | –                          | –               |       |
| <b>Total (net)</b>  | <b>3,860</b>       | <b>4.9%</b>     | <b>6,206</b>               | <b>7.9%</b>     |       |
| <b>Eligible additional loss-absorbing capital (gone concern)</b>  | <b>CHF million</b> | <b>in % RWA</b> | <b>CHF million</b>         | <b>in % RWA</b> |       |
| <b>Total</b>  | <b>6,330</b>       | <b>8.0%</b>     | <b>6,372</b>               | <b>8.1%</b>     |       |
| of which CET1 used to meet gone concern requirements  | –                  | –               | –                          | –               |       |
| of which additional Tier 1 used to meet gone concern requirements   | –                  | –               | –                          | –               |       |
| of which Tier 2 high-trigger CoCos  | –                  | –               | –                          | –               |       |
| of which Tier 2 low-trigger CoCos   | –                  | –               | –                          | –               |       |
| of which Tier 2 with PONV <sup>4</sup>  | 465                | 0.6%            | 465                        | 0.6%            |       |
| of which non-Basel III compliant Tier 1   | –                  | –               | –                          | –               |       |
| of which non-Basel III compliant Tier 2   | –                  | –               | –                          | –               |       |
| of which bail-in bonds  | 1,505              | 1.9%            | 1,805 <sup>5</sup>         | 2.3%            |       |
| of which other eligible additional loss-absorbing capital <sup>6</sup>  | 1,000              | 1.3%            | 1,000                      | 1.3%            |       |
| of which surplus value adjustments under the IRB approach <sup>7</sup>  | 258                | 0.3%            | –                          | –               |       |
| of which state guarantee or similar mechanism <sup>8</sup>  | 3,103              | 3.9%            | 3,103                      | 3.9%            |       |

<sup>1</sup> The risk-based capital requirements on a going concern basis are calculated as a percentage of risk-weighted assets (RWA). Under Article 129 CAO, the total risk-based requirement for Zürcher Kantonalbank is 12.86%. On top of this come the requirements for the countercyclical buffer (CCB) under Art. 44 CAO, currently 0.93%, and the extended countercyclical buffer (eCCB) under Art. 44a CAO, currently 0.03% of RWA. As at 31.12.2023 this results in a risk-based total requirement (going concern) of 13.82%.

<sup>2</sup> Under Article 132, para. 2 CAO, the risk-based requirements for additional loss-absorbing capital (gone concern) are calculated using the total going concern requirement under Article 129 CAO. Based on the transitional provisions in Article 148j CAO, the gone concern requirement in 2023 is 3.20% of RWA. This will increase in stages until 2026, when the gone concern requirement will be equal to 40 percent of the total going concern requirement for Zürcher Kantonalbank (excluding the CCB).

<sup>3</sup> In a letter dated 03.09.2019, FINMA set the risk-based requirements for additional loss-absorbing capital (gone concern) for contingency planning at Zürcher Kantonalbank at 7.86% from 2026, including the total according to size and market share. Under the transitional provisions in Art. 148j CAO, this is equivalent to an additional risk-based requirement of 1.69% in 2023. This results in a total risk-based gone concern requirement of 4.89% as at 31.12.2023 (under current rules). As at 31.12.2023, Zürcher Kantonalbank already fully met the total risk-based gone concern requirement of 7.86%, as defined by FINMA for contingency planning at Zürcher Kantonalbank.

<sup>4</sup> Any write-downs are triggered by FINMA when they declare a threat of insolvency (PONV = point of non-viability).

<sup>5</sup> As a replacement for the discontinuation of the eligibility of the surplus of value adjustments from 01.01.2025 (in accordance with the FINMA decision of 29.11.2023), on 04.03.2024, Zürcher Kantonalbank placed bail-in bonds totalling CHF 300 million (paid up as of 22.03.2024).

<sup>6</sup> By resolution of the cantonal parliament, the endowment capital reserve (CHF 1,000 million) was reserved in full for the Bank's contingency planning and accordingly qualifies as eligible additional loss-absorbing capital on a gone concern basis. As a result, the endowment capital reserve can now only be called on by order of FINMA or a FINMA-appointed restructuring official.

<sup>7</sup> Zürcher Kantonalbank adopted the rules on value adjustments (VA) and provisions (P) for expected losses (EL) on 01.01.2021. The portion of the VA and P for EL that exceeds expected losses calculated under the IRB approach qualifies as eligible additional loss-absorbing capital (gone concern) up to and including 31.12.2024.

<sup>8</sup> Zürcher Kantonalbank, as a systemically important bank without international operations, has an explicit cantonal state guarantee. As at 31.12.2023, the amount of the state guarantee that can be recognised under Art. 132b, letter a CAO is half of the risk-based gone concern total requirement of 7.86% of RWA.

| 30.09.2023  |  |                    |                 | Group                      |                 |
|---|--|--------------------|-----------------|----------------------------|-----------------|
| in CHF million and in % RWA   |  | Current rules      |                 | Definitive rules from 2026 |                 |
| Basis of assessment   |  | CHF million        |                 | CHF million                |                 |
| Risk-weighted assets (RWA)  |  | 80,050             |                 | 80,050                     |                 |
| Risk-based capital requirements (going concern) based on capital ratios   |  | CHF million        | in % RWA        | CHF million                | in % RWA        |
| <b>Total</b> <sup>1</sup>   |  | <b>11,042</b>      | <b>13.8%</b>    | <b>11,042</b>              | <b>13.8%</b>    |
| of which CET1: minimum capital  |  | 3,602              | 4.5%            | 3,602                      | 4.5%            |
| of which CET1: buffer capital   |  | 3,250              | 4.1%            | 3,250                      | 4.1%            |
| of which CET1: countercyclical buffer   |  | 748                | 0.9%            | 748                        | 0.9%            |
| of which Additional Tier 1: minimum capital   |  | 2,802              | 3.5%            | 2,802                      | 3.5%            |
| of which Additional Tier 1: buffer capital  |  | 640                | 0.8%            | 640                        | 0.8%            |
| <b>Eligible capital (going concern)</b>   |  | <b>CHF million</b> | <b>in % RWA</b> | <b>CHF million</b>         | <b>in % RWA</b> |
| <b>Core capital</b>   |  | <b>14,014</b>      | <b>17.5%</b>    | <b>14,006</b>              | <b>17.5%</b>    |
| of which CET1   |  | 10,572             | 13.2%           | 10,564                     | 13.2%           |
| of which CET1 to cover additional Tier 1 requirements   |  | 2,377              | 3.0%            | 2,385                      | 3.0%            |
| of which additional Tier 1 high-trigger CoCos   |  | 1,065              | 1.3%            | 1,057                      | 1.3%            |
| of which additional Tier 1 low-trigger CoCos  |  | –                  | –               | –                          | –               |
| <b>Risk-based requirements for additional loss-absorbing capital (gone concern) based on capital ratios</b>             |  | <b>CHF million</b> | <b>in % RWA</b> | <b>CHF million</b>         | <b>in % RWA</b> |
| Total according to size and market share incl. additional requirement FINMA <sup>2,3</sup>                              |  | 3,914              | 4.9%            | 6,292                      | 7.9%            |
| Reduction based on holdings in additional capital in the form of CET1 or contingent capital as per Art. 132 para. 4 CAO |  | –                  | –               | -4                         | -0.0%           |
| <b>Total (net)</b>  |  | <b>3,914</b>       | <b>4.9%</b>     | <b>6,288</b>               | <b>7.9%</b>     |
| <b>Eligible additional loss-absorbing capital (gone concern)</b>  |  | <b>CHF million</b> | <b>in % RWA</b> | <b>CHF million</b>         | <b>in % RWA</b> |
| <b>Total</b>  |  | <b>5,091</b>       | <b>6.4%</b>     | <b>6,288</b>               | <b>7.9%</b>     |
| of which CET1 used to meet gone concern requirements  |  | –                  | –               | –                          | –               |
| of which additional Tier 1 used to meet gone concern requirements   |  | –                  | –               | 8                          | 0.0%            |
| of which Tier 2 high-trigger CoCos  |  | –                  | –               | –                          | –               |
| of which Tier 2 low-trigger CoCos   |  | –                  | –               | –                          | –               |
| of which Tier 2 with PONV <sup>4</sup>  |  | 480                | 0.6%            | 480                        | 0.6%            |
| of which non-Basel III compliant Tier 1   |  | –                  | –               | –                          | –               |
| of which non-Basel III compliant Tier 2   |  | –                  | –               | –                          | –               |
| of which bail-in bonds  |  | 1,393              | 1.7%            | 1,393                      | 1.7%            |
| of which other eligible additional loss-absorbing capital <sup>5</sup>  |  | 1,000              | 1.2%            | 1,000                      | 1.2%            |
| of which surplus value adjustments under the IRB approach <sup>6</sup>  |  | 262                | 0.3%            | 262                        | 0.3%            |
| of which state guarantee or similar mechanism   |  | 1,957              | 2.4%            | 3,146                      | 3.9%            |

<sup>1</sup> The risk-based capital requirements on a going concern basis are calculated as a percentage of risk-weighted assets (RWA). Under Article 129 CAO, the total risk-based requirement for Zürcher Kantonalbank is 12.86%. On top of this come the requirements for the countercyclical buffer (CCB) under Art. 44 CAO, currently 0.90%, and the extended countercyclical buffer (eCCB) under Art. 44a CAO, currently 0.03% of RWA. As at 30.09.2023 this results in a risk-based total requirement (going concern) of 13.79%.

<sup>2</sup> Under Article 132, para. 2 CAO, the risk-based requirements for additional loss-absorbing capital (gone concern) are calculated using the total going concern requirement under Article 129 CAO. Based on the transitional provisions in Article 148j CAO, the gross gone concern requirement in 2023 is 3.20% of RWA. This will increase in stages until 2026, when the gross gone concern requirement will be equal to 40 percent of the total going concern requirement for Zürcher Kantonalbank (excluding the CCB).

<sup>3</sup> In a letter dated 03.09.2019, FINMA set the risk-based requirements for additional loss-absorbing capital (gone concern) for contingency planning at Zürcher Kantonalbank at 7.86% gross from 2026, including the total according to size and market share. Under the transitional provisions in Art. 148j CAO, this is equivalent to an additional risk-based requirement of 1.69% gross in 2023. This results in a total risk-based gone concern requirement of 4.89% gross as at 30.09.2023. The total risk-based gone concern requirement is being increased gradually to 7.86% by 2026, as already mentioned.

<sup>4</sup> Any write-downs are triggered by FINMA when they declare a threat of insolvency (PONV = point of non-viability).

<sup>5</sup> By resolution of the cantonal parliament, the endowment capital reserve (CHF 1,000 million) was reserved in full for the Bank's contingency planning and accordingly qualifies as eligible additional loss-absorbing capital on a gone concern basis. As a result, the endowment capital reserve can now only be called on by order of FINMA or a FINMA-appointed restructuring official.

<sup>6</sup> Zürcher Kantonalbank adopted the rules on value adjustments (VA) and provisions (P) for expected losses (EL) on 01.01.2021. The portion of the VA and P for EL that exceeds expected losses calculated under the IRB approach qualifies as eligible additional loss-absorbing capital (gone concern).

31.12.2023

Parent company

| in CHF million and in % RWA   | Current rules      |                 | Definitive rules from 2026 |                 |
|---|--------------------|-----------------|----------------------------|-----------------|
|   | CHF million        |                 | CHF million                |                 |
| <b>Basis of assessment</b>  |                    |                 |                            |                 |
| <b>Risk-weighted assets (RWA)</b>   | <b>79,509</b>      |                 | <b>79,509</b>              |                 |
| <b>Risk-based capital requirements (going concern) based on capital ratios</b>  | <b>CHF million</b> | <b>in % RWA</b> | <b>CHF million</b>         | <b>in % RWA</b> |
| <b>Total <sup>1</sup></b>   | <b>10,982</b>      | <b>13.8%</b>    | <b>10,982</b>              | <b>13.8%</b>    |
| of which CET1: minimum capital  | 3,578              | 4.5%            | 3,578                      | 4.5%            |
| of which CET1: buffer capital   | 3,228              | 4.1%            | 3,228                      | 4.1%            |
| of which CET1: countercyclical buffer   | 757                | 1.0%            | 757                        | 1.0%            |
| of which Additional Tier 1: minimum capital   | 2,783              | 3.5%            | 2,783                      | 3.5%            |
| of which Additional Tier 1: buffer capital  | 636                | 0.8%            | 636                        | 0.8%            |
| <b>Eligible capital (going concern)</b>   | <b>CHF million</b> | <b>in % RWA</b> | <b>CHF million</b>         | <b>in % RWA</b> |
| <b>Core capital</b>   | <b>14,942</b>      | <b>18.8%</b>    | <b>14,942</b>              | <b>18.8%</b>    |
| of which CET1   | 11,523             | 14.5%           | 11,523                     | 14.5%           |
| of which CET1 to cover additional Tier 1 requirements   | 2,355              | 3.0%            | 2,355                      | 3.0%            |
| of which additional Tier 1 high-trigger CoCos   | 1,064              | 1.3%            | 1,064                      | 1.3%            |
| of which additional Tier 1 low-trigger CoCos  | –                  | –               | –                          | –               |
| <b>Risk-based requirements for additional loss-absorbing capital (gone concern) based on capital ratios</b>             | <b>CHF million</b> | <b>in % RWA</b> | <b>CHF million</b>         | <b>in % RWA</b> |
| Total according to size and market share incl. additional requirement FINMA <sup>2, 3</sup>                             | 3,888              | 4.9%            | 6,249                      | 7.9%            |
| Reduction based on holdings in additional capital in the form of CET1 or contingent capital as per Art. 132 para. 4 CAO | –                  | –               | –                          | –               |
| <b>Total (net)</b>  | <b>3,888</b>       | <b>4.9%</b>     | <b>6,249</b>               | <b>7.9%</b>     |
| <b>Eligible additional loss-absorbing capital (gone concern)</b>  | <b>CHF million</b> | <b>in % RWA</b> | <b>CHF million</b>         | <b>in % RWA</b> |
| <b>Total</b>  | <b>6,352</b>       | <b>8.0%</b>     | <b>6,394</b>               | <b>8.0%</b>     |
| of which CET1 used to meet gone concern requirements  | –                  | –               | –                          | –               |
| of which additional Tier 1 used to meet gone concern requirements   | –                  | –               | –                          | –               |
| of which Tier 2 high-trigger CoCos  | –                  | –               | –                          | –               |
| of which Tier 2 low-trigger CoCos   | –                  | –               | –                          | –               |
| of which Tier 2 with PONV <sup>4</sup>  | 465                | 0.6%            | 465                        | 0.6%            |
| of which non-Basel III compliant Tier 1   | –                  | –               | –                          | –               |
| of which non-Basel III compliant Tier 2   | –                  | –               | –                          | –               |
| of which bail-in bonds  | 1,505              | 1.9%            | 1,805 <sup>5</sup>         | 2.3%            |
| of which other eligible additional loss-absorbing capital <sup>6</sup>  | 1,000              | 1.3%            | 1,000                      | 1.3%            |
| of which surplus value adjustments under the IRB approach <sup>7</sup>  | 258                | 0.3%            | –                          | –               |
| of which state guarantee or similar mechanism <sup>8</sup>  | 3,125              | 3.9%            | 3,125                      | 3.9%            |

<sup>1</sup> The risk-based capital requirements on a going concern basis are calculated as a percentage of risk-weighted assets (RWA). Under Article 129 CAO, the total risk-based requirement for Zürcher Kantonalbank is 12.86%. On top of this come the requirements for the countercyclical buffer (CCB) under Art. 44 CAO, currently 0.92%, and the extended countercyclical buffer (eCCB) under Art. 44a CAO, currently 0.03% of RWA. As at 31.12.2023 this results in a risk-based total requirement (going concern) of 13.81%.

<sup>2</sup> Under Article 132, para. 2 CAO, the risk-based requirements for additional loss-absorbing capital (gone concern) are calculated using the total going concern requirement under Article 129 CAO. Based on the transitional provisions in Article 148j CAO, the gone concern requirement in 2023 is 3.20% of RWA. This will increase in stages until 2026, when the gone concern requirement will be equal to 40 percent of the total going concern requirement for Zürcher Kantonalbank (excluding the CCB).

<sup>3</sup> In a letter dated 03.09.2019, FINMA set the risk-based requirements for additional loss-absorbing capital (gone concern) for contingency planning at Zürcher Kantonalbank at 7.86% from 2026, including the total according to size and market share. Under the transitional provisions in Art. 148j CAO, this is equivalent to an additional risk-based requirement of 1.69% in 2023. This results in a total risk-based gone concern requirement of 4.89% as at 31.12.2023 (under current rules). As at 31.12.2023, Zürcher Kantonalbank already fully met the total risk-based gone concern requirement of 7.86%, as defined by FINMA for contingency planning at Zürcher Kantonalbank.

<sup>4</sup> Any write-downs are triggered by FINMA when they declare a threat of insolvency (PONV = point of non-viability).

<sup>5</sup> As a replacement for the discontinuation of the eligibility of the surplus of value adjustments from 01.01.2025 (in accordance with the FINMA decision of 29.11.2023), on 04.03.2024, Zürcher Kantonalbank placed bail-in bonds totalling CHF 300 million (paid up as of 22.03.2024).

<sup>6</sup> By resolution of the cantonal parliament, the endowment capital reserve (CHF 1,000 million) was reserved in full for the Bank's contingency planning and accordingly qualifies as eligible additional loss-absorbing capital on a gone concern basis. As a result, the endowment capital reserve can now only be called on by order of FINMA or a FINMA-appointed restructuring official.

<sup>7</sup> Zürcher Kantonalbank adopted the rules on value adjustments (VA) and provisions (P) for expected losses (EL) on 01.01.2021. The portion of the VA and P for EL that exceeds expected losses calculated under the IRB approach qualifies as eligible additional loss-absorbing capital (gone concern) up to and including 31.12.2024.

<sup>8</sup> Zürcher Kantonalbank, as a systemically important bank without international operations, has an explicit cantonal state guarantee. As at 31.12.2023, the amount of the state guarantee that can be recognised under Art. 132b, letter a CAO is half of the risk-based gone concern total requirement of 7.86% of RWA.

| 30.09.2023  |  | Parent company     |                 |                            |                 |
|---|--|--------------------|-----------------|----------------------------|-----------------|
| in CHF million and in % RWA   |  | Current rules      |                 | Definitive rules from 2026 |                 |
| Basis of assessment   |  | CHF million        |                 | CHF million                |                 |
| Risk-weighted assets (RWA)  |  | 80,600             |                 | 80,600                     |                 |
| Risk-based capital requirements (going concern) based on capital ratios   |  | CHF million        | in % RWA        | CHF million                | in % RWA        |
| <b>Total</b> <sup>1</sup>   |  | <b>11,113</b>      | <b>13.8%</b>    | <b>11,113</b>              | <b>13.8%</b>    |
| of which CET1: minimum capital  |  | 3,627              | 4.5%            | 3,627                      | 4.5%            |
| of which CET1: buffer capital   |  | 3,272              | 4.1%            | 3,272                      | 4.1%            |
| of which CET1: countercyclical buffer   |  | 748                | 0.9%            | 748                        | 0.9%            |
| of which Additional Tier 1: minimum capital   |  | 2,821              | 3.5%            | 2,821                      | 3.5%            |
| of which Additional Tier 1: buffer capital  |  | 645                | 0.8%            | 645                        | 0.8%            |
| <b>Eligible capital (going concern)</b>   |  | <b>CHF million</b> | <b>in % RWA</b> | <b>CHF million</b>         | <b>in % RWA</b> |
| <b>Core capital</b>   |  | <b>14,157</b>      | <b>17.6%</b>    | <b>14,134</b>              | <b>17.5%</b>    |
| of which CET1   |  | 10,691             | 13.3%           | 10,669                     | 13.2%           |
| of which CET1 to cover additional Tier 1 requirements   |  | 2,401              | 3.0%            | 2,423                      | 3.0%            |
| of which additional Tier 1 high-trigger CoCos   |  | 1,065              | 1.3%            | 1,043                      | 1.3%            |
| of which additional Tier 1 low-trigger CoCos  |  | –                  | –               | –                          | –               |
| <b>Risk-based requirements for additional loss-absorbing capital (gone concern) based on capital ratios</b>             |  | <b>CHF million</b> | <b>in % RWA</b> | <b>CHF million</b>         | <b>in % RWA</b> |
| Total according to size and market share incl. additional requirement FINMA <sup>2,3</sup>                              |  | 3,941              | 4.9%            | 6,335                      | 7.9%            |
| Reduction based on holdings in additional capital in the form of CET1 or contingent capital as per Art. 132 para. 4 CAO |  | –                  | –               | -11                        | -0.0%           |
| <b>Total (net)</b>  |  | <b>3,941</b>       | <b>4.9%</b>     | <b>6,324</b>               | <b>7.8%</b>     |
| <b>Eligible additional loss-absorbing capital (gone concern)</b>  |  | <b>CHF million</b> | <b>in % RWA</b> | <b>CHF million</b>         | <b>in % RWA</b> |
| <b>Total</b>  |  | <b>5,105</b>       | <b>6.3%</b>     | <b>6,324</b>               | <b>7.8%</b>     |
| of which CET1 used to meet gone concern requirements  |  | –                  | –               | –                          | –               |
| of which additional Tier 1 used to meet gone concern requirements   |  | –                  | –               | 22                         | 0.0%            |
| of which Tier 2 high-trigger CoCos  |  | –                  | –               | –                          | –               |
| of which Tier 2 low-trigger CoCos   |  | –                  | –               | –                          | –               |
| of which Tier 2 with PONV <sup>4</sup>  |  | 480                | 0.6%            | 480                        | 0.6%            |
| of which non-Basel III compliant Tier 1   |  | –                  | –               | –                          | –               |
| of which non-Basel III compliant Tier 2   |  | –                  | –               | –                          | –               |
| of which bail-in bonds  |  | 1,393              | 1.7%            | 1,393                      | 1.7%            |
| of which other eligible additional loss-absorbing capital <sup>5</sup>  |  | 1,000              | 1.2%            | 1,000                      | 1.2%            |
| of which surplus value adjustments under the IRB approach <sup>6</sup>  |  | 261                | 0.3%            | 261                        | 0.3%            |
| of which state guarantee or similar mechanism   |  | 1,971              | 2.4%            | 3,168                      | 3.9%            |

<sup>1</sup> The risk-based capital requirements on a going concern basis are calculated as a percentage of risk-weighted assets (RWA). Under Article 129 CAO, the total risk-based requirement for Zürcher Kantonalbank is 12.86%. On top of this come the requirements for the countercyclical buffer (CCB) under Art. 44 CAO, currently 0.90%, and the extended countercyclical buffer (eCCB) under Art. 44a CAO, currently 0.03% of RWA. As at 30.09.2023 this results in a risk-based total requirement (going concern) of 13.79%.

<sup>2</sup> Under Article 132, para. 2 CAO, the risk-based requirements for additional loss-absorbing capital (gone concern) are calculated using the total going concern requirement under Article 129 CAO. Based on the transitional provisions in Article 148j CAO, the gross gone concern requirement in 2023 is 3.20% of RWA. This will increase in stages until 2026, when the gross gone concern requirement will be equal to 40 percent of the total going concern requirement for Zürcher Kantonalbank (excluding the CCB).

<sup>3</sup> In a letter dated 03.09.2019, FINMA set the risk-based requirements for additional loss-absorbing capital (gone concern) for contingency planning at Zürcher Kantonalbank at 7.86% gross from 2026, including the total according to size and market share. Under the transitional provisions in Art. 148j CAO, this is equivalent to an additional risk-based requirement of 1.69% gross in 2023. This results in a total risk-based gone concern requirement of 4.89% gross as at 30.09.2023. The total risk-based gone concern requirement is being increased gradually to 7.86% by 2026, as already mentioned.

<sup>4</sup> Any write-downs are triggered by FINMA when they declare a threat of insolvency (PONV = point of non-viability).

<sup>5</sup> By resolution of the cantonal parliament, the endowment capital reserve (CHF 1,000 million) was reserved in full for the Bank's contingency planning and accordingly qualifies as eligible additional loss-absorbing capital on a gone concern basis. As a result, the endowment capital reserve can now only be called on by order of FINMA or a FINMA-appointed restructuring official.

<sup>6</sup> Zürcher Kantonalbank adopted the rules on value adjustments (VA) and provisions (P) for expected losses (EL) on 01.01.2021. The portion of the VA and P for EL that exceeds expected losses calculated under the IRB approach qualifies as eligible additional loss-absorbing capital (gone concern).

## 4.2 Unweighted capital requirements based on the leverage ratio (group and parent company)

31.12.2023

Group

in CHF million and in % LRD

|   | Current rules      |                 | Definitive rules from 2026 |                 |
|---|--------------------|-----------------|----------------------------|-----------------|
| Basis of assessment   | CHF million        |                 | CHF million                |                 |
| <b>Leverage ratio exposure measure (leverage ratio denominator, LRD)</b>  | <b>223,870</b>     |                 | <b>223,870</b>             |                 |
| <b>Unweighted capital requirements (going concern) based on the leverage ratio</b>                                      | <b>CHF million</b> | <b>in % LRD</b> | <b>CHF million</b>         | <b>in % LRD</b> |
| <b>Total <sup>1</sup></b>   | <b>10,074</b>      | <b>4.5%</b>     | <b>10,074</b>              | <b>4.5%</b>     |
| of which CET1: minimum capital  | 3,358              | 1.5%            | 3,358                      | 1.5%            |
| of which CET1: buffer capital   | 3,358              | 1.5%            | 3,358                      | 1.5%            |
| of which Additional Tier 1: minimum capital   | 3,358              | 1.5%            | 3,358                      | 1.5%            |
| <b>Eligible capital (going concern)</b>   | <b>CHF million</b> | <b>in % LRD</b> | <b>CHF million</b>         | <b>in % LRD</b> |
| <b>Core capital</b>   | <b>14,797</b>      | <b>6.6%</b>     | <b>14,797</b>              | <b>6.6%</b>     |
| of which CET1   | 11,403             | 5.1%            | 11,403                     | 5.1%            |
| of which CET1 to cover additional Tier 1 requirements   | 2,331              | 1.0%            | 2,331                      | 1.0%            |
| of which additional Tier 1 high-trigger CoCos   | 1,064              | 0.5%            | 1,064                      | 0.5%            |
| of which additional Tier 1 low-trigger CoCos  | –                  | –               | –                          | –               |
| <b>Unweighted requirements for additional loss-absorbing capital (gone concern) based on the leverage ratio</b>         | <b>CHF million</b> | <b>in % LRD</b> | <b>CHF million</b>         | <b>in % LRD</b> |
| Total according to size and market share incl. additional requirement FINMA <sup>2,3</sup>                              | 3,592              | 1.6%            | 6,157                      | 2.8%            |
| Reduction based on holdings in additional capital in the form of CET1 or contingent capital as per Art. 132 para. 4 CAO | –                  | –               | –                          | –               |
| <b>Total (net)</b>  | <b>3,592</b>       | <b>1.6%</b>     | <b>6,157</b>               | <b>2.8%</b>     |
| <b>Eligible additional loss-absorbing capital (gone concern)</b>  | <b>CHF million</b> | <b>in % LRD</b> | <b>CHF million</b>         | <b>in % LRD</b> |
| <b>Total</b>  | <b>6,330</b>       | <b>2.8%</b>     | <b>6,372</b>               | <b>2.8%</b>     |
| of which CET1 used to meet gone concern requirements  | –                  | –               | –                          | –               |
| of which additional Tier 1 used to meet gone concern requirements   | –                  | –               | –                          | –               |
| of which Tier 2 high-trigger CoCos  | –                  | –               | –                          | –               |
| of which Tier 2 low-trigger CoCos   | –                  | –               | –                          | –               |
| of which Tier 2 with PONV <sup>4</sup>  | 465                | 0.2%            | 465                        | 0.2%            |
| of which non-Basel III compliant Tier 1   | –                  | –               | –                          | –               |
| of which non-Basel III compliant Tier 2   | –                  | –               | –                          | –               |
| of which bail-in bonds  | 1,505              | 0.7%            | 1,805 <sup>5</sup>         | 0.8%            |
| of which other eligible additional loss-absorbing capital <sup>6</sup>  | 1,000              | 0.4%            | 1,000                      | 0.4%            |
| of which surplus value adjustments under the IRB approach <sup>7</sup>  | 258                | 0.1%            | –                          | –               |
| of which state guarantee or similar mechanism <sup>8</sup>  | 3,103              | 1.4%            | 3,103                      | 1.4%            |

<sup>1</sup> The unweighted capital requirements (going concern) are calculated as a percentage of the leverage ratio exposure measure. Under Art. 129 CAO, the unweighted total requirement for Zürcher Kantonalbank is 4.5%.

<sup>2</sup> Under Art. 132, para. 2 CAO, the unweighted requirements for additional loss-absorbing capital (gone concern) are calculated using the total going concern requirement under Art. 129 CAO. Based on the transitional provisions in Art. 148j CAO, the gone concern requirement in 2023 is 1.05% of the leverage ratio exposure measure. This will increase in stages until 2026, when the gone concern requirement will be equal to 40 percent of the total going concern requirement for Zürcher Kantonalbank.

<sup>3</sup> In a letter dated 03.09.2019, FINMA increased the unweighted requirements for additional loss-absorbing capital (gone concern) for contingency planning at Zürcher Kantonalbank from 2026 in the same ratio as for the risk-based gone concern requirements. Under the transitional provisions in Art. 148j CAO, this is equivalent to an additional unweighted requirement of 0.55% in 2023. This results in a total unweighted gone concern requirement of 1.60% as at 31.12.2023 (under current rules). As at 31.12.2023, Zürcher Kantonalbank already fully met the total unweighted gone concern requirement of 2.75%, as defined by FINMA for contingency planning at Zürcher Kantonalbank.

<sup>4</sup> Any write-downs are triggered by FINMA when they declare a threat of insolvency (PONV = point of non-viability).

<sup>5</sup> As a replacement for the discontinuation of the eligibility of the surplus of value adjustments from 01.01.2025 (in accordance with the FINMA decision of 29.11.2023), on 04.03.2024, Zürcher Kantonalbank placed bail-in bonds totalling CHF 300 million (paid up as of 22.03.2024).

<sup>6</sup> By resolution of the cantonal parliament, the endowment capital reserve (CHF 1,000 million) was reserved in full for the Bank's contingency planning and accordingly qualifies as eligible additional loss-absorbing capital on a gone concern basis. As a result, the endowment capital reserve can now only be called on by order of FINMA or a FINMA-appointed restructuring official.

<sup>7</sup> Zürcher Kantonalbank adopted the rules on value adjustments (VA) and provisions (P) for expected losses (EL) on 01.01.2021. The portion of the VA and P for EL that exceeds expected losses calculated under the IRB approach qualifies as eligible additional loss-absorbing capital (gone concern) up to and including 31.12.2024.

<sup>8</sup> Zürcher Kantonalbank, as a systemically important bank without international operations, has an explicit cantonal state guarantee. As at 31.12.2023, the amount of the state guarantee that can be recognised under Art. 132b, letter a CAO is half of the risk-based gone concern total requirement of 7.86% of RWA.

| 30.09.2023  |               |               |               | Group                      |  |
|---|---------------|---------------|---------------|----------------------------|--|
| in CHF million and in % LRD   |               | Current rules |               | Definitive rules from 2026 |  |
| Basis of assessment   |               | CHF million   |               | CHF million                |  |
| Leverage ratio exposure measure (leverage ratio denominator, LRD)   |               | 223,324       |               | 223,324                    |  |
| Unweighted capital requirements (going concern) based on the leverage ratio   |               |               |               |                            |  |
|   | CHF million   | in % LRD      | CHF million   | in % LRD                   |  |
| <b>Total</b> <sup>1</sup>   | <b>10,050</b> | <b>4.5%</b>   | <b>10,050</b> | <b>4.5%</b>                |  |
| of which CET1: minimum capital  | 3,350         | 1.5%          | 3,350         | 1.5%                       |  |
| of which CET1: buffer capital   | 3,350         | 1.5%          | 3,350         | 1.5%                       |  |
| of which Additional Tier 1: minimum capital   | 3,350         | 1.5%          | 3,350         | 1.5%                       |  |
| Eligible capital (going concern)  |               |               |               |                            |  |
|   | CHF million   | in % LRD      | CHF million   | in % LRD                   |  |
| <b>Core capital</b>   | <b>14,014</b> | <b>6.3%</b>   | <b>14,006</b> | <b>6.3%</b>                |  |
| of which CET1   | 10,572        | 4.7%          | 10,564        | 4.7%                       |  |
| of which CET1 to cover additional Tier 1 requirements   | 2,377         | 1.1%          | 2,385         | 1.1%                       |  |
| of which additional Tier 1 high-trigger CoCos   | 1,065         | 0.5%          | 1,057         | 0.5%                       |  |
| of which additional Tier 1 low-trigger CoCos  | -             | -             | -             | -                          |  |
| Unweighted requirements for additional loss-absorbing capital (gone concern) based on the leverage ratio                |               |               |               |                            |  |
|   | CHF million   | in % LRD      | CHF million   | in % LRD                   |  |
| Total according to size and market share incl. additional requirement FINMA <sup>2, 3</sup>                             | 3,583         | 1.6%          | 6,142         | 2.8%                       |  |
| Reduction based on holdings in additional capital in the form of CET1 or contingent capital as per Art. 132 para. 4 CAO | -             | -             | -4            | -0.0%                      |  |
| <b>Total (net)</b>  | <b>3,583</b>  | <b>1.6%</b>   | <b>6,138</b>  | <b>2.7%</b>                |  |
| Eligible additional loss-absorbing capital (gone concern)   |               |               |               |                            |  |
|   | CHF million   | in % LRD      | CHF million   | in % LRD                   |  |
| <b>Total</b>  | <b>5,091</b>  | <b>2.3%</b>   | <b>6,288</b>  | <b>2.8%</b>                |  |
| of which CET1 used to meet gone concern requirements  | -             | -             | -             | -                          |  |
| of which additional Tier 1 used to meet gone concern requirements   | -             | -             | 8             | 0.0%                       |  |
| of which Tier 2 high-trigger CoCos  | -             | -             | -             | -                          |  |
| of which Tier 2 low-trigger CoCos   | -             | -             | -             | -                          |  |
| of which Tier 2 with PONV <sup>4</sup>  | 480           | 0.2%          | 480           | 0.2%                       |  |
| of which non-Basel III compliant Tier 1   | -             | -             | -             | -                          |  |
| of which non-Basel III compliant Tier 2   | -             | -             | -             | -                          |  |
| of which bail-in bonds  | 1,393         | 0.6%          | 1,393         | 0.6%                       |  |
| of which other eligible additional loss-absorbing capital <sup>5</sup>  | 1,000         | 0.4%          | 1,000         | 0.4%                       |  |
| of which surplus value adjustments under the IRB approach <sup>6</sup>  | 262           | 0.1%          | 262           | 0.1%                       |  |
| of which state guarantee or similar mechanism   | 1,957         | 0.9%          | 3,146         | 1.4%                       |  |

<sup>1</sup> The unweighted capital requirements (going concern) are calculated as a percentage of the leverage ratio exposure measure. Under Article 129 CAO, the unweighted total requirement for Zürcher Kantonalbank is 4.5%.

<sup>2</sup> Under Article 132, para. 2 CAO, the unweighted requirements for additional loss-absorbing capital (gone concern) are calculated using the total going concern requirement under Article 129 CAO. Based on the transitional provisions in Article 148j CAO, the gross gone concern requirement in 2023 is 1.05% of the leverage ratio exposure measure. This will increase in stages until 2026, when the gross gone concern requirement will be equal to 40 percent of the total going concern requirement for Zürcher Kantonalbank.

<sup>3</sup> In a letter dated 03.09.2019, FINMA increased the unweighted requirements for additional loss-absorbing capital (gone concern) for contingency planning at Zürcher Kantonalbank from 2026 in the same ratio as for the risk-based gone concern requirements. Under the transitional provisions in Art. 148j CAO, this is equivalent to an additional unweighted requirement of 0.55% gross in 2023. This results in a total unweighted gone concern requirement of 1.60% gross as at 30.09.2023. The total unweighted gone concern requirement is being increased gradually to 2.75% gross by 2026.

<sup>4</sup> Any write-downs are triggered by FINMA when they declare a threat of insolvency (PONV = point of non-viability).

<sup>5</sup> By resolution of the cantonal parliament, the endowment capital reserve (CHF 1,000 million) was reserved in full for the Bank's contingency planning and accordingly qualifies as eligible additional loss-absorbing capital on a gone concern basis. As a result, the endowment capital reserve can now only be called on by order of FINMA or a FINMA-appointed restructuring official.

<sup>6</sup> Zürcher Kantonalbank adopted the rules on value adjustments (VA) and provisions (P) for expected losses (EL) on 01.01.2021. The portion of the VA and P for EL that exceeds expected losses calculated under the IRB approach qualifies as eligible additional loss-absorbing capital (gone concern).



31.12.2023

Parent company

| in CHF million and in % LRD   | Current rules      |                 | Definitive rules from 2026 |                 |
|---|--------------------|-----------------|----------------------------|-----------------|
|   | CHF million        |                 | CHF million                |                 |
| <b>Basis of assessment</b>  |                    |                 |                            |                 |
| <b>Leverage ratio exposure measure (leverage ratio denominator, LRD)</b>  | <b>223,907</b>     |                 | <b>223,907</b>             |                 |
| <b>Unweighted capital requirements (going concern) based on the leverage ratio</b>                                      |                    |                 |                            |                 |
|   | <b>CHF million</b> | <b>in % LRD</b> | <b>CHF million</b>         | <b>in % LRD</b> |
| <b>Total</b> <sup>1</sup>   | <b>10,076</b>      | <b>4.5%</b>     | <b>10,076</b>              | <b>4.5%</b>     |
| of which CET1: minimum capital  | 3,359              | 1.5%            | 3,359                      | 1.5%            |
| of which CET1: buffer capital   | 3,359              | 1.5%            | 3,359                      | 1.5%            |
| of which Additional Tier 1: minimum capital   | 3,359              | 1.5%            | 3,359                      | 1.5%            |
| <b>Eligible capital (going concern)</b>   | <b>CHF million</b> | <b>in % LRD</b> | <b>CHF million</b>         | <b>in % LRD</b> |
| <b>Core capital</b>   | <b>14,942</b>      | <b>6.7%</b>     | <b>14,942</b>              | <b>6.7%</b>     |
| of which CET1   | 11,523             | 5.1%            | 11,523                     | 5.1%            |
| of which CET1 to cover additional Tier 1 requirements   | 2,355              | 1.1%            | 2,355                      | 1.1%            |
| of which additional Tier 1 high-trigger CoCos   | 1,064              | 0.5%            | 1,064                      | 0.5%            |
| of which additional Tier 1 low-trigger CoCos  | –                  | –               | –                          | –               |
| <b>Unweighted requirements for additional loss-absorbing capital (gone concern) based on the leverage ratio</b>         | <b>CHF million</b> | <b>in % LRD</b> | <b>CHF million</b>         | <b>in % LRD</b> |
| Total according to size and market share incl. additional requirement FINMA <sup>2,3</sup>                              | 3,592              | 1.6%            | 6,158                      | 2.8%            |
| Reduction based on holdings in additional capital in the form of CET1 or contingent capital as per Art. 132 para. 4 CAO | –                  | –               | –                          | –               |
| <b>Total (net)</b>  | <b>3,592</b>       | <b>1.6%</b>     | <b>6,158</b>               | <b>2.8%</b>     |
| <b>Eligible additional loss-absorbing capital (gone concern)</b>  | <b>CHF million</b> | <b>in % LRD</b> | <b>CHF million</b>         | <b>in % LRD</b> |
| <b>Total</b>  | <b>6,352</b>       | <b>2.8%</b>     | <b>6,394</b>               | <b>2.9%</b>     |
| of which CET1 used to meet gone concern requirements  | –                  | –               | –                          | –               |
| of which additional Tier 1 used to meet gone concern requirements   | –                  | –               | –                          | –               |
| of which Tier 2 high-trigger CoCos  | –                  | –               | –                          | –               |
| of which Tier 2 low-trigger CoCos   | –                  | –               | –                          | –               |
| of which Tier 2 with PONV <sup>4</sup>  | 465                | 0.2%            | 465                        | 0.2%            |
| of which non-Basel III compliant Tier 1   | –                  | –               | –                          | –               |
| of which non-Basel III compliant Tier 2   | –                  | –               | –                          | –               |
| of which bail-in bonds  | 1,505              | 0.7%            | 1,805 <sup>5</sup>         | 0.8%            |
| of which other eligible additional loss-absorbing capital <sup>6</sup>  | 1,000              | 0.4%            | 1,000                      | 0.4%            |
| of which surplus value adjustments under the IRB approach <sup>7</sup>  | 258                | 0.1%            | –                          | –               |
| of which state guarantee or similar mechanism <sup>8</sup>  | 3,125              | 1.4%            | 3,125                      | 1.4%            |

<sup>1</sup> The unweighted capital requirements (going concern) are calculated as a percentage of the leverage ratio exposure measure. Under Art. 129 CAO, the unweighted total requirement for Zürcher Kantonalbank is 4.5%.

<sup>2</sup> Under Art. 132, para. 2 CAO, the unweighted requirements for additional loss-absorbing capital (gone concern) are calculated using the total going concern requirement under Art. 129 CAO. Based on the transitional provisions in Art. 148j CAO, the gone concern requirement in 2023 is 1.05% of the leverage ratio exposure measure. This will increase in stages until 2026, when the gone concern requirement will be equal to 40 percent of the total going concern requirement for Zürcher Kantonalbank.

<sup>3</sup> In a letter dated 03.09.2019, FINMA increased the unweighted requirements for additional loss-absorbing capital (gone concern) for contingency planning at Zürcher Kantonalbank from 2026 in the same ratio as for the risk-based gone concern requirements. Under the transitional provisions in Art. 148j CAO, this is equivalent to an additional unweighted requirement of 0.55% in 2023. This results in a total unweighted gone concern requirement of 1.60% as at 31.12.2023 (under current rules). As at 31.12.2023, Zürcher Kantonalbank already fully met the total unweighted gone concern requirement of 2.75%, as defined by FINMA for contingency planning at Zürcher Kantonalbank.

<sup>4</sup> Any write-downs are triggered by FINMA when they declare a threat of insolvency (PONV = point of non-viability).

<sup>5</sup> As a replacement for the discontinuation of the eligibility of the surplus of value adjustments from 01.01.2025 (in accordance with the FINMA decision of 29.11.2023), on 04.03.2024, Zürcher Kantonalbank placed bail-in bonds totalling CHF 300 million (paid up as of 22.03.2024).

<sup>6</sup> By resolution of the cantonal parliament, the endowment capital reserve (CHF 1,000 million) was reserved in full for the Bank's contingency planning and accordingly qualifies as eligible additional loss-absorbing capital on a gone concern basis. As a result, the endowment capital reserve can now only be called on by order of FINMA or a FINMA-appointed restructuring official.

<sup>7</sup> Zürcher Kantonalbank adopted the rules on value adjustments (VA) and provisions (P) for expected losses (EL) on 01.01.2021. The portion of the VA and P for EL that exceeds expected losses calculated under the IRB approach qualifies as eligible additional loss-absorbing capital (gone concern) up to and including 31.12.2024.

<sup>8</sup> Zürcher Kantonalbank, as a systemically important bank without international operations, has an explicit cantonal state guarantee. As at 31.12.2023, the amount of the state guarantee that can be recognised under Art. 132b, letter a CAO is half of the risk-based gone concern total requirement of 7.86% of RWA.

| 30.09.2023  | Parent company     |                 |                            |                 |
|---|--------------------|-----------------|----------------------------|-----------------|
| in CHF million and in % LRD   | Current rules      |                 | Definitive rules from 2026 |                 |
| Basis of assessment   | CHF million        |                 | CHF million                |                 |
| Leverage ratio exposure measure (leverage ratio denominator, LRD)   | 223,351            |                 | 223,351                    |                 |
| Unweighted capital requirements (going concern) based on the leverage ratio   | CHF million        | in % LRD        | CHF million                | in % LRD        |
| <b>Total</b> <sup>1</sup>   | <b>10,051</b>      | <b>4.5%</b>     | <b>10,051</b>              | <b>4.5%</b>     |
| of which CET1: minimum capital  | 3,350              | 1.5%            | 3,350                      | 1.5%            |
| of which CET1: buffer capital   | 3,350              | 1.5%            | 3,350                      | 1.5%            |
| of which Additional Tier 1: minimum capital   | 3,350              | 1.5%            | 3,350                      | 1.5%            |
| <b>Eligible capital (going concern)</b>   | <b>CHF million</b> | <b>in % LRD</b> | <b>CHF million</b>         | <b>in % LRD</b> |
| <b>Core capital</b>   | <b>14,157</b>      | <b>6.3%</b>     | <b>14,134</b>              | <b>6.3%</b>     |
| of which CET1   | 10,691             | 4.8%            | 10,669                     | 4.8%            |
| of which CET1 to cover additional Tier 1 requirements   | 2,401              | 1.1%            | 2,423                      | 1.1%            |
| of which additional Tier 1 high-trigger CoCos   | 1,065              | 0.5%            | 1,043                      | 0.5%            |
| of which additional Tier 1 low-trigger CoCos  | –                  | –               | –                          | –               |
| <b>Unweighted requirements for additional loss-absorbing capital (gone concern) based on the leverage ratio</b>         | <b>CHF million</b> | <b>in % LRD</b> | <b>CHF million</b>         | <b>in % LRD</b> |
| Total according to size and market share incl. additional requirement FINMA <sup>2, 3</sup>                             | 3,583              | 1.6%            | 6,143                      | 2.8%            |
| Reduction based on holdings in additional capital in the form of CET1 or contingent capital as per Art. 132 para. 4 CAO | –                  | –               | -11                        | -0.0%           |
| <b>Total (net)</b>  | <b>3,583</b>       | <b>1.6%</b>     | <b>6,132</b>               | <b>2.7%</b>     |
| <b>Eligible additional loss-absorbing capital (gone concern)</b>  | <b>CHF million</b> | <b>in % LRD</b> | <b>CHF million</b>         | <b>in % LRD</b> |
| <b>Total</b>  | <b>5,105</b>       | <b>2.3%</b>     | <b>6,324</b>               | <b>2.8%</b>     |
| of which CET1 used to meet gone concern requirements  | –                  | –               | –                          | –               |
| of which additional Tier 1 used to meet gone concern requirements   | –                  | –               | 22                         | 0.0%            |
| of which Tier 2 high-trigger CoCos  | –                  | –               | –                          | –               |
| of which Tier 2 low-trigger CoCos   | –                  | –               | –                          | –               |
| of which Tier 2 with PONV <sup>4</sup>  | 480                | 0.2%            | 480                        | 0.2%            |
| of which non-Basel III compliant Tier 1   | –                  | –               | –                          | –               |
| of which non-Basel III compliant Tier 2   | –                  | –               | –                          | –               |
| of which bail-in bonds  | 1,393              | 0.6%            | 1,393                      | 0.6%            |
| of which other eligible additional loss-absorbing capital <sup>5</sup>  | 1,000              | 0.4%            | 1,000                      | 0.4%            |
| of which surplus value adjustments under the IRB approach <sup>6</sup>  | 261                | 0.1%            | 261                        | 0.1%            |
| of which state guarantee or similar mechanism   | 1,971              | 0.9%            | 3,168                      | 1.4%            |

<sup>1</sup> The unweighted capital requirements (going concern) are calculated as a percentage of the leverage ratio exposure measure. Under Article 129 CAO, the unweighted total requirement for Zürcher Kantonalbank is 4.5%.

<sup>2</sup> Under Article 132, para. 2 CAO, the unweighted requirements for additional loss-absorbing capital (gone concern) are calculated using the total going concern requirement under Article 129 CAO. Based on the transitional provisions in Article 148j CAO, the gross gone concern requirement in 2023 is 1.05% of the leverage ratio exposure measure. This will increase in stages until 2026, when the gross gone concern requirement will be equal to 40 percent of the total going concern requirement for Zürcher Kantonalbank.

<sup>3</sup> In a letter dated 03.09.2019, FINMA increased the unweighted requirements for additional loss-absorbing capital (gone concern) for contingency planning at Zürcher Kantonalbank from 2026 in the same ratio as for the risk-based gone concern requirements. Under the transitional provisions in Art. 148j CAO, this is equivalent to an additional unweighted requirement of 0.55% gross in 2023. This results in a total unweighted gone concern requirement of 1.60% gross as at 30.09.2023. The total unweighted gone concern requirement is being increased gradually to 2.75% gross by 2026.

<sup>4</sup> Any write-downs are triggered by FINMA when they declare a threat of insolvency (PONV = point of non-viability).

<sup>5</sup> By resolution of the cantonal parliament, the endowment capital reserve (CHF 1,000 million) was reserved in full for the Bank's contingency planning and accordingly qualifies as eligible additional loss-absorbing capital on a gone concern basis. As a result, the endowment capital reserve can now only be called on by order of FINMA or a FINMA-appointed restructuring official.

<sup>6</sup> Zürcher Kantonalbank adopted the rules on value adjustments (VA) and provisions (P) for expected losses (EL) on 01.01.2021. The portion of the VA and P for EL that exceeds expected losses calculated under the IRB approach qualifies as eligible additional loss-absorbing capital (gone concern).

### 4.3 Main features of regulatory capital instruments and of other TLAC-eligible instruments in accordance with the provisions for systemically important banks

| 31.12.2023   | Endowment capital  | CHF Tier 1 bond   |
|--|--|---|
| 1 Issuer   | Zürcher Kantonalbank   | Zürcher Kantonalbank  |
| 2 Unique identifier (e.g. CUSIP, ISIN or Bloomberg ID for private placement)   | n/a  | CH0361532945  |
| 3 Governing law of the instrument  | Swiss law  | Swiss law   |
| 3a Manner in which the enforceability criterion under section 13 of the TLAC Term Sheet is met (for other eligible TLAC instruments under foreign law) | n/a  | n/a   |
| <b>Regulatory treatment</b>  |  |   |
| 4 During the Basel III transitional phase  | Common equity Tier 1 (CET1)<br>Eligible capital<br>(going concern) | Additional Tier 1 (AT1)<br>Eligible capital (going concern)   |
| 5 Under Basel III rules not taking into account transitional treatment   | Common equity Tier 1 (CET1)<br>Eligible capital<br>(going concern) | Additional Tier 1 (AT1)<br>Eligible capital (going concern)   |
| 6 Eligible at single-entity, group / single-entity and group levels  | Solo and group level   | Solo and group level  |
| 7 Instrument type  | Other instruments  | Other instruments   |
| 8 Amount recognised in regulatory capital (in CHF million)   | CHF 2,425 million  | CHF 749 million   |
| 9 Par value of instrument  | CHF 2,425 million  | CHF 750 million   |
| 10 Accounting classification   | Bank's capital   | Liability - notional  |
| 11 Original date of issuance   | 15.02.1870   | 30.06.2017  |
| 12 Perpetual or dated  | Perpetual  | Perpetual   |
| 13 Original maturity date  | n/a  | n/a   |
| 14 Issuer call option (subject to prior supervisory authority approval)  | No   | Yes   |
| 15 Optional call date / contingent call dates (tax and / or regulatory event) / redemption amount  | n/a  | Next possible call date 30.10.2024. Redemption amount: entire outstanding issue, no partial termination   |
| 16 Subsequent call dates, if applicable  | n/a  | Annually on interest date of 30 Oct   |
| <b>Dividend / coupon</b>   |  |   |
| 17 Fixed or floating dividend / coupon   | Floating   | Fixed to floating   |
| 18 Coupon rate and related index, if applicable  | n/a  | Fixed at 3.6% until 30.10.2028; thereafter reset every 5 years based on 5-year mid-swap (minimum 0%) plus 2.125% risk premium   |
| 19 Existence of a dividend stopper (non-payment of dividend on the instrument prohibits the payment of dividends on common shares)                     | n/a  | Yes   |
| 20 Coupon / Dividend payment fully discretionary, partially discretionary or mandatory   | Fully discretionary  | Fully discretionary   |
| 21 Existence of step up or other incentive to redeem   | No   | No  |
| 22 Non-cumulative or cumulative  | Non-cumulative   | Non-cumulative  |
| 23 Convertible / non-convertible   | Non-convertible  | Non-convertible   |
| 24 If convertible: conversion trigger  | n/a  | n/a   |
| 25 If convertible: fully or partially  | n/a  | n/a   |
| 26 If convertible: conversion rate   | n/a  | n/a   |
| 27 If convertible: mandatory or optional conversion  | n/a  | n/a   |
| 28 If convertible: specify instrument type convertible into  | n/a  | n/a   |
| 29 If convertible: specify issuer of instrument it converts into   | n/a  | n/a   |
| 30 Write-down feature  | No   | Yes   |
| 31 If write-down feature: write-down trigger(s)  | n/a  | Common equity Tier 1 (CET1) capital ratio falls below 7% and / or FINMA declares PONV (point-of-non-viability). Write-down triggered by FINMA on a contractual basis.   |
| 32 If write-down feature: fully or partially   | n/a  | Always partially where a trigger event occurs (CET1 ratio below 7%) that persists until the subsequent trigger test date; always fully where a trigger event occurs (CET1 ratio below 7%) that persists until the subsequent trigger test date, if in the opinion of FINMA a partial write-down would be inadequate or if a point of non-viability (PONV) has been reached. |
| 33 If write-down feature: permanent or temporary   | n/a  | Permanent   |
| 34 If temporary write-down: description of write-up mechanism  | n/a  | n/a   |
| 34a Type of subordination  | Contractual  | Contractual   |
| 35 Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)                                       | Tier 1 bonds   | Tier 2 bond   |
| 36 Features that prevent full recognition under Basel III  | No   | No  |
| 37 If yes: description of non-compliant features   | n/a  | n/a   |

| 31.12.2023   | CHF Tier 1 bond   | EUR Tier 2 bond   |
|--|---|---|
| 1 Issuer   | Zürcher Kantonalbank  | Zürcher Kantonalbank  |
| 2 Unique identifier (e.g. CUSIP, ISIN or Bloomberg ID for private placement)   | CH0536893321  | CH1170565753  |
| 3 Governing law of the instrument  | Swiss law   | Swiss law   |
| 3a Manner in which the enforceability criterion under section 13 of the TLAC Term Sheet is met (for other eligible TLAC instruments under foreign law) | n/a   | n/a   |
| <b>Regulatory treatment</b>  |   |   |
| 4 During the Basel III transitional phase  | Additional Tier 1 (AT1) Eligible capital (going concern)  | Tier 2 with PONV Eligible additional loss-absorbing capital (gone concern)                                      |
| 5 Under Basel III rules not taking into account transitional treatment   | Additional Tier 1 (AT1) Eligible capital (going concern)  | Tier 2 with PONV Eligible additional loss-absorbing capital (gone concern)                                      |
| 6 Eligible at single-entity, group / single-entity and group levels  | Solo and group level  | Solo and group level  |
| 7 Instrument type  | Other instruments   | Other instruments   |
| 8 Amount recognised in regulatory capital (in CHF million)   | CHF 315 million   | CHF 465 million   |
| 9 Par value of instrument  | CHF 315 million   | EUR 500 million   |
| 10 Accounting classification   | Liability - notional  | Liability - notional  |
| 11 Original date of issuance   | 16.10.2020  | 13.04.2022  |
| 12 Perpetual or dated  | Perpetual   | Dated   |
| 13 Original maturity date  | n/a   | 13.04.2028  |
| 14 Issuer call option (subject to prior supervisory authority approval)  | Yes   | Yes   |
| 15 Optional call date / contingent call dates (tax and / or regulatory event) / redemption amount  | First possible call date 16.04.2027. Redemption amount: entire outstanding issue, no partial termination  | One-time possible call date 13.04.2027. Redemption amount: entire outstanding issue, no partial termination     |
| 16 Subsequent call dates, if applicable  | Thereafter every five years on 16 April   | n/a   |
| <b>Dividend / coupon</b>   |   |   |
| 17 Fixed or floating dividend / coupon   | Fixed to floating   | Fixed to floating   |
| 18 Coupon rate and related index, if applicable  | Fixed at 1.75% until 16.04.2027; thereafter reset every five years based on 5-year SARON-mid-swap (minimum 0%) plus 1.75% risk premium  | Fixed at 2.02% until 13.04.2027; thereafter reset based on 3-month Euribor plus 0.90% risk premium (minimum 0%) |
| 19 Existence of a dividend stopper (non-payment of dividend on the instrument prohibits the payment of dividends on common shares)                     | Yes   | No  |
| 20 Coupon / Dividend payment fully discretionary, partially discretionary or mandatory   | Fully discretionary   | Mandatory   |
| 21 Existence of step up or other incentive to redeem   | No  | No  |
| 22 Non-cumulative or cumulative  | Non-cumulative  | n/a   |
| 23 Convertible / non-convertible   | Non-convertible   | Non-convertible   |
| 24 If convertible: conversion trigger  | n/a   | n/a   |
| 25 If convertible: fully or partially  | n/a   | n/a   |
| 26 If convertible: conversion rate   | n/a   | n/a   |
| 27 If convertible: mandatory or optional conversion  | n/a   | n/a   |
| 28 If convertible: specify instrument type convertible into  | n/a   | n/a   |
| 29 If convertible: specify issuer of instrument it converts into   | n/a   | n/a   |
| 30 Write-down feature  | Yes   | Yes   |
| 31 If write-down feature: write-down trigger(s)  | Common equity Tier 1 (CET1) capital ratio falls below 7% and / or FINMA declares PONV (point-of-non-viability). Write-down triggered by FINMA on a contractual basis.   | FINMA declares PONV (point-of-non-viability). Write-down triggered by FINMA on a contractual basis.             |
| 32 If write-down feature: fully or partially   | Always partially where a trigger event occurs (CET1 ratio below 7%) that persists until the subsequent trigger test date; always fully where a trigger event occurs (CET1 ratio below 7%) that persists until the subsequent trigger test date, if in the opinion of FINMA a partial write-down would be inadequate or if a point of non-viability (PONV) has been reached. | Always fully if a point of non-viability (PONV) has been reached.   |
| 33 If write-down feature: permanent or temporary   | Permanent   | Permanent   |
| 34 If temporary write-down: description of write-up mechanism  | n/a   | n/a   |
| 34a Type of subordination  | Contractual   | Contractual   |
| 35 Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)                                       | Tier 2 bond   | Bail-in bonds   |
| 36 Features that prevent full recognition under Basel III  | No  | No  |
| 37 If yes: description of non-compliant features   | n/a   | n/a   |

| 31.12.2023   | CHF Bail-in bond   | EUR Bail-in bond  |
|--|--|---|
| 1 Issuer   | Zürcher Kantonalbank   | Zürcher Kantonalbank  |
| 2 Unique identifier (e.g. CUSIP, ISIN or Bloomberg ID for private placement)   | CH1239464709   | CH1266847149  |
| 3 Governing law of the instrument  | Swiss law  | Swiss law   |
| 3a Manner in which the enforceability criterion under section 13 of the TLAC Term Sheet is met (for other eligible TLAC instruments under foreign law) | n/a  | n/a   |
| <b>Regulatory treatment</b>  |  |   |
| 4 During the Basel III transitional phase  | -  | -   |
| 5 Under Basel III rules not taking into account transitional treatment   | Bail-in bonds<br>Eligible additional loss-absorbing capital<br>(gone concern)                                  | Bail-in bonds<br>Eligible additional loss-absorbing capital<br>(gone concern)   |
| 6 Eligible at single-entity, group / single-entity and group levels  | Solo and group level   | Solo and group level  |
| 7 Instrument type  | Other instruments  | Other instruments   |
| 8 Amount recognised in regulatory capital (in CHF million)   | CHF 425 million  | CHF 465 million   |
| 9 Par value of instrument  | CHF 425 million  | EUR 500 million   |
| 10 Accounting classification   | Liability - notional   | Liability - notional  |
| 11 Original date of issuance   | 19.04.2023   | 08.06.2023  |
| 12 Perpetual or dated  | Dated  | Dated   |
| 13 Original maturity date  | 19.04.2028   | 08.06.2029  |
| 14 Issuer call option (subject to prior supervisory authority approval)  | Yes  | Yes   |
| 15 Optional call date / contingent call dates (tax and / or regulatory event) / redemption amount  | One-time possible call date 19.04.2027.<br>Redemption amount: entire outstanding issue, no partial termination | One-time possible call date 08.06.2028.<br>Redemption amount: entire outstanding issue, no partial termination                              |
| 16 Subsequent call dates, if applicable  | n/a  | n/a   |
| <b>Dividend / coupon</b>   |  |   |
| 17 Fixed or floating dividend / coupon   | Fixed  | Fixed to floating   |
| 18 Coupon rate and related index, if applicable  | 2.75%  | Fixed at 4.156% until 08.06.2028; thereafter reset based on relevant market rate according to the prospectus plus margin 1.15% (minimum 0%) |
| 19 Existence of a dividend stopper (non-payment of dividend on the instrument prohibits the payment of dividends on common shares)                     | No   | No  |
| 20 Coupon / Dividend payment fully discretionary, partially discretionary or mandatory   | Mandatory  | Mandatory   |
| 21 Existence of step up or other incentive to redeem   | No   | No  |
| 22 Non-cumulative or cumulative  | Non-cumulative   | Non-cumulative  |
| 23 Convertible / non-convertible   | Non-convertible <sup>1</sup>   | Non-convertible <sup>1</sup>  |
| 24 If convertible: conversion trigger  | n/a  | n/a   |
| 25 If convertible: fully or partially  | n/a  | n/a   |
| 26 If convertible: conversion rate   | n/a  | n/a   |
| 27 If convertible: mandatory or optional conversion  | n/a  | n/a   |
| 28 If convertible: specify instrument type convertible into  | n/a  | n/a   |
| 29 If convertible: specify issuer of instrument it converts into   | n/a  | n/a   |
| 30 Write-down feature  | Yes  | Yes   |
| 31 If write-down feature: write-down trigger(s)  | Write-down triggered by FINMA on a contractual basis <sup>1</sup>  | Write-down triggered by FINMA on a contractual basis <sup>1</sup>   |
| 32 If write-down feature: fully or partially   | may be written down partially  | may be written down partially   |
| 33 If write-down feature: permanent or temporary   | Permanent  | Permanent   |
| 34 If temporary write-down: description of write-up mechanism  | n/a  | n/a   |
| 34a Type of subordination  | Contractual  | Contractual   |
| 35 Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)                                       | Non-subordinated liabilities   | Non-subordinated liabilities  |
| 36 Features that prevent full recognition under Basel III  | No   | No  |
| 37 If yes: description of non-compliant features   | n/a  | n/a   |

<sup>1</sup> In the event that FINMA, in a restructuring proceeding concerning the Issuer pursuant to the Banking Act and, if applicable, other National Regulations, orders the partial or complete reduction of the bondholders' claims or the Issuer's obligations under the Bonds in the restructuring plan, the bondholders shall be entitled to the granting of a Recovery Certificate without par value for each Bond affected after the restructuring plan has been approved by FINMA.

| 31.12.2023   | EUR Bail-in bond  | CHF Bail-in bond  |
|--|---|---|
| 1 Issuer   | Zürcher Kantonalbank  | Zürcher Kantonalbank  |
| 2 Unique identifier (e.g. CUSIP, ISIN or Bloomberg ID for private placement)   | CH1290222392  | CH1290222491  |
| 3 Governing law of the instrument  | Swiss law   | Swiss law   |
| 3a Manner in which the enforceability criterion under section 13 of the TLAC Term Sheet is met (for other eligible TLAC instruments under foreign law) | n/a   | n/a   |
| <b>Regulatory treatment</b>  |   |   |
| 4 During the Basel III transitional phase  | -   | -   |
| 5 Under Basel III rules not taking into account transitional treatment   | Bail-in bonds<br>Eligible additional loss-absorbing capital<br>(gone concern)   | Bail-in bonds<br>Eligible additional loss-absorbing capital<br>(gone concern)   |
| 6 Eligible at single-entity, group / single-entity and group levels  | Solo and group level  | Solo and group level  |
| 7 Instrument type  | Other instruments   | Other instruments   |
| 8 Amount recognised in regulatory capital (in CHF million)   | CHF 465 million   | CHF 150 million   |
| 9 Par value of instrument  | EUR 500 million   | CHF 150 million   |
| 10 Accounting classification   | Liability - notional  | Liability - notional  |
| 11 Original date of issuance   | 15.09.2023  | 01.11.2023  |
| 12 Perpetual or dated  | Dated   | Dated   |
| 13 Original maturity date  | 15.09.2027  | 01.11.2030  |
| 14 Issuer call option (subject to prior supervisory authority approval)  | Yes   | Yes   |
| 15 Optional call date / contingent call dates (tax and / or regulatory event) / redemption amount  | One-time possible call date 15.09.2026.<br>Redemption amount: entire outstanding issue, no partial termination                              | One-time possible call date 01.11.2029.<br>Redemption amount: entire outstanding issue, no partial termination                              |
| 16 Subsequent call dates, if applicable  | n/a   | n/a   |
| <b>Dividend / coupon</b>   |   |   |
| 17 Fixed or floating dividend / coupon   | Fixed to floating   | Fixed to floating   |
| 18 Coupon rate and related index, if applicable  | Fixed at 4.467% until 15.09.2026; thereafter reset based on relevant market rate according to the prospectus plus margin 1.00% (minimum 0%) | Fixed at 2.625% until 01.11.2029; thereafter reset based on relevant market rate according to the prospectus plus margin 0.98% (minimum 0%) |
| 19 Existence of a dividend stopper (non-payment of dividend on the instrument prohibits the payment of dividends on common shares)                     | No  | No  |
| 20 Coupon / Dividend payment fully discretionary, partially discretionary or mandatory   | Mandatory   | Mandatory   |
| 21 Existence of step up or other incentive to redeem   | No  | No  |
| 22 Non-cumulative or cumulative  | Non-cumulative  | Non-cumulative  |
| 23 Convertible / non-convertible   | Non-convertible <sup>1</sup>  | Non-convertible <sup>1</sup>  |
| 24 If convertible: conversion trigger  | n/a   | n/a   |
| 25 If convertible: fully or partially  | n/a   | n/a   |
| 26 If convertible: conversion rate   | n/a   | n/a   |
| 27 If convertible: mandatory or optional conversion  | n/a   | n/a   |
| 28 If convertible: specify instrument type convertible into  | n/a   | n/a   |
| 29 If convertible: specify issuer of instrument it converts into   | n/a   | n/a   |
| 30 Write-down feature  | Yes   | Yes   |
| 31 If write-down feature: write-down trigger(s)  | Write-down triggered by FINMA on a contractual basis <sup>1</sup>   | Write-down triggered by FINMA on a contractual basis <sup>1</sup>   |
| 32 If write-down feature: fully or partially   | may be written down partially   | may be written down partially   |
| 33 If write-down feature: permanent or temporary   | Permanent   | Permanent   |
| 34 If temporary write-down: description of write-up  | n/a   | n/a   |
| 34a Type of subordination  | Contractual   | Contractual   |
| 35 Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)                                       | Non-subordinated liabilities  | Non-subordinated liabilities  |
| 36 Features that prevent full recognition under Basel III  | No  | No  |
| 37 If yes: description of non-compliant features   | n/a   | n/a   |

<sup>1</sup> In the event that FINMA, in a restructuring proceeding concerning the Issuer pursuant to the Banking Act and, if applicable, other National Regulations, orders the partial or complete reduction of the bondholders' claims or the Issuer's obligations under the Bonds in the restructuring plan, the bondholders shall be entitled to the granting of a Recovery Certificate without par value for each Bond affected after the restructuring plan has been approved by FINMA.

| 30.09.2023   | Endowment capital  | Tier 1 bond   |
|--|--|---|
| 1 Issuer   | Zürcher Kantonalbank   | Zürcher Kantonalbank  |
| 2 Unique identifier (e.g. CUSIP, ISIN or Bloomberg ID for private placement)   | n/a  | CH0361532945  |
| 3 Governing law of the instrument  | Swiss law  | Swiss law   |
| 3a Manner in which the enforceability criterion under section 13 of the TLAC Term Sheet is met (for other eligible TLAC instruments under foreign law) | n/a  | n/a   |
| <b>Regulatory treatment</b>  |  |   |
| 4 During the Basel III transitional phase  | Common equity Tier 1 (CET1) Eligible capital (going concern) | Additional Tier 1 (AT1) Eligible capital (going concern)  |
| 5 Under Basel III rules not taking into account transitional treatment   | Common equity Tier 1 (CET1) Eligible capital (going concern) | Additional Tier 1 (AT1) Eligible capital (going concern)  |
| 6 Eligible at single-entity, group / single-entity and group levels  | Solo and group level   | Solo and group level  |
| 7 Instrument type  | Other instruments  | Other instruments   |
| 8 Amount recognised in regulatory capital (in CHF million)   | CHF 2,425 million  | CHF 750 million   |
| 9 Par value of instrument  | CHF 2,425 million  | CHF 750 million   |
| 10 Accounting classification   | Bank's capital   | Liability - notional  |
| 11 Original date of issuance   | 15.02.1870   | 30.06.2017  |
| 12 Perpetual or dated  | Perpetual  | Perpetual   |
| 13 Original maturity date  | n/a  | n/a   |
| 14 Issuer call option (subject to prior supervisory authority approval)  | No   | Yes   |
| 15 Optional call date / contingent call dates (tax and / or regulatory event) / redemption amount  | n/a  | First possible termination date 30.10.2023. Redemption amount: entire outstanding issue, no partial termination   |
| 16 Subsequent call dates, if applicable  | n/a  | Thereafter annually on interest date of 30 Oct  |
| <b>Dividend / coupon</b>   |  |   |
| 17 Fixed or floating dividend / coupon   | Floating   | Fixed to floating   |
| 18 Coupon rate and related index, if applicable  | n/a  | Fixed at 2.125% until 30.10.2023; thereafter reset every 5 years based on 5-year mid-swap (minimum 0.00%) plus 2.125% risk premium  |
| 19 Existence of a dividend stopper (non-payment of dividend on the instrument prohibits the payment of dividends on common shares)                     | n/a  | Yes   |
| 20 Coupon / Dividend payment fully discretionary, partially discretionary or mandatory   | Fully discretionary  | Fully discretionary   |
| 21 Existence of step up or other incentive to redeem   | No   | No  |
| 22 Non-cumulative or cumulative  | Non-cumulative   | Non-cumulative  |
| 23 Convertible / non-convertible   | Non-convertible  | Non-convertible   |
| 24 If convertible: conversion trigger  | n/a  | n/a   |
| 25 If convertible: fully or partially  | n/a  | n/a   |
| 26 If convertible: conversion rate   | n/a  | n/a   |
| 27 If convertible: mandatory or optional conversion  | n/a  | n/a   |
| 28 If convertible: specify instrument type convertible into  | n/a  | n/a   |
| 29 If convertible: specify issuer of instrument it converts into   | n/a  | n/a   |
| 30 Write-down feature  | No   | Yes   |
| 31 If write-down feature: write-down trigger(s)  | n/a  | Common equity Tier 1 (CET1) capital ratio falls below 7% and / or FINMA declares PONV (point-of-non-viability). Write-down triggered by FINMA on a contractual basis.   |
| 32 If write-down feature: fully or partially   | n/a  | Always partially where a trigger event occurs (CET1 ratio below 7%) that persists until the subsequent trigger test date; always fully where a trigger event occurs (CET1 ratio below 7%) that persists until the subsequent trigger test date, if in the opinion of FINMA a partial write-down would be inadequate or if a point of non-viability (PONV) has been reached. |
| 33 If write-down feature: permanent or temporary   | n/a  | Permanent   |
| 34 If temporary write-down: description of write-up mechanism  | n/a  | n/a   |
| 34a Type of subordination  | Contractual  | Contractual   |
| 35 Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)                                       | Tier 1 bonds   | Tier 2 bond   |
| 36 Features that prevent full recognition under Basel III  | No   | No  |
| 37 If yes: description of non-compliant features   | n/a  | n/a   |



| 30.09.2023                  |   | Tier 1 bond   | EUR Tier 2 bond  |
|-----------------------------|---|---|--|
| 1                           | Issuer  | Zürcher Kantonalbank  | Zürcher Kantonalbank   |
| 2                           | Unique identifier (e.g. CUSIP, ISIN or Bloomberg ID for private placement)  | CH0536893321  | CH1170565753   |
| 3                           | Governing law of the instrument   | Swiss law   | Swiss law  |
| 3a                          | Manner in which the enforceability criterion under section 13 of the TLAC Term Sheet is met (for other eligible TLAC instruments under foreign law) | n/a   | n/a  |
| <b>Regulatory treatment</b> |   |   |  |
| 4                           | During the Basel III transitional phase   | Additional Tier 1 (AT1) Eligible capital (going concern)  | Tier 2 with PONV Eligible additional loss-absorbing capital (gone concern)   |
| 5                           | Under Basel III rules not taking into account transitional treatment  | Additional Tier 1 (AT1) Eligible capital (going concern)  | Tier 2 with PONV Eligible additional loss-absorbing capital (gone concern)   |
| 6                           | Eligible at single-entity, group / single-entity and group levels   | Solo and group level  | Solo and group level   |
| 7                           | Instrument type   | Other instruments   | Other instruments  |
| 8                           | Amount recognised in regulatory capital (in CHF million)  | CHF 315 million   | CHF 480 million  |
| 9                           | Par value of instrument   | CHF 315 million   | EUR 500 million  |
| 10                          | Accounting classification   | Liability - notional  | Liability - notional   |
| 11                          | Original date of issuance   | 16.10.2020  | 13.04.2022   |
| 12                          | Perpetual or dated  | Perpetual   | Dated  |
| 13                          | Original maturity date  | n/a   | 13.04.2028   |
| 14                          | Issuer call option (subject to prior supervisory authority approval)  | Yes   | Yes  |
| 15                          | Optional call date / contingent call dates (tax and / or regulatory event) / redemption amount  | First possible termination date 16.04.2027. Redemption amount: entire outstanding issue, no partial termination   | One-time possible termination date 13.04.2027. Redemption amount: entire outstanding issue, no partial termination |
| 16                          | Subsequent call dates, if applicable  | Thereafter every five years on 16 April   | n/a  |
| <b>Dividend / coupon</b>    |   |   |  |
| 17                          | Fixed or floating dividend / coupon   | Fixed to floating   | Fixed to floating  |
| 18                          | Coupon rate and related index, if applicable  | Fixed at 1.75% until 16.04.2027; thereafter reset every five years based on 5-year SARON-mid-swap (minimum 0%) plus 1.75% risk premium  | Fixed at 2.02% until 13.04.2027; thereafter reset based on 3-month Euribor plus 0.90% risk premium (minimum 0%)    |
| 19                          | Existence of a dividend stopper (non-payment of dividend on the instrument prohibits the payment of dividends on common shares)                     | Yes   | No   |
| 20                          | Coupon / Dividend payment fully discretionary, partially discretionary or mandatory   | Fully discretionary   | Mandatory  |
| 21                          | Existence of step up or other incentive to redeem   | No  | No   |
| 22                          | Non-cumulative or cumulative  | Non-cumulative  | n/a  |
| 23                          | Convertible / non-convertible   | Non-convertible   | Non-convertible  |
| 24                          | If convertible: conversion trigger  | n/a   | n/a  |
| 25                          | If convertible: fully or partially  | n/a   | n/a  |
| 26                          | If convertible: conversion rate   | n/a   | n/a  |
| 27                          | If convertible: mandatory or optional conversion  | n/a   | n/a  |
| 28                          | If convertible: specify instrument type convertible into  | n/a   | n/a  |
| 29                          | If convertible: specify issuer of instrument it converts into   | n/a   | n/a  |
| 30                          | Write-down feature  | Yes   | Yes  |
| 31                          | If write-down feature: write-down trigger(s)  | Common equity Tier 1 (CET1) capital ratio falls below 7% and / or FINMA declares PONV (point-of-non-viability). Write-down triggered by FINMA on a contractual basis.   | FINMA declares PONV (point-of-non-viability). Write-down triggered by FINMA on a contractual basis.                |
| 32                          | If write-down feature: fully or partially   | Always partially where a trigger event occurs (CET1 ratio below 7%) that persists until the subsequent trigger test date; always fully where a trigger event occurs (CET1 ratio below 7%) that persists until the subsequent trigger test date, if in the opinion of FINMA a partial write-down would be inadequate or if a point of non-viability (PONV) has been reached. | Always fully if a point of non-viability (PONV) has been reached.  |
| 33                          | If write-down feature: permanent or temporary   | Permanent   | Permanent  |
| 34                          | If temporary write-down: description of write-up mechanism  | n/a   | n/a  |
| 34a                         | Type of subordination   | Contractual   | Contractual  |
| 35                          | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)                                       | Tier 2 bond   | Bail-in bonds  |
| 36                          | Features that prevent full recognition under Basel III  | No  | No   |
| 37                          | If yes: description of non-compliant features   | n/a   | n/a  |

| <b>30.09.2023</b>           |   | <b>CHF Bail-in bond</b>   | <b>EUR Bail-in bond</b>   |
|-----------------------------|---|---|---|
| 1                           | Issuer  | Zürcher Kantonalbank  | Zürcher Kantonalbank  |
| 2                           | Unique identifier (e.g. CUSIP, ISIN or Bloomberg ID for private placement)  | CH1239464709  | CH1266847149  |
| 3                           | Governing law of the instrument   | Swiss law   | Swiss law   |
| 3a                          | Manner in which the enforceability criterion under section 13 of the TLAC Term Sheet is met (for other eligible TLAC instruments under foreign law) | n/a   | n/a   |
| <b>Regulatory treatment</b> |   |   |   |
| 4                           | During the Basel III transitional phase   | -   | -   |
| 5                           | Under Basel III rules not taking into account transitional treatment  | Bail-in bonds<br>Eligible additional loss-absorbing capital<br>(gone concern)   | Bail-in bonds<br>Eligible additional loss-absorbing capital<br>(gone concern)   |
| 6                           | Eligible at single-entity, group / single-entity and group levels   | Solo and group level  | Solo and group level  |
| 7                           | Instrument type   | Other instruments   | Other instruments   |
| 8                           | Amount recognised in regulatory capital (in CHF million)  | CHF 425 million   | CHF 484 million   |
| 9                           | Par value of instrument   | CHF 425 million   | EUR 500 million   |
| 10                          | Accounting classification   | Liability - notional  | Liability - notional  |
| 11                          | Original date of issuance   | 19.04.2023  | 08.06.2023  |
| 12                          | Perpetual or dated  | Dated   | Dated   |
| 13                          | Original maturity date  | 19.04.2028  | 08.06.2029  |
| 14                          | Issuer call option (subject to prior supervisory authority approval)  | Yes   | Yes   |
| 15                          | Optional call date / contingent call dates (tax and / or regulatory event) / redemption amount  | One-time possible termination date 19.04.2027.<br>Redemption amount: entire outstanding issue, no partial termination | One-time possible termination date 08.06.2028.<br>Redemption amount: entire outstanding issue, no partial termination                       |
| 16                          | Subsequent call dates, if applicable  | n/a   | n/a   |
| <b>Dividend / coupon</b>    |   |   |   |
| 17                          | Fixed or floating dividend / coupon   | Fixed   | Fixed to floating   |
| 18                          | Coupon rate and related index, if applicable  | 2.75%   | Fixed at 4.156% until 08.06.2028; thereafter reset based on relevant market rate according to the prospectus plus margin 1.15% (minimum 0%) |
| 19                          | Existence of a dividend stopper (non-payment of dividend on the instrument prohibits the payment of dividends on common shares)                     | No  | No  |
| 20                          | Coupon / Dividend payment fully discretionary, partially discretionary or mandatory   | Mandatory   | Mandatory   |
| 21                          | Existence of step up or other incentive to redeem   | No  | No  |
| 22                          | Non-cumulative or cumulative  | Non-cumulative  | Non-cumulative  |
| 23                          | Convertible / non-convertible   | Non-convertible <sup>1</sup>  | Non-convertible <sup>1</sup>  |
| 24                          | If convertible: conversion trigger  | n/a   | n/a   |
| 25                          | If convertible: fully or partially  | n/a   | n/a   |
| 26                          | If convertible: conversion rate   | n/a   | n/a   |
| 27                          | If convertible: mandatory or optional conversion  | n/a   | n/a   |
| 28                          | If convertible: specify instrument type convertible into  | n/a   | n/a   |
| 29                          | If convertible: specify issuer of instrument it converts into   | n/a   | n/a   |
| 30                          | Write-down feature  | Yes   | Yes   |
| 31                          | If write-down feature: write-down trigger(s)  | Write-down triggered by FINMA on a contractual basis <sup>1</sup>   | Write-down triggered by FINMA on a contractual basis <sup>1</sup>   |
| 32                          | If write-down feature: fully or partially   | may be written down partially   | may be written down partially   |
| 33                          | If write-down feature: permanent or temporary   | Permanent   | Permanent   |
| 34                          | If temporary write-down: description of write-up mechanism  | n/a   | n/a   |
| 34a                         | Type of subordination   | Contractual   | Contractual   |
| 35                          | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)                                       | Non-subordinated liabilities  | Non-subordinated liabilities  |
| 36                          | Features that prevent full recognition under Basel III  | No  | No  |
| 37                          | If yes: description of non-compliant features   | n/a   | n/a   |

<sup>1</sup> In the event that FINMA, in a restructuring proceeding concerning the Issuer pursuant to the Banking Act and, if applicable, other National Regulations, orders the partial or complete reduction of the bondholders' claims or the Issuer's obligations under the Bonds in the restructuring plan, the bondholders shall be entitled to the granting of a Recovery Certificate without par value for each Bond affected after the restructuring plan has been approved by FINMA.

| 30.09.2023                  |   | EUR Bail-in bond  |
|-----------------------------|---|---|
| 1                           | Issuer  | Zürcher Kantonalbank  |
| 2                           | Unique identifier (e.g. CUSIP, ISIN or Bloomberg ID for private placement)  | CH1290222392  |
| 3                           | Governing law of the instrument   | Swiss law   |
| 3a                          | Manner in which the enforceability criterion under section 13 of the TLAC Term Sheet is met (for other eligible TLAC instruments under foreign law) | n/a   |
| <b>Regulatory treatment</b> |   |   |
| 4                           | During the Basel III transitional phase   | -   |
| 5                           | Under Basel III rules not taking into account transitional treatment  | Bail-in bonds<br>Eligible additional loss-absorbing capital<br>(gone concern)   |
| 6                           | Eligible at single-entity, group / single-entity and group levels   | Solo and group level  |
| 7                           | Instrument type   | Other instruments   |
| 8                           | Amount recognised in regulatory capital (in CHF million)  | CHF 484 million   |
| 9                           | Par value of instrument   | EUR 500 million   |
| 10                          | Accounting classification   | Liability - notional  |
| 11                          | Original date of issuance   | 15.09.2023  |
| 12                          | Perpetual or dated  | Dated   |
| 13                          | Original maturity date  | 15.09.2027  |
| 14                          | Issuer call option (subject to prior supervisory authority approval)  | Yes   |
| 15                          | Optional call date / contingent call dates (tax and / or regulatory event) / redemption amount  | One-time possible termination date 15.09.2026.<br>Redemption amount: entire outstanding issue, no partial termination                       |
| 16                          | Subsequent call dates, if applicable  | n/a   |
| <b>Dividend / coupon</b>    |   |   |
| 17                          | Fixed or floating dividend / coupon   | Fixed to floating   |
| 18                          | Coupon rate and related index, if applicable  | Fixed at 4.467% until 15.09.2026; thereafter reset based on relevant market rate according to the prospectus plus margin 1.00% (minimum 0%) |
| 19                          | Existence of a dividend stopper (non-payment of dividend on the instrument prohibits the payment of dividends on common shares)                     | No  |
| 20                          | Coupon / Dividend payment fully discretionary, partially discretionary or mandatory   | Mandatory   |
| 21                          | Existence of step up or other incentive to redeem   | No  |
| 22                          | Non-cumulative or cumulative  | Non-cumulative  |
| 23                          | Convertible / non-convertible   | Non-convertible <sup>1</sup>  |
| 24                          | If convertible: conversion trigger  | n/a   |
| 25                          | If convertible: fully or partially  | n/a   |
| 26                          | If convertible: conversion rate   | n/a   |
| 27                          | If convertible: mandatory or optional conversion  | n/a   |
| 28                          | If convertible: specify instrument type convertible into  | n/a   |
| 29                          | If convertible: specify issuer of instrument it converts into   | n/a   |
| 30                          | Write-down feature  | Yes   |
| 31                          | If write-down feature: write-down trigger(s)  | Write-down triggered by FINMA on a contractual basis <sup>1</sup>   |
| 32                          | If write-down feature: fully or partially   | may be written down partially   |
| 33                          | If write-down feature: permanent or temporary   | Permanent   |
| 34                          | If temporary write-down: description of write-up  | n/a   |
| 34a                         | Type of subordination   | Contractual   |
| 35                          | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)                                       | Non-subordinated liabilities  |
| 36                          | Features that prevent full recognition under Basel III  | No  |
| 37                          | If yes: description of non-compliant features   | n/a   |

<sup>1</sup> In the event that FINMA, in a restructuring proceeding concerning the Issuer pursuant to the Banking Act and, if applicable, other National Regulations, orders the partial or complete reduction of the bondholders' claims or the Issuer's obligations under the Bonds in the restructuring plan, the bondholders shall be entitled to the granting of a Recovery Certificate without par value for each Bond affected after the restructuring plan has been approved by FINMA.

## 5 Overview total risk

### 5.1 KM1: Key metrics (group)

The following table is intended for non-systemically important banks. It does not fully reflect the special requirements for national systemically important institutions (D-SIBs) such as Zürcher Kantonalbank. Please see Chapter 4 "Disclosure requirements for systemically important banks" in this respect.

| Group  | a          | b          | c                   | d          | e          |
|--|------------|------------|---------------------|------------|------------|
| in CHF million (unless stated otherwise)   | 31.12.2023 | 30.09.2023 | 30.06.2023          | 31.03.2023 | 31.12.2022 |
| <b>Eligible capital</b>  |            |            |                     |            |            |
| 1 Common equity Tier 1 (CET1)  | 13,734     | 12,949     | 12,949              | 12,798     | 12,789     |
| 2 Tier 1 capital (T1)  | 14,797     | 14,014     | 14,014              | 13,863     | 13,854     |
| 3 Total capital <sup>1</sup>   | 15,427     | 14,660     | 14,669 <sup>2</sup> | 14,629     | 14,624     |
| Total loss absorbing capacity (TLAC) <sup>3</sup>  | 21,128     | 19,105     | 18,578              | 17,522     | 17,114     |
| <b>Risk-weighted assets (RWA)</b>  |            |            |                     |            |            |
| 4 RWA  | 78,952     | 80,050     | 77,801              | 77,407     | 76,144     |
| <b>Minimum required capital</b>  |            |            |                     |            |            |
| 4a Minimum required capital  | 6,316      | 6,404      | 6,224               | 6,193      | 6,091      |
| <b>Risk-based capital ratios (in % of RWA)</b>   |            |            |                     |            |            |
| 5 CET1 ratio <sup>1</sup>  | 17.4%      | 16.2%      | 16.6%               | 16.5%      | 16.8%      |
| 6 Tier 1 capital ratio <sup>1</sup>  | 18.7%      | 17.5%      | 18.0%               | 17.9%      | 18.2%      |
| 7 Total capital ratio <sup>1</sup>   | 19.5%      | 18.3%      | 18.9% <sup>2</sup>  | 18.9%      | 19.2%      |
| TLAC ratio <sup>3</sup>  | 26.8%      | 23.9%      | 23.9%               | 22.6%      | 22.5%      |
| <b>CET1 buffer requirements (in % of RWA)</b>  |            |            |                     |            |            |
| 8 Capital conservation buffer as per the Basel minimum standards (2.5% from 2019)  | 2.5%       | 2.5%       | 2.5%                | 2.5%       | 2.5%       |
| 9 Countercyclical buffer (Art. 44a CAO) in accordance with the Basel minimum standards   | 0.0%       | 0.0%       | 0.0%                | 0.0%       | 0.0%       |
| 10 Additional capital buffer due to international or national system relevance   | –          | –          | –                   | –          | –          |
| 11 Total of bank CET1 specific buffer requirements   | 2.5%       | 2.5%       | 2.5%                | 2.5%       | 2.5%       |
| 12 CET1 available after meeting the bank's minimum capital requirements  | 11.5%      | 10.3%      | 10.9% <sup>2</sup>  | 10.9%      | 11.2%      |
| <b>Capital target ratios as per Annex 8 to the CAO (in % of RWA) <sup>4</sup></b>  |            |            |                     |            |            |
| 12a Capital conservation buffer in accordance with Annex 8 to the CAO  | –          | –          | –                   | –          | –          |
| 12b Countercyclical buffers (Art. 44 and Art. 44a CAO)   | –          | –          | –                   | –          | –          |
| Countercyclical buffer (Art. 44 CAO)   | 0.9%       | 0.9%       | 0.9%                | 0.9%       | 0.9%       |
| 12c CET1 target ratio in accordance with Annex 8 to the CAO plus the countercyclical buffers in accordance with Art. 44 and 44a CAO      | –          | –          | –                   | –          | –          |
| 12d T1 target ratio in accordance with Annex 8 to the CAO plus countercyclical buffers in accordance with Art. 44 and 44a CAO            | –          | –          | –                   | –          | –          |
| 12e Total capital target ratio in accordance with Annex 8 to the CAO plus countercyclical buffers in accordance with Art. 44 and 44a CAO | –          | –          | –                   | –          | –          |
| <b>Basel III leverage ratio</b>  |            |            |                     |            |            |
| 13 Total Basel III leverage ratio exposure measure   | 223,870    | 223,324    | 226,321             | 235,575    | 223,071    |
| 14 Basel III leverage ratio (Tier 1 capital in % of leverage ratio exposure measure)   | 6.6%       | 6.3%       | 6.2%                | 5.9%       | 6.2%       |
| TLAC leverage ratio (TLAC in % of leverage ratio exposure measure) <sup>3</sup>  | 9.4%       | 8.6%       | 8.2%                | 7.4%       | 7.7%       |
| <b>Liquidity coverage ratio (LCR) <sup>5</sup></b>   |            |            |                     |            |            |
| 15 LCR numerator: total high-quality liquid assets (HQLA)  | 46,388     | 47,978     | 53,824              | 55,219     | 58,545     |
| 16 LCR denominator: total net outflows of funds  | 31,511     | 32,409     | 36,721              | 38,475     | 40,035     |
| 17 Liquidity coverage ratio (LCR)  | 147%       | 148%       | 147%                | 144%       | 146%       |
| <b>Net stable funding ratio (NSFR)</b>   |            |            |                     |            |            |
| 18 Available stable refinancing  | 116,118    | 115,730    | 117,469             | 120,042    | 114,570    |
| 19 Required stable refinancing   | 98,921     | 98,917     | 97,184              | 95,571     | 92,609     |
| 20 Net stable funding ratio, (NSFR)  | 117%       | 117%       | 121%                | 126%       | 124%       |

<sup>1</sup> In accordance with the provisions of the CAO for non-systemically important banks.

<sup>2</sup> The following three key figures as at 30.06.2023 include adjustments:

- Total capital: before adjustment CHF 15,494 million / change -CHF 825 million / after adjustment CHF 14,669 million

- Total capital ratio: before adjustment 19.9% / change -1.0% / after adjustment 18.9%

- CET1 available after meeting the bank's minimum capital requirements: before adjustment 11.9% / change -1.0% / after adjustment 10.9%

In the disclosures as at 30.06.2023, the bail-in bonds placed in the second quarter of 2023 were recognised as Tier 2 capital in total capital. In accordance with the provisions of the CAO for non-systemically important banks, bail-in bonds are no longer counted as Tier 2 capital, as they do not fulfil all the requirements for eligibility in accordance with Art. 30 CAO.

<sup>3</sup> In accordance with the provisions for systemically important banks. TLAC includes core capital (going concern) and eligible additional loss-absorbing capital (gone concern). For details on the composition of the eligible additional loss-absorbing capital (gone concern), please refer to the section "Disclosure of systemically important banks".

<sup>4</sup> Systemically important banks can forego the information in rows 12a to 12e, as Annex 8 to the CAO does not apply to them. In this instance, they must nevertheless provide information on the countercyclical buffer in accordance with Art. 44 CAO.

<sup>5</sup> Simple average of the closing values on the business days during the quarter under review.

Common Equity Tier 1 (CET1), Tier 1 capital (T1) and Total capital in accordance with the provisions of the CAO for non-systemically important banks increased as at 31 December 2023, mainly due to the planned retained profit of CHF 711 million and the creation of reserves for general banking risks (CHF 75 million).

The total loss-absorbing capacity (TLAC) includes not only the core capital (going concern) in accordance with the provisions for systemically important banks, but also the eligible additional loss-absorbing capital (gone concern). This rose further (+ CHF 2,023 million) compared with 30 September 2023. In accordance with the Capital Adequacy Ordinance, Zürcher Kantonalbank no longer calculates the level of eligibility for the state guarantee as at 31 December 2023 on the basis of the transitional provisions, but on the basis of the total gone concern requirement of 7.86 percent. This led to an increase of CHF 1,146 million in the eligibility of the state guarantee. In addition, Zürcher Kantonalbank placed a bail-in bond totalling CHF 150 million in the fourth quarter of 2023.

Total RWA fell to CHF 78,952 million, down CHF 1,098 million compared with 30 September 2023. The main factor behind this was lower derivatives exposures as at 31 December 2023.

The combination of higher capital in accordance with the provisions of the CAO for non-systemically important banks and lower RWA as at 31 December 2023 resulted in a rise of 1.2 percentage points in all three risk-based capital ratios compared with 30 September 2023. In terms of the TLAC ratio in accordance with the provisions for systemically important banks, both the higher TLAC capital and the lower RWA resulted in the TLAC ratio increasing by 2.9 percentage points to 26.8 percent.

The requirement from the extended countercyclical buffer (eCCB) under Art. 44a CAO as at 31 December 2023 is 0.03 percent of RWA (30 September 2023: 0.03 percent). Hence the eCCB has no material impact on the CET1 buffer requirements under the Basel minimum standards. The available CET1 ratio after meeting the Basel minimum standard also rose by 1.2 percentage points.

The requirement from the countercyclical buffer (CCB) under Art. 44 CAO has not changed significantly since its reactivation as of 30 September 2022.

Total exposure for the leverage ratio rose CHF 546 million to CHF 223,870 million during the final quarter. Derivative exposures (- CHF 2,151 million), securities financing transaction exposures (- CHF 2,359 million) and off-balance-sheet exposures (- CHF 51 million) decreased. Only on-balance-sheet exposures increased by CHF 5,106 million. In combination with the increase in Tier 1 capital, this resulted in a leverage ratio 0.3 percentage points higher at 6.6 percent as at 31 December 2023 (30 September 2023: 6.3 percent). The TLAC leverage ratio in accordance with the provisions for systemically important banks increased by 0.8 percentage points to 9.4 percent.

The LCR on a group basis decreased lightly compared with the previous quarter and averaged 147 percent in the fourth quarter of 2023 (third quarter of 2023: 148 percent). As a systemically important bank, Zürcher Kantonalbank is subject to stricter liquidity requirements; it satisfies these comfortably.

The NSFR on a group basis has not changed compared with the end of the previous quarter, amounting to 117 percent as at 31 December 2023.

## 5.2 KM1: Key metrics (parent company)

The group's regulatory ratios are largely driven by the figures at the parent company. Hence the comments and explanations for the parent company are essentially identical to those for the group (section 5.1) and will not be repeated for the following table.

| Parent company<br>in CHF million (unless stated otherwise)   | a<br>31.12.2023 | b<br>30.09.2023 | c<br>30.06.2023     | d<br>31.03.2023 | e<br>31.12.2022 |
|--|-----------------|-----------------|---------------------|-----------------|-----------------|
| <b>Eligible capital</b>  |                 |                 |                     |                 |                 |
| 1 Common equity Tier 1 (CET1)  | 13,879          | 13,092          | 13,091              | 12,940          | 12,940          |
| 2 Tier 1 capital (T1)  | 14,942          | 14,157          | 14,156              | 14,005          | 14,005          |
| 3 Total capital <sup>1</sup>   | 15,572          | 14,802          | 14,812 <sup>2</sup> | 14,771          | 14,774          |
| Total loss absorbing capacity (TLAC) <sup>3</sup>  | 21,294          | 19,261          | 18,733              | 17,676          | 17,274          |
| <b>Risk-weighted assets (RWA)</b>  |                 |                 |                     |                 |                 |
| 4 RWA  | 79,509          | 80,600          | 78,336              | 77,919          | 76,710          |
| <b>Minimum required capital</b>  |                 |                 |                     |                 |                 |
| 4a Minimum required capital  | 6,361           | 6,448           | 6,267               | 6,234           | 6,137           |
| <b>Risk-based capital ratios (in % of RWA)</b>   |                 |                 |                     |                 |                 |
| 5 CET1 ratio <sup>1</sup>  | 17.5%           | 16.2%           | 16.7%               | 16.6%           | 16.9%           |
| 6 Tier 1 capital ratio <sup>1</sup>  | 18.8%           | 17.6%           | 18.1%               | 18.0%           | 18.3%           |
| 7 Total capital ratio <sup>1</sup>   | 19.6%           | 18.4%           | 18.9% <sup>2</sup>  | 19.0%           | 19.3%           |
| TLAC ratio <sup>3</sup>  | 26.8%           | 23.9%           | 23.9%               | 22.7%           | 22.5%           |
| <b>CET1 buffer requirements (in % of RWA)</b>  |                 |                 |                     |                 |                 |
| 8 Capital conservation buffer as per the Basel minimum standards (2.5% from 2019)  | 2.5%            | 2.5%            | 2.5%                | 2.5%            | 2.5%            |
| 9 Countercyclical buffer (Art. 44a CAO) in accordance with the Basel minimum standards   | 0.0%            | 0.0%            | 0.0%                | 0.0%            | 0.0%            |
| 10 Additional capital buffer due to international or national system relevance   | –               | –               | –                   | –               | –               |
| 11 Total of bank CET1 specific buffer requirements   | 2.5%            | 2.5%            | 2.5%                | 2.5%            | 2.5%            |
| 12 CET1 available after meeting the bank's minimum capital requirements  | 11.6%           | 10.4%           | 10.9% <sup>2</sup>  | 11.0%           | 11.3%           |
| <b>Capital target ratios as per Annex 8 to the CAO (in % of RWA) <sup>4</sup></b>  |                 |                 |                     |                 |                 |
| 12a Capital conservation buffer in accordance with Annex 8 to the CAO  | –               | –               | –                   | –               | –               |
| 12b Countercyclical buffers (Art. 44 and Art. 44a CAO)   | –               | –               | –                   | –               | –               |
| Countercyclical buffer (Art. 44 CAO)   | 0.9%            | 0.9%            | 0.9%                | 0.9%            | 0.9%            |
| 12c CET1 target ratio in accordance with Annex 8 to the CAO plus the countercyclical buffers in accordance with Art. 44 and 44a CAO      | –               | –               | –                   | –               | –               |
| 12d T1 target ratio in accordance with Annex 8 to the CAO plus countercyclical buffers in accordance with Art. 44 and 44a CAO            | –               | –               | –                   | –               | –               |
| 12e Total capital target ratio in accordance with Annex 8 to the CAO plus countercyclical buffers in accordance with Art. 44 and 44a CAO | –               | –               | –                   | –               | –               |
| <b>Basel III leverage ratio</b>  |                 |                 |                     |                 |                 |
| 13 Total Basel III leverage ratio exposure measure   | 223,907         | 223,351         | 226,350             | 235,644         | 223,181         |
| 14 Basel III leverage ratio (Tier 1 capital in % of leverage ratio exposure measure)   | 6.7%            | 6.3%            | 6.3%                | 5.9%            | 6.3%            |
| TLAC leverage ratio (TLAC in % of leverage ratio exposure measure) <sup>3</sup>  | 9.5%            | 8.6%            | 8.3%                | 7.5%            | 7.7%            |
| <b>Liquidity coverage ratio (LCR) <sup>5</sup></b>   |                 |                 |                     |                 |                 |
| 15 LCR numerator: total high-quality liquid assets (HQLA)  | 46,343          | 47,925          | 53,788              | 55,207          | 58,539          |
| 16 LCR denominator: total net outflows of funds  | 31,607          | 32,478          | 36,786              | 38,643          | 40,200          |
| 17 Liquidity coverage ratio (LCR)  | 147%            | 148%            | 146%                | 143%            | 146%            |
| <b>Net stable funding ratio (NSFR)</b>   |                 |                 |                     |                 |                 |
| 18 Available stable refinancing  | 115,412         | 115,053         | 116,723             | 119,373         | 113,712         |
| 19 Required stable refinancing   | 98,865          | 98,888          | 96,967              | 95,400          | 92,508          |
| 20 Net stable funding ratio, (NSFR)  | 117%            | 116%            | 120%                | 125%            | 123%            |

<sup>1</sup> In accordance with the provisions of the CAO for non-systemically important banks.

<sup>2</sup> The following three key figures as at 30.06.2023 include adjustments:

- Total capital: before adjustment CHF 15,636 million / change -CHF 824 million / after adjustment CHF 14,812 million

- Total capital ratio: before adjustment 20.0% / change -1.1% / after adjustment 18.9%

- CET1 available after meeting the bank's minimum capital requirements: before adjustment 12.0% / change -1.1% / after adjustment 10.9%

In the disclosures as at 30.06.2023, the bail-in bonds placed in the second quarter of 2023 were recognised as Tier 2 capital in total capital. In accordance with the provisions of the CAO for non-systemically important banks, bail-in bonds are no longer counted as Tier 2 capital, as they do not fulfil all the requirements for eligibility in accordance with Art. 30 CAO.

<sup>3</sup> In accordance with the provisions for systemically important banks. TLAC includes core capital (going concern) and eligible additional loss-absorbing capital (gone concern). For details on the composition of the eligible additional loss-absorbing capital (gone concern), please refer to the section "Disclosure of systemically important banks".

<sup>4</sup> Systemically important banks can forego the information in rows 12a to 12e, as Annex 8 to the CAO does not apply to them. In this instance, they must nevertheless provide information on the countercyclical buffer in accordance with Art. 44 CAO.

<sup>5</sup> Simple average of the closing values on the business days during the quarter under review.

### 5.3 OVA: Bank risk management approach

Ongoing operations at a universal bank such as Zürcher Kantonalbank require comprehensive and systematic risk management, with monitoring and controlling units acting independently of the risk managers.

#### Principles of risk management

The objective of risk management is to support the bank in generating added value while maintaining a first-class credit rating and reputation. Zürcher Kantonalbank's approach to risk management is based on the following principles:

- **Risk culture:** The bank fosters a risk culture that is geared towards responsible behaviour. Risk managers bear responsibility for profits and losses generated from the risks entered into. In addition, they have primary responsibility for identifying transactions and structures that entail particular business policy risks, conflicts of interest or particular effects on the bank's reputation.
- **Separation of functions:** For significant risks and to avoid conflicts of interest, the bank has established control processes that are independent of management.
- **Risk identification and monitoring:** The bank enters into transactions only if the risks are in accordance with its business strategy and can be appropriately identified, restricted, managed and monitored.
- **Risk and return:** The bank seeks to achieve a balanced relationship between risk and return for all transactions. Assessment of the risk / return profile takes account of quantifiable as well as non-quantifiable risks.
- **Transparency:** Risk reporting and disclosure are guided by high industry standards in terms of objectivity, scope, transparency and timeliness.

These principles constitute the basis for determining the organisational structure and processes of group-wide risk management.

#### Risk management and internal control system (ICS)

Zürcher Kantonalbank defines "risk management" and "internal control system (ICS)" as follows:

**Risk management:** As part of risk management, the bank sets its risk tolerance within its risk capacity. Risk management encompasses organisational structures, methods and processes. Zürcher Kantonalbank's risk management process consists of six steps: risk identification, assessment, control, management, monitoring and reporting. The decisions in risk management are implemented in the internal control system (ICS).

**Internal control system (ICS):** The ICS ensures that processes are carried out properly. To this end, management issues appropriate guidelines and ensures that compliance is monitored. An effective ICS includes control activities that are integrated into workflows, suitable risk management and compliance processes, and appropriate supervisory bodies for the size, complexity and risk profile of the institution, in particular an independent risk control and compliance function.

Identifying and reducing the inherent risks involved in the business model are also an important aspect of the internal control system. For more information on the underlying processes, please see table CRA (Credit risk, page 65), table CCRA (Counterparty credit risk, page 95), table MRA (Market risk, page 106) and table ORA (Operational risks, page 117).

For reporting on the effectiveness of the ICS, please see section "Internal risk reporting" on page 38.



## Risk management process

Zürcher Kantonalbank divides the risk management process into the following stages:



|                       |  |
|-----------------------|--|
| <b>Identification</b> | The risks relevant to the group are identified on an ongoing basis, either through regular, systematic observation of the corporate environment and risk profile, or as the potential result of one of the following steps.  |
| <b>Assessment</b>     | Assessment of an identified risk includes qualitative assessment and quantification (measurement/valuation). In order to counter the limits to quantification of different types of risk, models or expert assessments are used depending on the type of risk to calculate the potential size of the loss, the probability of occurrence and the correlation with other risks.   |
| <b>Steering</b>       | Risk steering is assured via risk tolerance requirements. Risk tolerance includes both quantitative and qualitative considerations concerning the main risks the group is willing to accept to achieve its strategic business objectives given its capital and liquidity planning. Qualitative risk requirements are primarily issued in the form of regulations, directives or instructions, but also cover risk policy and aspects of strategy. Quantitative requirements are issued in the form of limits and benchmarks. At group level, these are chiefly the risk policy rules from the Board of Directors and the rules to limit risk set by the Risk Committee of the Executive Board. |
| <b>Management</b>     | Units managing risk perform their tasks within the risk tolerance set by the officer responsible. As part of the ICS, this includes taking countermeasures to avoid or limit risks or loss.  |
| <b>Monitoring</b>     | Risk monitoring takes the form of limit monitoring and ongoing monitoring of risk exposures by units independent of the risk manager. The risk organisation and the Compliance function are examples of such units.  |
| <b>Reporting</b>      | Risk reporting supports all levels of the hierarchy and stakeholders in assessing and monitoring risks.  |

## Principles of compliance

The objective of compliance is to ensure that Zürcher Kantonalbank conducts its business operations in accordance with legal and ethical norms. The principles of the compliance policy are as follows:

- relevant legal and ethical norms;
- ethical and performance-related basic values in a code of conduct;
- duty of all employees and members of governing bodies to comply with laws, regulations, internal rules, industry standards;
- special reporting procedure available for identified violations of the rules (whistleblowing).

Primary responsibility for compliance lies with the Executive Board. The specialist Legal & Compliance group function prepares an annual assessment of compliance risk and a corresponding action plan based on a risk inventory. The Compliance function is organisationally independent of the income-driven business units. The most important principle of all is that Zürcher Kantonalbank conducts its banking operations in accordance with the statutory and regulatory provisions as well as recognised professional and ethical principles within the banking industry.

## Risk organisation

Risk organisation at Zürcher Kantonalbank is arranged so that the profit-oriented functions of taking and managing risk are always structurally separate at Executive Board level from the preventive risk management and risk control functions.



<sup>1</sup> General Counsel has the right of escalation to the Chairperson's Committee at any time.

## Board of Directors

The Board of Directors approves the principles for risk management and compliance, the Code of Conduct and Ethics, the framework for group-wide risk management and the risk tolerance regulations at group level. It is responsible for the regulation, organisation and monitoring of an effective risk management system as well as the management of overall risks. The Board of Directors is responsible for ensuring that there is a suitable risk and control environment within the group and arranges for an effective internal control system (ICS). It also approves transactions

involving major financial exposure. The Risk Committee and Audit Committee of the Board of Directors support the Board in its tasks and duties in the areas of risk management and the internal control system.

### **Chairperson's Committee**

The Chairperson's Committee approves limits and deal with transactions involving particular business policy risks, conflicts of interest or particular effects on the group's reputation where these exceed the remit of the Executive Board and do not fall within the remit of the Board of Directors.

### **Audit**

Audit supports the Board of Directors in fulfilling its statutory supervisory and control tasks and discharges the monitoring tasks assigned to it by the Board of Directors. In particular, Audit independently and objectively evaluates the appropriateness and effectiveness of the internal control and risk management processes as well as the management and monitoring processes and contributes towards their improvement. Audit works independently of day-to-day business activities and does not take on any operational tasks or control activities. Audit has unlimited rights of inspection, information and access within the entire group. Audit has no authority to issue instructions, but has the right to make recommendations. Audit reporting is independent and not bound by instructions.

### **Executive Board**

The Executive Board issues provisions for the identification, evaluation, control, management, monitoring and reporting of risks in the form of directives. The Executive Board also approves transactions that entail particular business policy risks, conflicts of interest or particular effects on the reputation of Zürcher Kantonalbank, unless they are assigned to another governing body under the applicable regulations.

### **Risk unit**

The Chief Risk Officer (CRO) is a member of the Executive Board and heads the Risk unit and also has a right of intervention that permits measures to be assigned to the risk managers if required by the risk situation or to protect the bank. The CRO also enjoys direct access to the Chairperson's Committee at all times. The business unit consists of the Credit Risk, Market Risk, Operational Risk and Risk Control organisational units.

The risk control function, which monitors portfolio-level risks and the Board of Directors' risk tolerance requirements, reports to the Executive Board and the Board of Directors. The risk control function is responsible for defining methods of risk measurement, model validation, as well as execution and quality assurance in relation to the risk measurement implemented.

Preventative risk management examines transactions before they are finalised and systems prior to their deployment in line with existing delineations of power and consultation duties, and defines the requirements at individual transaction or system level. It also continuously monitors local risks and supports the training of risk managers.

Preventive risk management of operational risks is carried out outside the Risk business unit by the process chain managers and in the IT, Operations & Real Estate business unit, which is responsible for issuing guidelines and managing the group's security (Cyber Security and Physical Security specialist unit) and business continuity management.

### **Compliance line / Compliance function**

The General Counsel reports directly to the CEO and manages the Compliance unit. As a member of the Risk, Conflicts and International Committee of the Executive Board, it has a right of escalation to the Chairperson's Committee and also enjoys direct access to the Chairperson's Committee at all times.

The specialist Legal & Compliance group function has the following duties, among others: examining the compliance risk inventory on an annual basis and preparing the action plan with focal points relating to the management of compliance risks, formulating proposals and carrying out defined monitoring and control duties (e. g. as pre-deal

or post-deal control), as well as defining risk management tools. The Compliance function also defines risk management measures for compliance risk independently of the individual case, such as the editing of directives when implementing new ordinances as well as conducting training courses. The Compliance function is further responsible for providing forward-looking legal advice with the objective of avoiding or minimising individual identified risks and threats arising from legal requirements. Legal advice is provided in the context of existing mandatory consultations, as a pre-deal consultation or on request.

### **Risk managers**

The risk managers bear responsibility for profits and losses generated on the risks entered into. They are responsible for the continuous, active management of risks and for compliance with internal risk tolerance regulations, relevant laws, ordinances, circulars and standards. The sales units are responsible for credit risks as risk managers and the Trading and Capital Markets organisational unit for market risks in the trading book. Interest rate risks in the banking book and liquidity risks are the responsibility of Treasury in the Finance unit. All units of the bank are responsible for managing operational and compliance risks.

### **Risk Committee of the Board of Directors**

The Risk Committee of the Board of Directors focuses on credit, market and liquidity risks, operational and compliance risks, and reputation risks. It performs the tasks set out in FINMA Circular 2017/1 "Corporate governance - banks". These are, in summary:

- Review and annual assessment of risk policy and the principles of institution-wide risk management set in the framework concept;
- To give preliminary consideration to the risk policy rules;
- To acknowledge and discuss risk reporting;
- To monitor implementation of the risk strategies to ensure they are compatible with the risk tolerance and risk limits set;
- To review the capital and liquidity planning;
- To assess measures taken as a result of audit recommendations;
- To assess the bank's compensation system for risk-related issues.

The Risk Committee of the Board of Directors also provides preliminary advice on major transactions that fall within the remit of the Board of Directors. The committee is also kept informed of transactions that fall within the remit of the Committee of the Board. The tasks, powers and responsibilities of the committee are defined in the organisational regulations.

### **Audit Committee of the Board of Directors**

The Audit Committee is an audit committee as defined in FINMA Circular 2017/1 "Corporate governance - banks" and supports the Board of Directors at group and parent company level in monitoring internal and external audit, the internal control system and the audit of the annual financial statements. The duties and powers of the Audit Committee of the Board of Directors include:

- analysing and discussing the financial planning;
- assessing the proper functioning of the ICS and informing the Board of Directors about this;
- receiving and discussing the activity reports of the Compliance function and Risk Control.

The tasks, powers and responsibilities of the committee are defined in the organisational regulations.

### **Risk Committee of the Executive Board and committees**

The Risk Committee assists the Executive Board in defining risk management processes. The Committee is chaired by the Chief Risk Officer (CRO) and approves the methods of risk measurement on the basis of the responsibilities delegated to it. The risk managers on the four separate subcommittees (credit, trading, treasury and operational risk) and members of the risk and compliance organisation discuss the Risk Committee's business and formulate proposals for its attention.

## Conflicts Committee

Based on the responsibilities delegated to them, the members of the Executive Board who sit on the Conflicts Committee take decisions regarding transactions that entail particular business policy risks, conflicts of interest and particular effects on the group's reputation. The Conflicts Committee is chaired by the CEO; its escalation body is the Chairperson's Committee.

## International Committee

The International Committee is chaired by the CRO. It defines the specific business policy requirements for transactions with an international dimension, monitors and reports on such transactions, approves the business framework for foreign activities for the Executive Board and approved individual transactions and types of transactions outside the approved business framework.

## Crisis organisation

In the event of a crisis, in addition to the above committees, a Risk Crisis Team is set up, supported by divisional crisis teams. It has the task of ensuring that decisions are taken in an efficient and coordinated manner in the event of a crisis. The crisis team provides support to the Executive Board during crises affecting the group, such as systemic and financial market crises, which the emergency organisation cannot cover. The divisional crisis teams (banks, liquidity) cross reporting lines, with the aim of working with all units affected to identify and implement necessary and appropriate measures in their area of responsibility.

## Business continuity management (BCM)

The emergency organisation supports the bank in dealing with major disruptions and crises caused by operational risks that cannot be resolved by the normal line organisation. Such disruptions include, for example, a total IT/data failure, the loss of a critical number of employees, central locations or critical suppliers/partners. It is important to distinguish crisis management from the associated advance planning measures (which are part of business continuity management).

The emergency response organisation consists of two tiers. The first tier is the divisional emergency response organisations, comprising the Real Estate emergency organisation and the IT emergency organisation. The divisional emergency response organisations support the Zürcher Kantonalbank emergency response organisation as a second tier in crisis management. The emergency response organisation is chaired by the Head of the business unit IT, Operations & Real Estate. Other members include the representatives of the other business units, Corporate Communications and the emergency organisation staff. In the event of a pandemic, the Pandemic Task Force can be deployed as a partial contingent of the emergency organisation to support the operational organisation.

In the event of a crisis affecting the entire Swiss financial sector, the Swiss National Bank's Interbank Alarm and Crisis Organisation (IAKO) ensures that measures are coordinated among the various institutions.

## Risk categories

Zürcher Kantonalbank divides risks into the following categories:

### Credit risk

|                |   |
|----------------|---|
| Definition     | Credit risk constitutes the risk of financial losses that can arise if clients or counterparties do not fulfil contractual obligations that are falling due or do not fulfil them on time. Loans, promises of payment and trading transactions all involve credit risks.  |
| Sub-categories | Counterparty risks refer to credit risks in trading transactions (e. g. OTC derivatives and SLB transactions). Trading transactions usually include mutual claims, which also depend on market parameters. Counterparty risks are also referred to as counterparty default risks. Settlement risks are fulfilment risks. This is the risk of losses in connection with transactions involving |

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mutual payment and delivery obligations, where the bank must meet its delivery obligation without first being able to ensure that counter-payment will be made.

Country risks: The risk of losses as the result of country-specific events, such as transfer risks (payment of a liability is restricted or prevented by a country) and risks arising from political and / or macroeconomic events.

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Management Sales units, Trading

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Indep. monitoring Risk unit

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## Market risk

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Definition Market risks comprise the risk of financial losses on securities and derivatives in the bank's own portfolio as a result of changes in market factors, such as share prices, interest rates, volatilities or exchange rates (general market risks), as well as for issuer-specific reasons (specific market risks).

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Sub-categories Balance sheet interest rate risk is the risk that changes in market interest rates will impact negatively on the financial situation of the banking book. As well as affecting current interest income, changes in interest rates have implications for future results. The interest rate risk is managed based on the market interest method.

Market liquidity risk is the risk that a product can no longer be easily sold (or purchased) on a market. The higher the market liquidity, the greater the chance of purchasing or selling a product for an appropriate price at the desired time.

Issuer (default) risk is the risk of a loss arising from a change in fair value resulting from a credit event affecting an issuer to which the bank is exposed through marketable securities or derivatives from this issuer.

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Management Trading, Treasury

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Indep. monitoring Risk unit

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## Liquidity risk

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Definition Liquidity refers to the bank's capacity to settle its liabilities promptly and without restrictions. Liquidity risk is the risk that this capacity to pay will be impaired under institution or market-related stress conditions.

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Sub-categories (Re-)financing risk: Refinancing refers to the procurement of funds for the financing of assets. Refinancing risk is the risk that the bank is not in a position to procure sufficient funds at appropriate conditions for the ongoing financing of its lending business.

Short-term liquidity ensures that the bank is able to make payments over a short period of time in the event of a systemic or institution-specific liquidity crisis by holding a sufficiently large inventory of high-quality liquid and unencumbered assets as a financial precaution against a temporary liquidity gap. Often, 30 calendar days are used as the definition period. The regulatory indicator for short-term liquidity is the liquidity coverage ratio (LCR), supplemented by the special liquidity requirements for systemically important banks.

Structural liquidity has a medium-term horizon and ensures that refinancing as per the liquidity profile of the assets takes place with stable liabilities. Structural liquidity requirements specify that illiquid assets such as loans to private individuals and companies, as well as parts of the trading portfolio, are to be refinanced through long-term liabilities. The regulatory indicator for structural liquidity is the net stable funding ratio (NSFR).

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Management Treasury and Money Trading

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Indep. monitoring Risk unit

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## Operational risk

|                   |   |
|-------------------|---|
| Definition        | Operational risks are the risk of financial losses that occur as a result of the inadequacy or failure of internal processes or systems, inappropriate human behaviour, human error, or as a result of external events.   |
| Sub-categories    | IT risks refer to the potential damage caused by the loss of confidentiality, integrity and availability of data and functions in IT systems.<br>Cyber risks comprise the risk of attacks from the Internet or similar networks (referred to as hacker attacks) on the confidentiality, integrity and availability of data and functions in IT systems. |
| Management        | All employees, in line with their duties, competences and responsibilities in the group.  |
| Indep. monitoring | Risk unit   |

## Compliance risk

|                   |   |
|-------------------|---|
| Definition        | Compliance risks are behavioural risks. These are risks that are caused by breaches of the law, regulations or contracts and can result in legal and regulatory sanctions, financial losses and reputational damage.<br>Compliance is the observance of legal, regulatory and internal regulations as well as the adherence to industry standards and codes of conduct by the group, its employees and members of governing bodies. This also includes compliance with organisational measures and processes. |
| Management        | Group board members and all employees   |
| Indep. monitoring | Compliance function   |

## Strategic risk

|                   |   |
|-------------------|---|
| Definition        | Strategic risks are all possible factors of influence, events and decisions that have the potential to endanger the long-term success of the company. |
| Management        | Board of Directors and Executive Board  |
| Indep. monitoring | None (Board of Directors and EB act as the manager)   |

## Business risk

|                   |   |
|-------------------|---|
| Definition        | Business risk is the risk that lower business volumes and margins will reduce the group's operating result if the decline in operating income is not offset by a simultaneous drop in operating expenses. Business risks also include unplanned additional costs in the absence of correspondingly higher income. Business risks materialise when actual income falls short of the budgeted income. This can occur on a one-off and a recurring basis. Typical examples of business risks are unexpectedly decreasing margins and a lack of client demand following an economic downturn. |
| Management        | All group employees, in line with their duties, competences and responsibilities.   |
| Indep. monitoring | Finance unit  |

## Reputation risk

|            |  |
|------------|--|
| Definition | Reputation risk involves the risk of damage to the good reputation of the company, the brand or a person, or, in extreme cases, losing it altogether. Conducting business activities in compliance with the law and in accordance with the company's core values is the best guarantee for maintaining its good reputation. At the same time, it is important to avoid negative reputational consequences for the bank.<br>Reputation denotes the image that a company enjoys among its stakeholders, i. e. the bank's standing in terms of its integrity, competency, performance and reliability from the perspective of stakeholders. Reputational damage occurs when the perception of a stakeholder group differs from its expectations. The trustworthiness and credibility of the bank as |
|------------|--|



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aspects of its reputation are negatively influenced by this difference. Reputation is determined by constantly comparing perceptions and expectations over a period of time and is reflected in the company's values and identity.

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Management Group board members and all employees

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Indep. monitoring Group administrative department, Corporate Communication

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Sustainability risks are events or conditions related to the environment, society or governance (ESG), the occurrence of which may have actual or potential negative effects on the bank's assets, finances and earnings, as well as on its reputation. Sustainability risks are a component of the risk categories listed above. The management of sustainability risks is an integral part of the bank's risk management processes. Climate-related financial risks are part of sustainability risks and are discussed in detail in chapter 18.

### **Risk tolerance**

Risk tolerance includes both qualitative and quantitative considerations concerning the main risks the group is willing to accept to achieve its strategic business objectives, given its capital and liquidity planning. Risk tolerance is set for each risk category and at group level.

The qualitative elements of risk tolerance are mainly set in the form of regulations, directives and instructions. These are reviewed regularly and adjusted if necessary, but are largely medium and long-term in nature and at the strategic level, going well beyond the horizon of annual quantitative risk policy requirements.

At the Board of Directors level (strategic), the qualitative risk tolerance requirements include in particular the risk management principles set down in the risk regulations, the legal and compliance regulations and the code of conduct and ethics, the business policy rules in the group strategy and the business policy rules in the special regulations on the individual business areas.

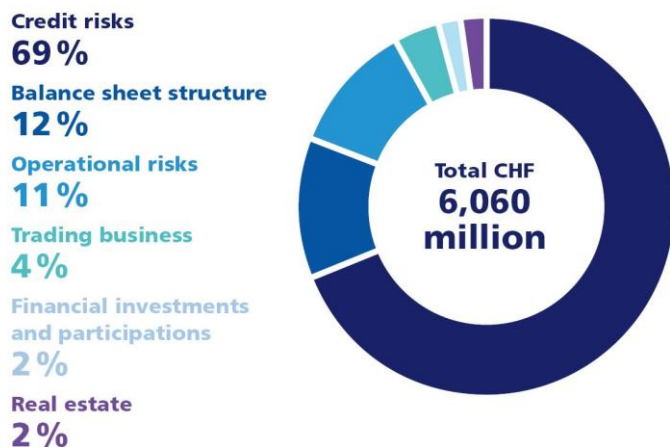
At the Executive Board level (operational), the qualitative requirements include in particular the policies for the individual business areas. Examples include the credit policy rules from the Executive Board (credit policy) or the trading mandates for the individual trading desks.

As part of the annual risk policy process the Board of Directors ensures that the risk limits and benchmarks it sets (quantitative risk tolerance) are consistent with the bank's risk capacity.

Risk capacity refers to the maximum possible total risk the bank can take without endangering its own credit rating target in a period of heavy stress lasting several years. Risk capacity in capital allocation refers to the maximum risk capital the Board of Directors can allocate on a one-year horizon. Risk capacity sets the framework for determining quantitative risk tolerance.

Risk tolerance refers to the total risk defined for all relevant business types the bank is willing to enter into, bearing in mind the strategic business objectives and the capital and liquidity planning. Risk tolerance is set annually by the Board of Directors, which approves the risk policy requirements for the following year. The Board of Directors ensures that risk tolerance is consistent with risk capacity. The allocation of capital at risk (CaR) to individual risk managers (e. g. Trading) is a key management instrument. Quantitative risk tolerance is set by the Board of Directors, mainly by allocating capital at risk to credit risk, market risk and operational risk; capital at risk for operational risk also covers compliance risk. The risk managers request risk capital from the Board of Directors based on the current risk profile, planned business activities and potential negative trends in the risk profile.

Of the CHF 14,624 million in eligible capital (total capital) at the end of 2022, a total of CHF 6,060 million was allocated to the risk business in 2023. The remaining CHF 8,564 million is not allocated to a specific risk category. The percentage breakdown by risk category of the allocated capital is shown on the following page.



The figure shows that the risk profile of Zürcher Kantonalbank is strongly influenced by credit risks.

In the case of operational risks, there is no internal allocation of the cost of capital. For credit risks the Board of Directors makes an allocation to the wholesale, commercial and private portfolios in Sales by annually setting sub-portfolio limits.

Provided the total capital at risk requested (CaR limits) is below the previously determined risk capacity (maximum capital at risk), the Board of Directors can set risk tolerance at the level of the capital at risk requested. The process for allocating capital at risk ensures that the quantitative elements of risk tolerance and the capital strategy are mutually compatible.

In addition to capital at risk, the Board of Directors also sets every year the cost of capital rates for internal charging and other quantitative risk tolerance rules, including a limit for liquidity risk and the benchmark for the strategic investment of equity (equity benchmark).

The risk profile refers to the risk exposure taken at a given point in time, in the relevant risk categories and aggregated at bank level. The risk profile is reflected in a series of quantitative risk measurement variables and qualitative risk aspects. Limit utilisation is a major measurement and assessment criterion. Ongoing monitoring of the risk profile ensures that it remains within the risk tolerance.

For more information on how the business model interacts with the overall risk profile, please see table CRA (credit risk, page 65), table CCRA (counterparty credit risk, page 95), table MRA (market risk, page 106) and table ORA (operational risks, page 117).

### Internal risk reporting

Internal and external risk reporting is guided by high industry standards in terms of objectivity, scope, transparency and timeliness. Risk transparency is fundamental if the recipients of reports are to assess risk properly. Reporting transparency is supported by having a risk reporter organisationally independent from the units managing risk. Risk reporting covers the entire Zürcher Kantonalbank group.

Reporting to the Executive Board and Board of Directors covers all risk categories. The internal reports are produced by the independent monitoring units. The main reports are:

- The quarterly report from the CRO covering events, the risk profile and monitoring of credit, market and liquidity risk, operational risk, compliance risk reported by the General Counsel and reputation risk reported by Corporate Communications.
- The quarterly report from the CFO on the group results and strategic metrics, revenue items (interest, commission and trading business) and cost items, client development and response, change (development steps), employees and capital.
- The annual report on the suitability and effectiveness of the internal control system and the activities of Risk Control and the Compliance function.

When special developments or events occur, the Executive Board and Board of Directors are informed of changes in the risk profile in additional reports and analyses.

Monitoring reports support risk monitoring in the Risk unit and management controls in the organisational units managing risk. Monitoring reports are produced at higher frequencies for higher risk categories.

### **Risk data aggregation and systems**

The group structure at Zürcher Kantonalbank, with a relatively small number of subsidiaries and the parent bank regionally focused on the Canton of Zurich, means that risk data aggregation is much simpler than, for example, major banks with global activities. Relative size means that the risk profile of the Zürcher Kantonalbank group is dominated by the risks at the parent bank. Where risks at subsidiaries are material for the risk profile of the group, daily or real-time data updates to the parent bank systems ensure that a reliable and up-to-date picture of the group's risk profile is available at all times.

#### **Risk systems for credit risks**

- **Limit monitoring system**  
The system is the group's application for managing counterparty limits and risk management structures for market and default risk. The limit monitoring system contains all credit risk-relevant exposures, including counterparty risks from trading transactions, using a simulation-based approach that takes netting and collateralisation into account. Default-related data are supplied by Trading in real time. Aggregated exposure is available by group company and also at group level. Exposures are calculated for different maturity ranges. This takes into account netting and collateral, using pre-defined rules. Exposures can be coded down to individual transaction level by drilling down. The system has a pre-deal function allowing simulation of the impact of potential transactions (e. g. in Trading) on limit utilisation.
- **Risk measurement: Credit Risk Portfolio Management System**  
Credit risks at portfolio level are measured in the Credit Risk Portfolio Management System. It calculates, among other things, capital at risk (CaR) and expected loss (EL). Based on these, the cost of capital and the standard risk cost are determined. Exposure data is provided to the system by the limit monitoring system. This data is then enhanced with collateral information. EL calculations are run at individual client level, CaR is calculated at portfolio level. Exposure data is updated daily. It is possible with the corresponding special rights to make flexible changes to portfolio data, e.g. for stress tests, impact analyses or scenario analyses. There is also an option to use a pre-deal check to add new positions to a portfolio to see the effect on CaR.
- **Reporting and analyses: Credit risk assessment platform**  
The application brings together data from various sources into a single database. The data is available to the Risk business unit as raw data at the individual transaction and limit level, and can be viewed both as a current portfolio and reflecting applications. In addition to exposures and limits, the platform also contains data on collateral down to the level of individual security, property, guarantee, etc. and information on clients' group structure. The data is used for regular reports and ad hoc assessments. It is normally downloaded monthly from upstream systems, but is also available for other reporting dates, including retrospectively. The assessments themselves are carried out using database query tools.

## Risk systems for market risks

### – Measurement of trading P&L and market risk measurement

A business intelligence solution is used to support the risk organisation in its independent P&L and risk analysis of trading positions. P&L and risk data (valuation of trading positions, P&L attributions and risk sensitivities) and the relevant market data (interest rates, exchange rates, etc.) are obtained from the front office application used by Trading. The system used offers a full plausibilisation, analysis and reporting infrastructure for currencies and securities.

The same application measures the following key market risk ratios: capital at risk (CaR), value at risk (VaR) and stressed VaR for trading positions. This is calculated at various levels of aggregation (desk, trading area, portfolio, etc.). The application obtains a model-based valuation of all trading instruments under different market risk scenarios from the front-office application used by Trading. The market movements for the risk metrics come from a Monte Carlo simulation. The model implemented in the application is certified by FINMA for capital adequacy requirements for market risks in the general interest rates, currencies, general and specific equities, and commodities categories. Capital adequacy for specific interest rate risks uses the standardised market risk approach.

### – Interest rate risk measurement on the balance sheet

The ALM system is the application for managing the balance sheet structure in Treasury and in the Risk unit. Exposures in the banking book which are interest rate-sensitive are updated weekly, and the interest rate position is calculated based on this. The Treasury system is used by Treasury to manage interest rate risk under the market interest rate method and regulatory reporting. In terms of risk control, the ALM system is the basis for measuring interest rate risk from both the net present value and profit perspectives.

## Risk systems for liquidity risks

### – Liquidity risk system

The system is a scenario-based risk system customised for Zürcher Kantonalbank to measure liquidity risk. In the system, the data for all the bank's transactions that are relevant to liquidity risk measurement are processed and categorised as per the model. Their impact on the the liquidity situation and thus also their compliance with internal requirements is simulated. The regulatory liquidity ratios (incl. TBTF-requirements) are calculated based on the accounting system.

## Risk systems for operational risk and compliance risk

### – Operational risk and compliance risk application

This application supports the business units plus Operational Risk and the Compliance function in defining and managing operational and compliance risks. The application is the central location for documenting risk scenarios and the associated countermeasures (such as control activities) and for classifying data, functions and systems. It is also a monitoring instrument for dealing with control activities, compliance measures and outstanding audit items.

## Risk systems for reputation risk, business risk and strategic risk

- No specific systems are used to measure reputation, business or strategic risk. The Finance unit mainly uses SAP systems for accounting and controlling.

## Stress testing

Stress tests are used to analyse the impact of shock events, changes to individual business parameters or longer lasting crisis scenarios on key target indicators. They are a way of analysing the ability to survive such stress events. Zürcher Kantonalbank uses stress tests to:

- analyse the effect on the income statement, capital and liquidity of exceptional disruptions on financial markets or in the broader economy;
- perform plausibility checks and optimise capital and liquidity planning;
- develop crisis scenarios and plans to manage risk in stress situations;
- communicate risks for the group using a stress perspective.

Stress scenarios are based on one or more of the following methodologies:

- extreme historic events;
- hypotheses/scenarios formulated by experts;
- sensitivity analyses for area-specific risk factors;
- insolvency scenarios (reverse stress).

Stress testing is an integral part of risk management at Zürcher Kantonalbank. When setting the risk tolerance, Risk Control ensures that the risk limits requested from the Board of Directors are consistent with the results of stress tests.

The stress test universe at Zürcher Kantonalbank mainly consists of two components:

- **Group stress test:** Checking risk has been identified across all categories, taking into account the interactions between the different categories.
- **Area-specific stress tests for market, liquidity and credit risk** which are an integral part of individual risk measurement, for example to complement VaR as a largely model-free way of measuring market risk.

### **Group stress test: potential loss analysis**

In the annual potential loss analysis, the Finance and Risk units jointly examine the potential impact of crisis scenarios lasting several years on profitability and the capital position. The aim of the analysis is to check the vulnerability of Zürcher Kantonalbank to crisis scenarios that are unlikely but possible. When measuring potential loss, the focus is on balance sheet and income statement items as well as the regulatory capital situation.

The starting point for the potential loss analysis is the development of scenarios by Economic Research in collaboration with the specialist areas. They draw up macro-economic scenarios which have as wide a range of impacts as possible on individual business areas. The scenarios are to an extent realistic and economically consistent, but exaggerate some trends in order to give the desired severity. Central macro-economic parameters are forecast for each scenario over a period of several years.

Based on these figures, the specialist areas estimate the impact on the group. This stage includes an analysis of the effects on the risk profile and a model-based or expert assessment of potential losses. The analyses and loss estimates produced by the specialist areas are combined in a report and validated. Finally, based on the figures from the annual financial planning, the impact on the income statement and capital is calculated and analysed over the entire horizon of the scenario. In medium-term planning, the scenario selected is used to critically review the stress reserves and capital position overall and define any action required.

In addition to the group's own potential loss analysis, FINMA regularly provides stress scenarios for review and compares the impact between the different banks. The processing of this "regulatory potential loss analysis (PLA)" is coordinated with the internal potential loss analysis whenever possible. The results of the regulatory PLA are discussed with FINMA and integrated into internal risk reporting.

### **Area-specific stress tests**

Zürcher Kantonalbank uses stress testing as a management and monitoring tool, among others, in the following areas:

- **Credit risk stress test**  
Risk Control runs sensitivity and scenario analyses as part of the process for setting the risk tolerance (CaR) for credit risk. The parameters in the credit risk portfolio model are varied to differing degrees and the impact on the estimated portfolio loss and risk capital requirement is analysed. Other stress tests are carried out on an ad hoc basis to analyse the credit risk profile of sub-portfolios.
- **Market risk stress test**  
Market risk in trading: stress testing is an integral part of measuring market risk. Losses on trading positions caused by extraordinary market movements are calculated, analysed and monitored. A distinction is drawn

between scenarios relevant to the benchmark, scenario analyses and regulatory scenarios. The scenarios relevant to the benchmark are based on macroeconomic narratives (e. g. a financial crisis). All relevant risk factors (share prices, interest rates, etc.) are considered at the same time and consistently. The amount considered is calibrated based on actual developments in historical narratives; in hypothetical narratives it is based on key risk factors at the 99.9 percent quintile of 10-day returns. In the absence of extreme or comparable historic data, expert estimates are used. In addition to the value at risk calculated every day based on current market conditions, a stressed VaR is also calculated. Stressed VaR is based on the same model as VaR, but is calibrated on the basis of changes in the value of the risk factors observed in a period of significant market stress (e. g. 2007 to 2009). The CaR method used for market risk in trading is also based on stressed VaR. The stress period used is reviewed every year to ensure it is appropriate and submitted to the Risk Committee of the EB. Additional analysis scenarios are used to measure market risk in trading; however, unlike the scenarios relevant for the benchmark, these have no limiting function. They are used solely for risk analysis. Since they focus on individual risk factors (e. g. interest rates), they are helpful for investigating the risk profile from different perspectives.

– Interest rates risks on the balance sheet

From the net present value perspective, the aim of stress testing is to limit potential losses in net present value resulting from a sudden and extreme interest rate scenario. The scenarios used are abrupt interest rate shocks and cover all relevant movements in the yield curve (parallel shifts, twists and steepening). As well as the scenarios relevant for benchmarks mentioned above, use is also made of the regulatory scenarios in FINMA Circular 2019/2 “Interest rate risk – Banks”. From the income perspective, stress testing is based on extreme interest rate scenarios with a horizon of one year. The respective structural contribution over the simulation horizon is calculated for each scenario. The stress test indicator is calculated as the difference between the lowest structural contribution of all scenarios and that in the steady state scenario, in which the yield curve is kept unchanged across the entire simulation horizon.

– Liquidity risk

From 2024, special regulatory requirements for systemically important banks (TBTF requirements) will apply in addition to the requirements of the Liquidity Ordinance for the short-term liquidity ratio (LCR, 30-day horizon). Over a 90-day stress or restructuring horizon, the TBTF requirements must satisfy both basic and additional institution-specific requirements, so that a minimum level of liquidity or high-quality liquid assets (HQLA) is still available on day 90. In addition to the regulatory stress scenarios, Zürcher Kantonalbank uses internal stress scenarios based on the measurement of the liquidity risk measurement system LRS. The stress scenario-based risk metric for measuring short-term liquidity is the “minimum liquidity buffer up to the 30th calendar day under the standard or alternative liquidity stress scenario”. The standard stress scenario models a bank-specific bank run with a serious deterioration in liquidity and, like the alternative liquidity stress scenario, it is selected from a set of different stress scenarios. The starting point for the calculation is the existing buffer of high-quality liquid assets (HQLA). Based on this, for each successive day, the internal model calculates inflows and outflows for various product groups, which increase or reduce the liquidity reserve. The scenario includes, for example, the loss of maturing funding, an outflow of liquidity from all liability items that threatens the existence of the bank and no renewals of term deposits. The liquidity left after the 30th calendar day of the scenario is the internal risk measurement. The Board of Directors sets the risk tolerance for liquidity risks with the regulatory LCR and TBTF requirements. The EB supplements this specification with a value for the minimum liquidity under the standard and the alternative liquidity stress scenario from internal measurement.

For more information on risk management, strategies and processes, internal reporting and the internal control system, please see table CRA (credit risk, page 65), table CCRA (counterparty credit risk, page 95), table MRA (market risk, page 106) and table ORA (operational risks, page 117).

## 5.4 OV1: Overview of RWA

| in CHF million  | a                 | b                 | c   |
|---|-------------------|-------------------|---|
|   | RWA<br>31.12.2023 | RWA<br>30.06.2023 | Minimum capital<br>requirements<br>31.12.2023 |
| 1 Credit risk (excluding CCR – counterparty credit risk) <sup>1</sup>   | 56,582            | 56,622            | 4,527   |
| 2 of which standardised approach (SA) <sup>1</sup>  | 7,751             | 8,675             | 620   |
| 3 of which foundation internal ratings-based (F-IRB) approach   | 30,608            | 29,965            | 2,449   |
| 4 of which supervisory slotting approach  | –                 | –                 | –   |
| 5 of which advanced internal ratings-based (A-IRB) approach <sup>2</sup>  | 18,224            | 17,982            | 1,458   |
| 6 Counterparty credit risk (CCR)  | 8,569             | 8,576             | 686   |
| 7 of which standardised approach for counterparty credit risk (SA-CCR)  | 3,057             | 3,124             | 245   |
| 7a of which simplified standard approach (SSA-CCR)  | –                 | –                 | –   |
| 7b of which current exposure method   | –                 | –                 | –   |
| 8 of which internal model method (IMM)  | –                 | –                 | –   |
| 9 of which other CCR <sup>3</sup>   | 5,512             | 5,452             | 441   |
| 10 Credit valuation adjustment (CVA)  | 1,890             | 1,547             | 151   |
| 11 Equity positions under the simple risk weight approach   | 593               | 587               | 47  |
| 12 Investments in funds – look-through approach   | –                 | –                 | –   |
| 13 Investments in funds – mandate-based approach  | –                 | –                 | –   |
| 14 Investments in funds – fall-back approach  | 855               | 863               | 68  |
| 14a Investments in funds – simplified approach  | –                 | –                 | –   |
| 15 Settlement risk  | 2                 | 2                 | 0   |
| 16 Securitisation exposures in banking book   | –                 | –                 | –   |
| 17 of which securitisation internal ratings-based approach (SEC-IRBA)   | –                 | –                 | –   |
| 18 of which securitisation external ratings-based approach (SEC-ERBA), including internal assessment approach (IAA) | –                 | –                 | –   |
| 19 of which securitisation standardised approach (SEC-SA)   | –                 | –                 | –   |
| 20 Market risk  | 4,040             | 3,394             | 323   |
| 21 of which standardised approach (SA)  | 1,897             | 2,020             | 152   |
| 22 of which internal model approaches (IMA)   | 2,143             | 1,374             | 171   |
| 23 Capital charge for switch between trading book and banking book  | –                 | –                 | –   |
| 24 Operational risk   | 5,370             | 5,158             | 430   |
| 25 Amounts below the thresholds for deduction (subject to 250% risk weight)   | 1,051             | 1,051             | 84  |
| 26 Floor adjustment   | –                 | –                 | –   |
| <b>27 Total</b>   | <b>78,952</b>     | <b>77,801</b>     | <b>6,316</b>                                  |

<sup>1</sup> According to FINMA Circ. 16/1, non-counterparty-related risks are also to be taken into account in this row.

<sup>2</sup> Zürcher Kantonalbank essentially uses the foundation IRB approach (F-IRB approach). For the IRB segment Retail, however, only the advanced IRB approach (A-IRB approach) exists, so the RWA and minimum capital requirements for the IRB segment Retail are disclosed in this row.

<sup>3</sup> Zürcher Kantonalbank uses the comprehensive approach for credit risk mitigation and the calculation of the credit equivalent for securities financing transactions (SFT).

RWA rose by CHF 1,151 million to CHF 78,952 million overall compared with 30 June 2023. In particular, RWA for market risk (+ CHF 646 million), for the credit valuation adjustment (CVA) (+ CHF 343 million) and for operational risk (+ CHF 212 million) increased. RWA for the other risk categories remained essentially unchanged compared with 30 June 2023. For further information on the reasons for the changes please see the relevant detailed tables.



## 6 Linkages between accounting and regulatory exposure amounts

### 6.1 L1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

| 31.12.2023<br>in CHF million                                    | a and b <sup>1,2</sup><br>Carrying values<br>under the<br>scope of<br>accounting and<br>regulatory<br>consolidation | c<br>Carrying values<br>of items<br>subject to<br>credit risk<br>framework | d<br>Carrying values<br>of items<br>subject to<br>counterparty<br>credit risk<br>framework | e<br>Carrying values<br>of items<br>subject to<br>securitisation<br>framework | f<br>Carrying values<br>of items<br>subject to<br>market risk<br>framework | g<br>Not subject to<br>capital<br>requirements<br>or subject to<br>deduction from<br>capital |
|---|---|--|--|---|--|--|
| <b>Assets</b>   |   |  |  |   |  |  |
| Liquid assets   | 39,706  | 39,706   | –  | –   | –  | –  |
| Amounts due from banks  | 3,401   | 3,106  | 296  | –   | –  | –  |
| Amounts due from securities financing transactions              | 25,740  | –  | 25,740   | –   | –  | –  |
| Amounts due from customers                                      | 11,252  | 10,522   | 730  | –   | –  | –  |
| Mortgage loans  | 100,874   | 100,874  | –  | –   | –  | –  |
| Trading portfolio assets  | 11,880  | 7  | –  | –   | 11,873   | –  |
| Positive replacement values of derivative financial instruments | 968   | –  | 968  | –   | 968  | –  |
| Other financial instruments at fair value                       | –   | –  | –  | –   | –  | –  |
| Financial investments   | 5,577   | 5,390  | –  | –   | 187  | –  |
| Accrued income and prepaid expenses                             | 644   | 644  | –  | –   | –  | –  |
| Non-consolidated participations                                 | 154   | 154  | –  | –   | –  | –  |
| Tangible fixed assets   | 534   | 534  | –  | –   | –  | –  |
| Intangible assets   | 3   | –  | –  | –   | –  | 3  |
| Other assets  | 527   | 523  | –  | –   | –  | 4  |
| <b>Total assets</b>   | <b>201,259</b>  | <b>161,461</b>   | <b>27,733</b>  | <b>–</b>  | <b>13,027</b>  | <b>6</b>   |
| <b>Liabilities</b>  |   |  |  |   |  |  |
| Amounts due to banks  | 35,404  | –  | 264  | –   | –  | 35,140   |
| Liabilities from securities financing transactions              | 14,095  | –  | 14,095   | –   | –  | –  |
| Amounts due in respect of customer deposits                     | 101,452   | –  | 4  | –   | –  | 101,448  |
| Trading portfolio liabilities                                   | 3,224   | –  | –  | –   | 3,224  | –  |
| Negative replacement values of derivative financial instruments | 2,458   | –  | 2,458  | –   | 2,458  | –  |
| Liabilities from other financial instruments at fair value      | 4,000   | –  | –  | –   | 4,000  | –  |
| Cash bonds  | 288   | –  | –  | –   | –  | 288  |
| Certificate of Deposits   | 632   | –  | –  | –   | –  | 632  |
| Bond issues   | 10,547  | –  | –  | –   | –  | 10,547   |
| Central mortgage institution loans                              | 11,558  | –  | –  | –   | –  | 11,558   |
| Accrued expenses and deferred income                            | 1,371   | –  | –  | –   | –  | 1,371  |
| Other liabilities   | 1,789   | –  | –  | –   | –  | 1,789  |
| Provisions  | 174   | –  | –  | –   | –  | 174  |
| <b>Total liabilities</b>  | <b>186,992</b>  | <b>–</b>   | <b>16,820</b>  | <b>–</b>  | <b>9,682</b>   | <b>162,947</b>   |

<sup>1</sup> If a bank's scope of accounting consolidation and its scope of regulatory consolidation are exactly the same, columns a and b should be merged. This is applicable to Zürcher Kantonalbank.

<sup>2</sup> Where a single item attracts capital charges according to more than one risk category framework, it should be reported in all columns that it attracts a capital charge. As a consequence, the sum of amounts in columns c to g may be greater than the amount in column a and b.



| 31.12.2022<br>in CHF million                                    | a and b <sup>1,2</sup><br>Carrying values<br>under the<br>scope of<br>accounting and<br>regulatory<br>consolidation | c<br>Carrying values<br>of items<br>subject to<br>credit risk<br>framework | d<br>Carrying values<br>of items<br>subject to<br>counterparty<br>credit risk<br>framework | e<br>Carrying values<br>of items<br>subject to<br>securitisation<br>framework | f<br>Carrying values<br>of items<br>subject to<br>market risk<br>framework | g<br>Not subject to<br>capital<br>requirements<br>or subject to<br>deduction from<br>capital |
|---|---|--|--|---|--|--|
| <b>Assets</b>   |   |  |  |   |  |  |
| Liquid assets   | 40,302  | 40,302   | –  | –   | –  | –  |
| Amounts due from banks  | 2,937   | 2,717  | 220  | –   | –  | –  |
| Amounts due from securities financing transactions              | 27,804  | –  | 27,804   | –   | –  | –  |
| Amounts due from customers                                      | 10,567  | 9,753  | 815  | –   | –  | –  |
| Mortgage loans  | 96,838  | 96,838   | –  | –   | –  | –  |
| Trading portfolio assets  | 11,071  | 25   | –  | –   | 11,046   | –  |
| Positive replacement values of derivative financial instruments | 1,190   | –  | 1,190  | –   | 1,190  | –  |
| Other financial instruments at fair value                       | –   | –  | –  | –   | –  | –  |
| Financial investments   | 7,490   | 7,293  | –  | –   | 196  | –  |
| Accrued income and prepaid expenses                             | 457   | 457  | –  | –   | –  | –  |
| Non-consolidated participations                                 | 155   | 155  | –  | –   | –  | –  |
| Tangible fixed assets   | 565   | 565  | –  | –   | –  | –  |
| Intangible assets   | 14  | –  | –  | –   | –  | 14   |
| Other assets  | 400   | 395  | –  | –   | –  | 5  |
| <b>Total assets</b>   | <b>199,791</b>  | <b>158,501</b>   | <b>30,028</b>  | <b>–</b>  | <b>12,432</b>  | <b>19</b>  |
| <b>Liabilities</b>  |   |  |  |   |  |  |
| Amounts due to banks  | 39,051  | –  | 85   | –   | –  | 38,966   |
| Liabilities from securities financing transactions              | 10,636  | –  | 10,636   | –   | –  | –  |
| Amounts due in respect of customer deposits                     | 103,351   | –  | 8  | –   | –  | 103,343  |
| Trading portfolio liabilities                                   | 3,636   | –  | –  | –   | 3,636  | –  |
| Negative replacement values of derivative financial instruments | 2,066   | –  | 2,066  | –   | 2,066  | –  |
| Liabilities from other financial instruments at fair value      | 3,953   | –  | –  | –   | 3,953  | –  |
| Cash bonds  | 196   | –  | –  | –   | –  | 196  |
| Certificate of Deposits   | 104   | –  | –  | –   | –  | 104  |
| Bond issues   | 9,400   | –  | –  | –   | –  | 9,400  |
| Central mortgage institution loans                              | 11,924  | –  | –  | –   | –  | 11,924   |
| Accrued expenses and deferred income                            | 1,063   | –  | –  | –   | –  | 1,063  |
| Other liabilities   | 897   | –  | –  | –   | –  | 897  |
| Provisions  | 214   | –  | –  | –   | –  | 214  |
| <b>Total liabilities</b>  | <b>186,492</b>  | <b>–</b>   | <b>12,795</b>  | <b>–</b>  | <b>9,655</b>   | <b>166,108</b>   |

<sup>1</sup> If a bank's scope of accounting consolidation and its scope of regulatory consolidation are exactly the same, columns a and b should be merged. This is applicable to Zürcher Kantonalbank.

<sup>2</sup> Where a single item attracts capital charges according to more than one risk category framework, it should be reported in all columns that it attracts a capital charge. As a consequence, the sum of amounts in columns c to g may be greater than the amount in column a and b.

## 6.2 LI2: Main sources of differences between regulatory exposure amounts and carrying values in consolidated financial statements

|   | a              | b  | d   | c   | e   |
|---|----------------|--|---|---|---|
|   | Total          | Positions subject to credit risk framework | Positions subject to counterparty credit risk | Positions subject to securitisation framework | Positions subject to market risk framework <sup>1</sup> |
| <b>31.12.2023</b>   |                |  |   |   |   |
| <b>in CHF million</b>   |                |  |   |   |   |
| 1 Asset carrying value amount under regulatory scope of consolidation (as per Table LI1)          | 202,221        | 161,461                                    | 27,733  | –   | 13,027  |
| 2 Liabilities carrying value amount under regulatory scope of consolidation (as per Table LI1)    | 26,503         | –  | 16,820  | –   | 9,682   |
| 3 Total net amount under regulatory scope of consolidation  | 175,718        | 161,461                                    | 10,912  | –   | 3,345   |
| 4 Off-balance sheet amounts <sup>2</sup>  | 18,292         | 11,069                                     | –   | –   | –   |
| 5 Revocable commitments <sup>2</sup>  | 30,064         | 15,900                                     | –   | –   | –   |
| 6 Differences due to consideration of value adjustments and provisions                            | 429            | 426  | 2   | –   | –   |
| 7 Amounts below the thresholds for deduction (subject to 250% risk weight)                        | -420           | -420                                       | –   | –   | –   |
| 8 Net position of central mortgage institution bonds and loans                                    | -3,018         | -3,018                                     | –   | –   | –   |
| 9 Consideration of financial collateral   | -599           | -599                                       | –   | –   | –   |
| 10 Differences due to the calculation of credit equivalents for derivatives                       | 9,822          | –  | 9,822   | –   | –   |
| 11 Differences due to the use of the comprehensive approach for credit risk mitigation (for SFTs) | -2,245         | –  | -2,245  | –   | –   |
| 12 Other differences  | -3,356         | -44  | –   | –   | -3,312  |
| <b>13 Exposure amounts considered for regulatory purposes</b>                                     | <b>203,300</b> | <b>184,776</b>                             | <b>18,492</b>                                 | <b>–</b>                                      | <b>33</b>   |

<sup>1</sup> Exposure at default is only calculated for securitisation exposures in the trading book, resulting in a difference between carrying values and exposure amounts considered for regulatory purposes.

<sup>2</sup> According to FINMA Circ. 16/1, off-balance sheet original exposures are to be disclosed in column a and the amounts after application of the credit conversion factors (CCFs) in columns b to e. Hence, the total amount in column a does not equal the sum of positions from columns b to e. The same method is applied for revocable commitments.

|   | a              | b  | d   | c   | e   |
|---|----------------|--|---|---|---|
|   | Total          | Positions subject to credit risk framework | Positions subject to counterparty credit risk | Positions subject to securitisation framework | Positions subject to market risk framework <sup>1</sup> |
| <b>31.12.2022</b>   |                |  |   |   |   |
| <b>in CHF million</b>   |                |  |   |   |   |
| 1 Asset carrying value amount under regulatory scope of consolidation (as per Table LI1)          | 200,962        | 158,501                                    | 30,028  | –   | 12,432  |
| 2 Liabilities carrying value amount under regulatory scope of consolidation (as per Table LI1)    | 22,450         | –  | 12,795  | –   | 9,655   |
| 3 Total net amount under regulatory scope of consolidation  | 178,512        | 158,501                                    | 17,233  | –   | 2,777   |
| 4 Off-balance sheet amounts <sup>2</sup>  | 17,416         | 10,338                                     | –   | –   | –   |
| 5 Revocable commitments <sup>2</sup>  | 28,455         | 15,227                                     | –   | –   | –   |
| 6 Differences due to consideration of value adjustments and provisions                            | 434            | 430  | 4   | –   | –   |
| 7 Amounts below the thresholds for deduction (subject to 250% risk weight)                        | -420           | -420                                       | –   | –   | –   |
| 8 Net position of central mortgage institution bonds and loans                                    | -3,119         | -3,119                                     | –   | –   | –   |
| 9 Consideration of financial collateral   | -688           | -688                                       | –   | –   | –   |
| 10 Differences due to the calculation of credit equivalents for derivatives                       | 10,533         | –  | 10,533  | –   | –   |
| 11 Differences due to the use of the comprehensive approach for credit risk mitigation (for SFTs) | -7,976         | –  | -7,976  | –   | –   |
| 12 Other differences  | -2,829         | -52  | –   | –   | -2,777  |
| <b>13 Exposure amounts considered for regulatory purposes</b>                                     | <b>200,012</b> | <b>180,217</b>                             | <b>19,794</b>                                 | <b>–</b>                                      | <b>1</b>  |

<sup>1</sup> Exposure at default is only calculated for securitisation exposures in the trading book, resulting in a difference between carrying values and exposure amounts considered for regulatory purposes.

<sup>2</sup> According to FINMA Circ. 16/1, off-balance sheet original exposures are to be disclosed in column a and the amounts after application of the credit conversion factors (CCFs) in columns b to e. Hence, the total amount in column a does not equal the sum of positions from columns b to e. The same method is applied for revocable commitments.

## 6.3 LIA: Explanations of differences between accounting and regulatory exposure amounts

### Differences between accounting and regulatory exposure amounts

Table LI2 shows the main differences between accounting and regulatory exposure amounts, which can be summarised as follows:

- Off-balance sheet amounts (row 4)
- Revocable commitments (row 5)
- Differences due to consideration of value adjustments and provisions (row 6)

- Amounts below the thresholds for deduction (subject to 250% risk weight) (row 7)
- Net position of central mortgage institution bonds and loans (row 8)
- Consideration of financial collateral (row 9)
- Differences due to the calculation of credit equivalents for derivatives (row 10)
- Differences due to the use of the comprehensive approach for credit risk mitigation (for SFTs) (row 11)
- Other differences (row 12)

### Trading portfolio assets and liabilities

These exposures are actively managed to benefit from market price movements, i. e. there is an ongoing willingness to increase, reduce, close out or hedge the risk position. The intention to make an arbitrage profit also counts as a trading portfolio asset. When a transaction is executed, it must be classified as a trading portfolio asset and documented accordingly.

Trading portfolio assets are always measured and recognised at fair value. Where, as an exception, no fair value is ascertainable, valuation and recognition must follow the principle of the lower of cost or market value. The group handbook specifies the following rules for measuring balance sheet exposures which may contain trading portfolio assets measured at fair value:

| Balance sheet item  | Content  | Valuation rules   |
|---|--|---|
| Trading portfolio assets  | All securities and precious metals (physical or in an account) held and owned by the bank for trading purposes. Money market receivables held for trading. | Recognised at fair value.   |
| Positive replacement values of derivative financial instruments | Derivative financial instruments must be treated as trading portfolio assets unless used with structured products or for hedging.                          | Derivative financial instruments are valued at fair value and, in principle, represent trading portfolio assets. Hedging transactions are also measured at fair value, except for the derivative financial instruments used to hedge interest rate risk within the scope of asset and liability management. In this case, value changes are recognised in the Compensation account with no income effect. |
| Other financial instruments at fair value                       | Assets related to own issues of structured products with own debt instruments which satisfy the conditions for using the fair value option.                | All recognised at fair value provided all the conditions in Accounting Ordinance (ReIV-FINMA) and FINMA Circular 2020/1 "Accounting - banks" are met.   |
| Trading portfolio liabilities                                   | Short positions.   | Recognised at fair value.   |
| Negative replacement values of derivative financial instruments | Derivative financial instruments must be treated as trading portfolio assets unless used with structured products or for hedging.                          | Derivative financial instruments are valued at fair value and, in principle, represent trading portfolio assets.  |
| Liabilities from other financial instruments at fair value      | Liabilities related to own issues of structured products with own debt instruments which satisfy the conditions for using the fair value option.           | All recognised at fair value provided all the conditions in Accounting Ordinance (ReIV-FINMA) and FINMA Circular 2020/1 "Accounting - banks" are met.   |

The fair value used can either be a price set on a price-efficient and liquid market or a theoretical price determined based on a valuation model. In the latter case, all the following conditions for price calculation must be met:

- the bank’s internal valuation and risk measurement models take appropriate account of all relevant risks;
- the input factors for the bank’s internal valuation and risk measurement models are complete and appropriate;
- the bank’s internal valuation and risk measurement models, including the inputs used, are scientifically sound, robust and consistently applied;
- controls are effective, especially the controls on model, measurement and the calculation of daily profit or loss carried out by an internal risk control unit that is independent from trading;
- the traders, independent controller and risk manager are close to the market and familiar with them.

### **Systems and controls in connection with the valuation of trading portfolio assets**

The Trading unit enters trading portfolio assets in the Frontarena system. Settlement and position management is carried out in a designated position management system (the back office system WSA), which sources transactions from Frontarena. Accounting (secondary ledger) for all trading transactions is in SAP CFM.

Prices are checked for plausibility in the front office systems by Market Risk to calculate the ongoing trading P&L and reconcile the front office and back office systems every day.

Trading portfolio assets are valued using the prices and valuations in Frontarena. The valuation parameters for calculating the trading P&L are checked independently by Market Risk. For financial reporting, the prices supplied by Frontarena are checked for plausibility by Accounting and monitored using consistency controls. Every month, the accounting gain or loss on trading is reconciled with the reported P&L by the Risk Control unit.

Positions in the trading book are priced using the data and data sources applied in Market Risk. These pricing rules are set by type of instrument, by Market Risk.

The following figure provides an overview of the valuation methods used for trading portfolio assets by type of instrument.

| <b>Instrument</b>          | <b>Valuation / price</b> |
|----------------------------|--------------------------|
| Bonds CHF/EUR              | Market price             |
| Swap CHF/non-CHF           | Theoretical              |
| Credit default swaps (CDS) | Theoretical              |
| Equity securities/indices  | Market price             |
| Futures                    | Market price             |
| Equity/index options       | Theoretical              |
| Commodities                | Market price             |
| PM futures                 | Market price             |
| PM and commodity options   | Theoretical              |
| Gold and fund ETFs         | Theoretical              |
| FX options/warrants        | Theoretical              |
| Structured products        | Theoretical              |

For further information on market risk management, please see table MRA starting from page 106.

### **6.4 PV1: Prudential valuation adjustments (PVA)**

Zürcher Kantonalbank made no prudential value adjustments either in the previous reporting period or as at the reporting date.

## 7 Composition of regulatory capital

### 7.1 CC1: Presentation of regulatory capital

| in CHF million   | 31.12.2023    | 30.06.2023    | b          |
|--|---------------|---------------|------------|
|  | a             | a             |            |
|  | Amounts       | Amounts       | References |
| <b>Common equity (CET1)</b>  |               |               |            |
| 1 Issued and paid-in capital, fully eligible   | 2,425         | 2,425         | J          |
| 2 Retained earnings reserves, including reserves for general banking risks / profit (loss) carry forwards and profit (loss) for the period | 11,859        | 11,222        |            |
| of which voluntary retained earnings reserve   | 10,241        | 10,241        |            |
| of which reserves for general banking risks  | 379           | 304           |            |
| of which profit (loss) for the current period <sup>1</sup>   | 1,238         | 677           |            |
| of which planned dividend  | 528           | -             |            |
| of which planned retained profit   | 711           | -             |            |
| 3 Capital reserves and foreign currency translation reserve (+/-) and other reserves   | -16           | -13           |            |
| 4 Issued and paid in capital, subject to phase-out   | -             | -             |            |
| 5 Minority interests, eligible as CET1 capital   | -             | -             | L          |
| 6 Common Equity Tier 1 capital before regulatory adjustments   | 13,740        | 12,957        |            |
| <b>CET1: regulatory adjustments</b>  |               |               |            |
| 7 Prudential valuation adjustments   | -             | -             |            |
| 8 Goodwill (net of related tax liability)  | -             | -             | A, F       |
| 9 Other intangibles other than mortgage servicing rights (net of related tax liability)  | -3            | -4            | B, G       |
| 10 Deferred tax assets that rely on future profitability   | -4            | -4            | D          |
| 11 Cash flow hedge reserve (-/+)   | -             | -             |            |
| 12 IRB shortfall of provisions to expected losses  | -             | -             |            |
| 13 Securitisation gain on sale   | -             | -             |            |
| 14 Gains or losses due to changes in own credit risk   | -             | -             |            |
| 15 Defined-benefit pension fund net assets (net of related tax liability)  | -             | -             |            |
| 16 Net long position in own CET1 instruments   | -             | -             |            |
| 17 Reciprocal cross-holdings in common equity (CET1 instruments)   | -             | -             |            |
| 17a Qualified participations where a controlling influence is exercised together with other owners (CET1 instruments)                      | -             | -             |            |
| 17b Immaterial participations (CET1 instruments)   | -             | -             |            |
| 18 Non-qualified participations (max. 10%) in the financial sector (amount above Threshold 1) (CET1 instruments)                           | -             | -             |            |
| 19 Other qualified participations in the financial sector (amount above Threshold 2) (CET1 instruments)                                    | -             | -             |            |
| 20 Mortgage servicing rights (amount above Threshold 2)  | -             | -             | C, H       |
| 21 Other deferred tax assets arising from temporary differences (amount above Threshold 2)   | -             | -             | E          |
| 22 Amount exceeding Threshold 3 (15%)  | -             | -             |            |
| 23 of which other qualified participations   | -             | -             |            |
| 24 of which mortgage servicing rights  | -             | -             |            |
| 25 of which other deferred tax assets arising from temporary differences   | -             | -             |            |
| 26 Expected losses on equity investments treated under the PD / LGD approach   | -             | -             |            |
| 26a Other adjustments in the case of financial statements prepared in accordance with internationally recognised accounting standards      | -             | -             |            |
| 26b Other deductions   | -             | -             |            |
| 27 Amount by which the AT1 deductions exceed the AT1 capital   | -             | -             |            |
| 28 Total regulatory adjustments to CET1  | -6            | -8            |            |
| <b>29 Common Equity Tier 1 capital (net CET1)</b>  | <b>13,734</b> | <b>12,949</b> |            |
| <b>Additional Tier 1 capital (AT1)</b>   |               |               |            |
| 30 Issued and paid in instruments, fully eligible  | 1,065         | 1,065         |            |
| 31 of which classified as equity under applicable accounting standards   | -             | -             | K          |
| 32 of which classified as liabilities under applicable accounting standards  | 1,065         | 1,065         |            |
| 33 Issued and paid in instruments, subject to phase out  | -             | -             |            |
| 34 Minority interests eligible as AT1  | -             | -             | M          |
| 35 of which subject to phase out   | -             | -             |            |
| 36 Additional Tier 1 capital before regulatory adjustments   | 1,065         | 1,065         |            |

<sup>1</sup> As at 30.06., profit for the current period is not a component of eligible capital.

|   | 31.12.2023    | 30.06.2023                 |            |
|---|---------------|----------------------------|------------|
|   | a             | a                          | b          |
| in CHF million  | Amounts       | Amounts                    | References |
| <b>Additional Tier 1 capital: regulatory adjustments</b>  |               |                            |            |
| 37 Net long position in own AT1 instruments   | -1            | -                          |            |
| 38 Reciprocal qualified cross-holdings in AT1 instruments   | -             | -                          |            |
| 38a Qualified participations where a controlling influence is exercised together with other owners (AT1 instruments)  | -             | -                          |            |
| 38b Immaterial participations (AT1 instruments)   | -             | -                          |            |
| 39 Non-qualified participations (max. 10%) in the financial sector (amount above Threshold 1) (AT1 instruments)   | -             | -                          |            |
| 40 Other qualified participations in the financial sector (AT1 instruments)   | -             | -                          |            |
| 41 Other deductions   | -             | -                          |            |
| 42 Amount by which the T2 deductions exceed the T2 capital  | -             | -                          |            |
| 42a AT1 deductions covered by CET1 capital  | -             | -                          |            |
| 43 Total regulatory adjustments to AT1  | -1            | -                          |            |
| 44 Additional Tier 1 capital (net AT1)  | 1,064         | 1,065                      |            |
| <b>45 Tier 1 capital (net Tier 1 = net CET1 + net AT1)</b>  | <b>14,797</b> | <b>14,014</b>              |            |
| <b>Tier 2 capital (T2)</b>  |               |                            |            |
| 46 Issued and paid in instruments, fully eligible <sup>2</sup>  | 372           | 391 <sup>3</sup>           |            |
| 47 Issued and paid in instruments, subject to phase-out   | -             | -                          |            |
| 48 Minority interests eligible as T2  | -             | -                          |            |
| 49 of which subject to phase out  | -             | -                          |            |
| 50 Valuation adjustments; provisions and depreciation for prudential reasons; compulsory reserves on financial investments  | 258           | 269                        |            |
| 51 Tier 2 capital before regulatory adjustments   | 630           | 660 <sup>3</sup>           |            |
| <b>Tier 2 capital: regulatory adjustments</b>   |               |                            |            |
| 52 Net long position in own T2 instruments and other TLAC instruments   | -             | -5 <sup>3</sup>            |            |
| 53 Reciprocal cross-holdings in T2 instruments and other TLAC instruments   | -             | -                          |            |
| 53a Qualified participations where a controlling influence is exercised together with other owners (T2 instruments and other TLAC instruments)  | -             | -                          |            |
| 53b Immaterial participations (T2 instruments and other TLAC instruments)   | -             | -                          |            |
| 54 Non-qualified participations (max. 10%) in the financial sector (amount above Threshold 1) (T2 instruments and other TLAC instruments)   | -             | -                          |            |
| 55 Other qualified participations in the financial sector (T2 instruments and other TLAC instruments)   | -             | -                          |            |
| 56 Other deductions   | -             | -                          |            |
| 56a T2 deductions covered by AT1 capital  | -             | -                          |            |
| 57 Total regulatory adjustments to T2   | -             | -5 <sup>3</sup>            |            |
| <b>58 Tier 2 capital (net T2)</b>   | <b>630</b>    | <b>656 <sup>3</sup></b>    |            |
| <b>59 Regulatory capital (net T1 + net T2)</b>  | <b>15,427</b> | <b>14,669 <sup>3</sup></b> |            |
| <b>60 Total risk-weighted assets</b>  | <b>78,952</b> | <b>77,801</b>              |            |
| <b>Capital ratios</b>   |               |                            |            |
| 61 CET1 ratio (item 29, as a percentage of risk-weighted assets)  | 17.4%         | 16.6%                      |            |
| 62 T1 ratio (item 45, as a percentage of risk-weighted assets)  | 18.7%         | 18.0%                      |            |
| 63 Regulatory capital ratio (item 59, as a percentage of risk-weighted assets)  | 19.5%         | 18.9% <sup>3</sup>         |            |
| 64 Institute specific CET1 buffer requirements in accordance with the Basel minimum standards (capital buffer + countercyclical buffer according to Art. 44a CAO + capital buffer for systemically important banks) (as a percentage of risk-weighted assets) | 2.5%          | 2.5%                       |            |
| 65 of which capital buffer in accordance with Basel minimum standards (as a percentage of risk-weighted assets)   | 2.5%          | 2.5%                       |            |
| 66 of which countercyclical buffer in accordance with the Basel minimum standards (Art. 44a CAO, as a percentage of risk-weighted assets)   | 0.0%          | 0.0%                       |            |
| 67 of which capital buffer for systemically important institutions in accordance with the Basel minimum standards (as a percentage of risk-weighted assets)   | -             | -                          |            |
| 68 CET1 available after meeting the bank's minimum capital requirements (in %)  | 11.5%         | 10.9% <sup>3</sup>         |            |

<sup>2</sup> After deduction of value reduction (amortisation) (Art. 30 para. 2 CAO).

<sup>3</sup> The following eight key figures as at 30.06.2023 include adjustments:

- item 46 Issued and paid in instruments, fully eligible: before adjustment CHF 1,219 million / change -CHF 828 million / after adjustment CHF 391 million
- item 51 Tier 2 capital before regulatory adjustments: before adjustment CHF 1,488 million / change -CHF 828 million / after adjustment CHF 660 million
- item 52 Net long position in own T2 instruments and other TLAC instruments: before adjustment -CHF 8 million / change +CHF 3 million / after adjustment -CHF 5 million
- item 57 Total regulatory adjustments to T2: before adjustment -CHF 8 million / change +CHF 3 million / after adjustment -CHF 5 million
- item 58 Tier 2 capital (net T2): before adjustment CHF 1,480 million / change -CHF 824 million / after adjustment CHF 656 million
- item 59 Regulatory capital (net T1 + net T2): before adjustment CHF 15,494 million / change -CHF 825 million / after adjustment CHF 14,669 million
- item 63 Regulatory capital ratio (item 59, as a percentage of risk-weighted assets): before adjustment 19.9% / change -1.0% / after adjustment 18.9%
- item 68 CET1 available after meeting the bank's minimum capital requirements (in %): before adjustment 11.9% / change -1.0% / after adjustment 10.9%

In the disclosures as at 30.06.2023, the bail-in bonds placed in the second quarter of 2023 were recognised as Tier 2 capital in total capital. In accordance with the provisions of the CAO for non-systemically important banks, bail-in bonds are no longer counted as Tier 2 capital, as they do not fulfil all the requirements for eligibility in accordance with Art. 30 CAO.

| in CHF million  | 31.12.2023   | 30.06.2023 | b          |
|---|--|------------|------------|
|   | a  | a          |            |
|   | Amounts  | Amounts    | References |
| <b>Capital ratios (continued) <sup>4</sup></b>  |  |            |            |
| 68a   | CET1 total requirement target in accordance with Annex 8 of the CAO plus the countercyclical buffers according to Art. 44 and Art. 44a CAO (as a percentage of risk-weighted assets) | -          | -          |
| 68b   | of which countercyclical buffers according to Art. 44 and Art. 44a CAO (as a percentage of risk-weighted assets)   | -          | -          |
| 68c   | CET1 available (as a percentage of risk-weighted assets)   | -          | -          |
| 68d   | T1 total requirement in accordance with Annex 8 CAO plus the countercyclical buffers according to Art. 44 and Art. 44a CAO (as a percentage of risk-weighted assets)                 | -          | -          |
| 68e   | T1 available (as a percentage of risk-weighted assets)   | -          | -          |
| 68f   | Total requirement for regulatory capital as per Annex 8 CAO plus the countercyclical buffers according to Art. 44 and Art. 44a CAO (as a percentage of risk-weighted assets)         | -          | -          |
| 68g   | Regulatory capital available (as a percentage of risk-weighted assets)   | -          | -          |
| <b>Amounts below the thresholds for deduction (before risk-weighting)</b>                 |  |            |            |
| 72  | Non-qualified participations in the financial sector   | 829        | 708        |
| 73  | Other qualified participations in the financial sector (CET1)  | 423        | 423        |
| 74  | Mortgage servicing rights  | -          | -          |
| 75  | Other deferred tax assets  | -          | -          |
| <b>Applicable caps on the inclusion of items in T2</b>                                    |  |            |            |
| 76  | Valuation adjustments eligible in T2 in the context of the SA-BIS approach   | -          | -          |
| 77  | Cap on inclusion of valuation adjustments in T2 in the context of the SA-BIS approach  | -          | -          |
| 78  | Valuation adjustments eligible in T2 in the context of the IRB approach  | -          | -          |
| 79  | Cap on inclusion of valuation adjustments in T2 in the context of the IRB approach   | -          | -          |
| <b>Capital instruments with phase out (1.1.2018 – 1.1.2022) according to Art. 141 CAO</b> |  |            |            |
| 80  | Cap on CET1 instruments with phase out   | -          | -          |
| 81  | Amount not included in CET1 (above cap)  | -          | -          |
| 82  | Cap on AT1 instruments with phase out  | -          | -          |
| 83  | Amount not included in AT1 (above cap)   | -          | -          |
| 84  | Cap on T2 instruments with phase out   | -          | -          |
| 85  | Amount not included in T2 (above cap)  | -          | -          |

<sup>4</sup> Systemically important banks can disregard items 68a – 68g as Annex 8 of the CAO does not apply to them.

The following eight key figures in table CC1 as at 30.06.2023 include adjustments:

| Item | Key figure as at 30.06.2023   | before adjustment | change        | after adjustment |
|------|---|-------------------|---------------|------------------|
| 46   | Issued and paid in instruments, fully eligible                              | 1,219 million     | - 828 million | 391 million      |
| 51   | Tier 2 capital before regulatory adjustments                                | 1,488 million     | - 828 million | 660 million      |
| 52   | Net long position in own T2 instruments and other TLAC instruments          | - 8 million       | + 3 million   | - 5 million      |
| 57   | Total regulatory adjustments to T2  | - 8 million       | + 3 million   | - 5 million      |
| 58   | Tier 2 capital (net T2)   | 1,480 million     | - 824 million | 656 million      |
| 59   | Regulatory capital (net T1 + net T2)  | 15,494 million    | - 825 million | 14,669 million   |
| 63   | Regulatory capital ratio (item 59, as a percentage of risk-weighted assets) | 19.9 %            | - 1.0 %       | 18.9 %           |
| 68   | CET1 available after meeting the bank's minimum capital requirements (in %) | 11.9 %            | - 1.0 %       | 10.9 %           |

In the disclosures as at 30 June 2023, the bail-in bonds placed in the second quarter of 2023 were recognised as Tier 2 capital in total capital. In accordance with the provisions of the CAO for non-systemically important banks, bail-in bonds are no longer counted as Tier 2 capital, as they do not fulfil all the requirements for eligibility in accordance with Art. 30 CAO.

In terms of regulatory capital, only Common Equity Tier 1 capital shows a significant change compared to 30 June 2023, rising by CHF 785 million. The increase is mainly due to the planned retained profit for 2023, which amounts to CHF 711 million, and to a lesser extent to the creation of reserves for general banking risks totalling CHF 75 million. There were no material changes in Additional Tier 1 capital (AT1) or Tier 2 capital (T2) in the second half of 2023. Combined with higher RWA (see Table OV1 on page 43 for details), this resulted in a rise in capital ratios of 0.8 percentage points (CET1 ratio), 0.7 percentage points (T1 ratio) and 0.6 percentage points (regulatory capital ratio).

## 7.2 CC2: Reconciliation of regulatory capital to balance sheet

|   | 31.12.2023         | 30.06.2023         |                 |
|---|--------------------|--------------------|-----------------|
| Balance sheet as in financial statements / under regulatory scope of consolidation <sup>1</sup><br>in CHF million | a and b<br>Amounts | a and b<br>Amounts | c<br>References |
| <b>Assets</b>   |                    |                    |                 |
| Liquid assets   | 39,706             | 35,947             |                 |
| Amounts due from banks  | 3,401              | 3,177              |                 |
| Amounts due from securities financing transactions  | 25,740             | 30,123             |                 |
| Amounts due from customers  | 11,252             | 11,847             |                 |
| Mortgage loans  | 100,874            | 98,863             |                 |
| Trading portfolio assets  | 11,880             | 13,441             |                 |
| Positive replacement values of derivative financial instruments   | 968                | 841                |                 |
| Other financial instruments at fair value   | –                  | –                  |                 |
| Financial investments   | 5,577              | 5,906              |                 |
| Accrued income and prepaid expenses   | 644                | 441                |                 |
| Non-consolidated participations   | 154                | 155                |                 |
| Tangible fixed assets   | 534                | 547                |                 |
| Intangible assets   | 3                  | 4                  |                 |
| of which goodwill   | –                  | –                  | A               |
| of which other intangibles, other than mortgage servicing rights  | 3                  | 4                  | B               |
| of which mortgage servicing rights  | –                  | –                  | C               |
| Other assets  | 527                | 1,571              |                 |
| of which deferred tax assets that rely on future profitability  | 4                  | 4                  | D               |
| of which deferred tax assets arising from temporary differences   | –                  | –                  | E               |
| Capital not paid in   | –                  | –                  |                 |
| <b>Total assets</b>   | <b>201,259</b>     | <b>202,862</b>     |                 |
| <b>Liabilities</b>  |                    |                    |                 |
| Amounts due to banks  | 35,404             | 35,812             |                 |
| Liabilities from securities financing transactions  | 14,095             | 13,254             |                 |
| Amounts due in respect of customer deposits   | 101,452            | 104,441            |                 |
| Trading portfolio liabilities   | 3,224              | 3,291              |                 |
| Negative replacement values of derivative financial instruments   | 2,458              | 1,343              |                 |
| Liabilities from other financial instruments at fair value  | 4,000              | 4,306              |                 |
| Cash bonds  | 288                | 243                |                 |
| Certificate of Deposits   | 632                | 130                |                 |
| Bond issues   | 10,547             | 10,122             |                 |
| Central mortgage institution loans  | 11,558             | 11,981             |                 |
| Accrued expenses and deferred income  | 1,371              | 856                |                 |
| Other liabilities   | 1,789              | 3,242              |                 |
| Provisions  | 174                | 207                |                 |
| of which deferred tax liabilities related to goodwill   | –                  | –                  | F               |
| of which deferred tax liabilities related to other intangible assets, other than mortgage servicing rights        | –                  | –                  | G               |
| of which deferred tax liabilities related to mortgage servicing rights  | –                  | –                  | H               |
| of which liabilities in connection with occupational pension plans  | –                  | –                  | I               |
| <b>Total liabilities</b>  | <b>186,992</b>     | <b>189,228</b>     |                 |
| of which subordinated liabilities eligible as Tier 2 capital (T2)   | 630                | 656 <sup>2</sup>   |                 |
| of which subordinated liabilities eligible as Additional Tier 1 capital (AT1)                                     | 1,064              | 1,065              |                 |

<sup>1</sup> One completed column is sufficient at the level of the single-entity financial statement and consolidated financial statement provided that the scope of consolidation for accounting purposes is identical to that for regulatory purposes. This is applicable to Zürcher Kantonalbank.

<sup>2</sup> The following figure as at 30.06.2023 includes an adjustment:

- of which subordinated liabilities eligible as Tier 2 capital (T2): before adjustment CHF 1,480 million / change -CHF 824 million / after adjustment CHF 656 million

In the disclosures as at 30.06.2023, the bail-in bonds placed in the second quarter of 2023 were recognised as Tier 2 capital in total capital. In accordance with the provisions of the CAO for non-systemically important banks, bail-in bonds are no longer counted as Tier 2 capital, as they do not fulfil all the requirements for eligibility in accordance with Art. 30 CAO.



| <b>Balance sheet as in financial statements / under regulatory scope of consolidation <sup>1</sup><br/>in CHF million</b> | <b>31.12.2023</b> | <b>30.06.2023</b> | <b>c</b>          |
|---|-------------------|-------------------|-------------------|
|   | <b>a and b</b>    | <b>a and b</b>    |                   |
|   | <b>Amounts</b>    | <b>Amounts</b>    | <b>References</b> |
| <b>Equity</b>   |                   |                   |                   |
| Reserves for general banking risks  | 379               | 304               |                   |
| Bank's capital  | 2,425             | 2,425             |                   |
| of which eligible as CET1   | 2,425             | 2,425             | J                 |
| of which eligible as AT1  | –                 | –                 | K                 |
| Statutory reserves / voluntary reserves / profits (losses) carried forward / profit (loss) for the period                 | 11,464            | 10,906            |                   |
| of which voluntary retained earnings reserve  | 10,241            | 10,241            |                   |
| of which foreign currency translation reserve   | -16               | -13               |                   |
| of which profit (loss) for the current period <sup>3</sup>  | 1,238             | 677               |                   |
| of which planned dividend   | 528               | –                 |                   |
| of which planned retained profit  | 711               | –                 |                   |
| (Own shares)  | –                 | –                 |                   |
| Minority interests  | –                 | –                 |                   |
| of which eligible as CET1   | –                 | –                 | L                 |
| of which eligible as AT1  | –                 | –                 | M                 |
| <b>Total equity</b>   | <b>14,268</b>     | <b>13,634</b>     |                   |

<sup>1</sup> One completed column is sufficient at the level of the single-entity financial statement and consolidated financial statement provided that the scope of consolidation for accounting purposes is identical to that for regulatory purposes. This is applicable to Zürcher Kantonalbank.

<sup>3</sup> As at 30.06., profit for the current period is not a component of eligible capital.

### Scope of consolidation group

The scope of consolidation used to calculate capital requirements is equal to the one used to draw up the consolidated financial statements. In addition to the parent company Zürcher Kantonalbank, the group's scope of consolidation includes all material directly and indirectly held subsidiaries: Zürcher Kantonalbank Finance (Guernsey) Ltd., Zürcher Kantonalbank Österreich AG, ZKB Securities (UK) Ltd. and the Swisscanto group, consisting of Swisscanto Holding AG with its subsidiaries and their subsidiaries (Swisscanto Fund Management Company Ltd., Swisscanto Pensions Ltd., Swisscanto Private Equity CH I Ltd, Swisscanto Private Equity CH II Ltd and Swisscanto Asset Management International SA). Non-material (from an accounting perspective) majority participations in Zürcher Kantonalbank Representações Ltda., ZüriBahn AG as well as the insignificant majority stake in Philanthropy Services Ltd. are not fully consolidated.

Equity instruments of companies in the financial sector are treated as described in Art. 33 - 40 CAO. The portion above a threshold is deducted directly from equity; the portion below the threshold is risk-weighted. Book values in the accounting and regulatory scopes of consolidation are the same.

### Material changes in the scope of consolidation of the group compared with the previous period

There were no changes to the scope of consolidation of the group compared with the previous period.

### Scope of consolidation parent company

The parent company's capital has been calculated on a solo consolidated basis since 31 December 2012. Under Art. 10 para. 3 CAO, FINMA can allow a bank to consolidate group companies operating in the financial sector at individual institution level (solo consolidation) on account of their particularly close relationship to the bank. FINMA has ruled that Zürcher Kantonalbank may consolidate the subsidiary Zürcher Kantonalbank Finance (Guernsey) Ltd. on a solo basis under the individual institution provisions since 2012. There are no other differences between the regulatory and accounting scopes of consolidation.

### Material changes in the scope of consolidation of the parent company compared with the previous period

There were no significant changes to the scope of consolidation of the parent company compared with the previous period.

### 7.3 CCA: Main features of regulatory capital instruments and of other TLAC-eligible instruments in accordance with the provisions of the CAO for non-systemically important banks

| 31.12.2023   | Endowment capital           | CHF Tier 1 bond   |
|--|-----------------------------|---|
| 1 Issuer   | Zürcher Kantonalbank        | Zürcher Kantonalbank  |
| 2 Unique identifier (e.g. CUSIP, ISIN or Bloomberg ID for private placement)   | n/a                         | CH0361532945  |
| 3 Governing law of the instrument  | Swiss law                   | Swiss law   |
| 3a Manner in which the enforceability criterion under section 13 of the TLAC Term Sheet is met (for other eligible TLAC instruments under foreign law) | n/a                         | n/a   |
| <b>Regulatory treatment</b>  |                             |   |
| 4 During the Basel III transitional phase  | Common equity Tier 1 (CET1) | Additional Tier 1 (AT1)   |
| 5 Under Basel III rules not taking into account transitional treatment   | Common equity Tier 1 (CET1) | Additional Tier 1 (AT1)   |
| 6 Eligible at single-entity, group / single-entity and group levels  | Solo and group level        | Solo and group level  |
| 7 Instrument type  | Other instruments           | Other instruments   |
| 8 Amount recognised in regulatory capital (in CHF million)   | CHF 2,425 million           | CHF 749 million   |
| 9 Par value of instrument  | CHF 2,425 million           | CHF 750 million   |
| 10 Accounting classification   | Bank's capital              | Liability - notional  |
| 11 Original date of issuance   | 15.02.1870                  | 30.06.2017  |
| 12 Perpetual or dated  | Perpetual                   | Perpetual   |
| 13 Original maturity date  | n/a                         | n/a   |
| 14 Issuer call option (subject to prior supervisory authority approval)  | No                          | Yes   |
| 15 Optional call date / contingent call dates (tax and / or regulatory event) / redemption amount  | n/a                         | Next possible call date 30.10.2024. Redemption amount: entire outstanding issue, no partial termination   |
| 16 Subsequent call dates, if applicable  | n/a                         | Annually on interest date of 30 Oct   |
| <b>Dividend / coupon</b>   |                             |   |
| 17 Fixed or floating dividend / coupon   | Floating                    | Fixed to floating   |
| 18 Coupon rate and related index, if applicable  | n/a                         | Fixed at 3.6% until 30.10.2028; thereafter reset every 5 years based on 5-year mid-swap (minimum 0%) plus 2.125% risk premium   |
| 19 Existence of a dividend stopper (non-payment of dividend on the instrument prohibits the payment of dividends on common shares)                     | n/a                         | Yes   |
| 20 Coupon / Dividend payment fully discretionary, partially discretionary or mandatory   | Fully discretionary         | Fully discretionary   |
| 21 Existence of step up or other incentive to redeem   | No                          | No  |
| 22 Non-cumulative or cumulative  | Non-cumulative              | Non-cumulative  |
| 23 Convertible / non-convertible   | Non-convertible             | Non-convertible   |
| 24 If convertible: conversion trigger  | n/a                         | n/a   |
| 25 If convertible: fully or partially  | n/a                         | n/a   |
| 26 If convertible: conversion rate   | n/a                         | n/a   |
| 27 If convertible: mandatory or optional conversion  | n/a                         | n/a   |
| 28 If convertible: specify instrument type convertible into  | n/a                         | n/a   |
| 29 If convertible: specify issuer of instrument it converts into   | n/a                         | n/a   |
| 30 Write-down feature  | No                          | Yes   |
| 31 If write-down feature: write-down trigger(s)  | n/a                         | Common equity Tier 1 (CET1) capital ratio falls below 7% and / or FINMA declares PONV (point-of-non-viability). Write-down triggered by FINMA on a contractual basis.   |
| 32 If write-down feature: fully or partially   | n/a                         | Always partially where a trigger event occurs (CET1 ratio below 7%) that persists until the subsequent trigger test date; always fully where a trigger event occurs (CET1 ratio below 7%) that persists until the subsequent trigger test date, if in the opinion of FINMA a partial write-down would be inadequate or if a point of non-viability (PONV) has been reached. |
| 33 If write-down feature: permanent or temporary   | n/a                         | Permanent   |
| 34 If temporary write-down: description of write-up mechanism  | n/a                         | n/a   |
| 34a Type of subordination  | Contractual                 | Contractual   |
| 35 Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)                                       | Tier 1 bonds                | Tier 2 bond   |
| 36 Features that prevent full recognition under Basel III  | No                          | No  |
| 37 If yes: description of non-compliant features   | n/a                         | n/a   |

| 31.12.2023   | CHF Tier 1 bond   | EUR Tier 2 bond   |
|--|---|---|
| 1 Issuer   | Zürcher Kantonalbank  | Zürcher Kantonalbank  |
| 2 Unique identifier (e.g. CUSIP, ISIN or Bloomberg ID for private placement)   | CH0536893321  | CH1170565753  |
| 3 Governing law of the instrument  | Swiss law   | Swiss law   |
| 3a Manner in which the enforceability criterion under section 13 of the TLAC Term Sheet is met (for other eligible TLAC instruments under foreign law) | n/a   | n/a   |
| <b>Regulatory treatment</b>  |   |   |
| 4 During the Basel III transitional phase  | Additional Tier 1 (AT1)   | Tier 2 (T2)   |
| 5 Under Basel III rules not taking into account transitional treatment   | Additional Tier 1 (AT1)   | Tier 2 (T2)   |
| 6 Eligible at single-entity, group / single-entity and group levels  | Solo and group level  | Solo and group level  |
| 7 Instrument type  | Other instruments   | Other instruments   |
| 8 Amount recognised in regulatory capital (in CHF million)   | CHF 315 million   | CHF 372 million   |
| 9 Par value of instrument  | CHF 315 million   | EUR 500 million   |
| 10 Accounting classification   | Liability - notional  | Liability - notional  |
| 11 Original date of issuance   | 16.10.2020  | 13.04.2022  |
| 12 Perpetual or dated  | Perpetual   | Dated   |
| 13 Original maturity date  | n/a   | 13.04.2028  |
| 14 Issuer call option (subject to prior supervisory authority approval)  | Yes   | Yes   |
| 15 Optional call date / contingent call dates (tax and / or regulatory event) / redemption amount  | First possible call date 16.04.2027. Redemption amount: entire outstanding issue, no partial termination  | One-time possible call date 13.04.2027. Redemption amount: entire outstanding issue, no partial termination     |
| 16 Subsequent call dates, if applicable  | Thereafter every five years on 16 April   | n/a   |
| <b>Dividend / coupon</b>   |   |   |
| 17 Fixed or floating dividend / coupon   | Fixed to floating   | Fixed to floating   |
| 18 Coupon rate and related index, if applicable  | Fixed at 1.75% until 16.04.2027; thereafter reset every five years based on 5-year SARON-mid-swap (minimum 0%) plus 1.75% risk premium  | Fixed at 2.02% until 13.04.2027; thereafter reset based on 3-month Euribor plus 0.90% risk premium (minimum 0%) |
| 19 Existence of a dividend stopper (non-payment of dividend on the instrument prohibits the payment of dividends on common shares)                     | Yes   | No  |
| 20 Coupon / Dividend payment fully discretionary, partially discretionary or mandatory   | Fully discretionary   | Mandatory   |
| 21 Existence of step up or other incentive to redeem   | No  | No  |
| 22 Non-cumulative or cumulative  | Non-cumulative  | n/a   |
| 23 Convertible / non-convertible   | Non-convertible   | Non-convertible   |
| 24 If convertible: conversion trigger  | n/a   | n/a   |
| 25 If convertible: fully or partially  | n/a   | n/a   |
| 26 If convertible: conversion rate   | n/a   | n/a   |
| 27 If convertible: mandatory or optional conversion  | n/a   | n/a   |
| 28 If convertible: specify instrument type convertible into  | n/a   | n/a   |
| 29 If convertible: specify issuer of instrument it converts into   | n/a   | n/a   |
| 30 Write-down feature  | Yes   | Yes   |
| 31 If write-down feature: write-down trigger(s)  | Common equity Tier 1 (CET1) capital ratio falls below 7% and / or FINMA declares PONV (point-of-non-viability). Write-down triggered by FINMA on a contractual basis.   | FINMA declares PONV (point-of-non-viability). Write-down triggered by FINMA on a contractual basis.             |
| 32 If write-down feature: fully or partially   | Always partially where a trigger event occurs (CET1 ratio below 7%) that persists until the subsequent trigger test date; always fully where a trigger event occurs (CET1 ratio below 7%) that persists until the subsequent trigger test date, if in the opinion of FINMA a partial write-down would be inadequate or if a point of non-viability (PONV) has been reached. | Always fully if a point of non-viability (PONV) has been reached.   |
| 33 If write-down feature: permanent or temporary   | Permanent   | Permanent   |
| 34 If temporary write-down: description of write-up mechanism  | n/a   | n/a   |
| 34a Type of subordination  | Contractual   | Contractual   |
| 35 Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)                                       | Tier 2 bond   | Bail-in bonds   |
| 36 Features that prevent full recognition under Basel III  | No  | No  |
| 37 If yes: description of non-compliant features   | n/a   | n/a   |

| 30.06.2023                  |   | Endowment capital           | Tier 1 bond   |
|-----------------------------|---|-----------------------------|---|
| 1                           | Issuer  | Zürcher Kantonalbank        | Zürcher Kantonalbank  |
| 2                           | Unique identifier (e.g. CUSIP, ISIN or Bloomberg ID for private placement)  | n/a                         | CH0361532945  |
| 3                           | Governing law of the instrument   | Swiss law                   | Swiss law   |
| 3a                          | Manner in which the enforceability criterion under section 13 of the TLAC Term Sheet is met (for other eligible TLAC instruments under foreign law) | n/a                         | n/a   |
| <b>Regulatory treatment</b> |   |                             |   |
| 4                           | During the Basel III transitional phase   | Common equity Tier 1 (CET1) | Additional Tier 1 (AT1)   |
| 5                           | Under Basel III rules not taking into account transitional treatment  | Common equity Tier 1 (CET1) | Additional Tier 1 (AT1)   |
| 6                           | Eligible at single-entity, group / single-entity and group levels   | Solo and group level        | Solo and group level  |
| 7                           | Instrument type   | Other instruments           | Other instruments   |
| 8                           | Amount recognised in regulatory capital (in CHF million)  | CHF 2,425 million           | CHF 750 million   |
| 9                           | Par value of instrument   | CHF 2,425 million           | CHF 750 million   |
| 10                          | Accounting classification   | Bank's capital              | Liability - notional  |
| 11                          | Original date of issuance   | 15.02.1870                  | 30.06.2017  |
| 12                          | Perpetual or dated  | Perpetual                   | Perpetual   |
| 13                          | Original maturity date  | n/a                         | n/a   |
| 14                          | Issuer call option (subject to prior supervisory authority approval)  | No                          | Yes   |
| 15                          | Optional call date / contingent call dates (tax and / or regulatory event) / redemption amount  | n/a                         | First possible termination date 30.10.2023. Redemption amount: entire outstanding issue, no partial termination   |
| 16                          | Subsequent call dates, if applicable  | n/a                         | Thereafter annually on interest date of 30 Oct  |
| <b>Dividend / coupon</b>    |   |                             |   |
| 17                          | Fixed or floating dividend / coupon   | Floating                    | Fixed to floating   |
| 18                          | Coupon rate and related index, if applicable  | n/a                         | Fixed at 2.125% until 30.10.2023; thereafter reset every 5 years based on 5-year mid-swap (minimum 0.00%) plus 2.125% risk premium  |
| 19                          | Existence of a dividend stopper (non-payment of dividend on the instrument prohibits the payment of dividends on common shares)                     | n/a                         | Yes   |
| 20                          | Coupon / Dividend payment fully discretionary, partially discretionary or mandatory   | Fully discretionary         | Fully discretionary   |
| 21                          | Existence of step up or other incentive to redeem   | No                          | No  |
| 22                          | Non-cumulative or cumulative  | Non-cumulative              | Non-cumulative  |
| 23                          | Convertible / non-convertible   | Non-convertible             | Non-convertible   |
| 24                          | If convertible: conversion trigger  | n/a                         | n/a   |
| 25                          | If convertible: fully or partially  | n/a                         | n/a   |
| 26                          | If convertible: conversion rate   | n/a                         | n/a   |
| 27                          | If convertible: mandatory or optional conversion  | n/a                         | n/a   |
| 28                          | If convertible: specify instrument type convertible into  | n/a                         | n/a   |
| 29                          | If convertible: specify issuer of instrument it converts into   | n/a                         | n/a   |
| 30                          | Write-down feature  | No                          | Yes   |
| 31                          | If write-down feature: write-down trigger(s)  | n/a                         | Common equity Tier 1 (CET1) capital ratio falls below 7% and / or FINMA declares PONV (point-of-non-viability). Write-down triggered by FINMA on a contractual basis.   |
| 32                          | If write-down feature: fully or partially   | n/a                         | Always partially where a trigger event occurs (CET1 ratio below 7%) that persists until the subsequent trigger test date; always fully where a trigger event occurs (CET1 ratio below 7%) that persists until the subsequent trigger test date, if in the opinion of FINMA a partial write-down would be inadequate or if a point of non-viability (PONV) has been reached. |
| 33                          | If write-down feature: permanent or temporary   | n/a                         | Permanent   |
| 34                          | If temporary write-down: description of write-up mechanism  | n/a                         | n/a   |
| 34a                         | Type of subordination   | Contractual                 | Contractual   |
| 35                          | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)                                       | Tier 1 bonds                | Tier 2 bond   |
| 36                          | Features that prevent full recognition under Basel III  | No                          | No  |
| 37                          | If yes: description of non-compliant features   | n/a                         | n/a   |

| 30.06.2023                  |   | Tier 1 bond   | EUR Tier 2 bond  |
|-----------------------------|---|---|--|
| 1                           | Issuer  | Zürcher Kantonalbank  | Zürcher Kantonalbank   |
| 2                           | Unique identifier (e.g. CUSIP, ISIN or Bloomberg ID for private placement)  | CH0536893321  | CH1170565753   |
| 3                           | Governing law of the instrument   | Swiss law   | Swiss law  |
| 3a                          | Manner in which the enforceability criterion under section 13 of the TLAC Term Sheet is met (for other eligible TLAC instruments under foreign law) | n/a   | n/a  |
| <b>Regulatory treatment</b> |   |   |  |
| 4                           | During the Basel III transitional phase   | Additional Tier 1 (AT1)   | Tier 2 (T2)  |
| 5                           | Under Basel III rules not taking into account transitional treatment  | Additional Tier 1 (AT1)   | Tier 2 (T2)  |
| 6                           | Eligible at single-entity, group / single-entity and group levels   | Solo and group level  | Solo and group level   |
| 7                           | Instrument type   | Other instruments   | Other instruments  |
| 8                           | Amount recognised in regulatory capital (in CHF million)  | CHF 315 million   | CHF 387 million  |
| 9                           | Par value of instrument   | CHF 315 million   | EUR 500 million  |
| 10                          | Accounting classification   | Liability - notional  | Liability - notional   |
| 11                          | Original date of issuance   | 16.10.2020  | 13.04.2022   |
| 12                          | Perpetual or dated  | Perpetual   | Dated  |
| 13                          | Original maturity date  | n/a   | 13.04.2028   |
| 14                          | Issuer call option (subject to prior supervisory authority approval)  | Yes   | Yes  |
| 15                          | Optional call date / contingent call dates (tax and / or regulatory event) / redemption amount  | First possible termination date 16.04.2027. Redemption amount: entire outstanding issue, no partial termination   | One-time possible termination date 13.04.2027. Redemption amount: entire outstanding issue, no partial termination |
| 16                          | Subsequent call dates, if applicable  | Thereafter every five years on 16 April   | n/a  |
| <b>Dividend / coupon</b>    |   |   |  |
| 17                          | Fixed or floating dividend / coupon   | Fixed to floating   | Fixed to floating  |
| 18                          | Coupon rate and related index, if applicable  | Fixed at 1.75% until 16.04.2027; thereafter reset every five years based on 5-year SARON-mid-swap (minimum 0%) plus 1.75% risk premium  | Fixed at 2.02% until 13.04.2027; thereafter reset based on 3-month Euribor plus 0.90% risk premium (minimum 0%)    |
| 19                          | Existence of a dividend stopper (non-payment of dividend on the instrument prohibits the payment of dividends on common shares)                     | Yes   | No   |
| 20                          | Coupon / Dividend payment fully discretionary, partially discretionary or mandatory   | Fully discretionary   | Mandatory  |
| 21                          | Existence of step up or other incentive to redeem   | No  | No   |
| 22                          | Non-cumulative or cumulative  | Non-cumulative  | n/a  |
| 23                          | Convertible / non-convertible   | Non-convertible   | Non-convertible  |
| 24                          | If convertible: conversion trigger  | n/a   | n/a  |
| 25                          | If convertible: fully or partially  | n/a   | n/a  |
| 26                          | If convertible: conversion rate   | n/a   | n/a  |
| 27                          | If convertible: mandatory or optional conversion  | n/a   | n/a  |
| 28                          | If convertible: specify instrument type convertible into  | n/a   | n/a  |
| 29                          | If convertible: specify issuer of instrument it converts into   | n/a   | n/a  |
| 30                          | Write-down feature  | Yes   | Yes  |
| 31                          | If write-down feature: write-down trigger(s)  | Common equity Tier 1 (CET1) capital ratio falls below 7% and / or FINMA declares PONV (point-of-non-viability). Write-down triggered by FINMA on a contractual basis.   | FINMA declares PONV (point-of-non-viability). Write-down triggered by FINMA on a contractual basis.                |
| 32                          | If write-down feature: fully or partially   | Always partially where a trigger event occurs (CET1 ratio below 7%) that persists until the subsequent trigger test date; always fully where a trigger event occurs (CET1 ratio below 7%) that persists until the subsequent trigger test date, if in the opinion of FINMA a partial write-down would be inadequate or if a point of non-viability (PONV) has been reached. | Always fully if a point of non-viability (PONV) has been reached.  |
| 33                          | If write-down feature: permanent or temporary   | Permanent   | Permanent  |
| 34                          | If temporary write-down: description of write-up mechanism  | n/a   | n/a  |
| 34a                         | Type of subordination   | Contractual   | Contractual  |
| 35                          | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)                                       | Tier 2 bond   | Bail-in bonds  |
| 36                          | Features that prevent full recognition under Basel III  | No  | No   |
| 37                          | If yes: description of non-compliant features   | n/a   | n/a  |

## 8 Macprudential supervisory measures

### 8.1 CCyB1: Geographical distribution of credit exposures used in the countercyclical capital buffer

| 31.12.2023<br>in CHF million (unless stated otherwise)   | a   | c   | d   | e                                |
|--|---|---|---|----------------------------------|
| Country  | Countercyclical capital<br>buffer rate (in %) | Risk-weighted assets<br>(RWA) in the computation<br>of the extended counter-<br>cyclical capital buffer | Bank-specific<br>countercyclical<br>capital buffer rate<br>(in %) | Countercyclical<br>buffer amount |
| Australia  | 1.00%   | 27  |   |                                  |
| France   | 0.50%   | 293   |   |                                  |
| Germany  | 0.75%   | 555   |   |                                  |
| Hong Kong  | 1.00%   | 9   |   |                                  |
| Luxembourg   | 0.50%   | 1,636   |   |                                  |
| Netherlands  | 1.00%   | 213   |   |                                  |
| Sweden   | 2.00%   | 15  |   |                                  |
| United Kingdom   | 2.00%   | 159   |   |                                  |
| <b>Subtotal</b>  | –   | <b>2,908</b>  |   |                                  |
| Other countries  |   | 58,207  |   |                                  |
| <b>Total RWA of credit exposures used in the<br/>countercyclical capital buffer <sup>1</sup></b> |   | <b>61,114</b>   |   |                                  |
| <b>Total RWA <sup>2</sup></b>  |   | <b>78,952</b>   | <b>0.03%</b>  | <b>26</b>                        |

<sup>1</sup> The total equals the sum of RWA for Zürcher Kantonalbank's relevant private sector credit exposures, including countries without a countercyclical buffer rate and countries with a countercyclical buffer rate of 0.00%.

<sup>2</sup> For the calculation of the countercyclical buffer amount, the total RWA of Zürcher Kantonalbank are relevant.

| 30.06.2023<br>in CHF million (unless stated otherwise)   | a   | c   | d   | e                                |
|--|---|---|---|----------------------------------|
| Country  | Countercyclical capital<br>buffer rate (in %) | Risk-weighted assets<br>(RWA) in the computation<br>of the extended counter-<br>cyclical capital buffer | Bank-specific<br>countercyclical<br>capital buffer rate<br>(in %) | Countercyclical<br>buffer amount |
| Australia  | 1.00%   | 17  |   |                                  |
| France   | 0.50%   | 287   |   |                                  |
| Germany  | 0.75%   | 544   |   |                                  |
| Hong Kong  | 1.00%   | 9   |   |                                  |
| Luxembourg   | 0.50%   | 1,625   |   |                                  |
| Netherlands  | 1.00%   | 205   |   |                                  |
| Sweden   | 2.00%   | 17  |   |                                  |
| United Kingdom   | 1.00%   | 141   |   |                                  |
| <b>Subtotal</b>  | –   | <b>2,844</b>  |   |                                  |
| Other countries  |   | 57,534  |   |                                  |
| <b>Total RWA of credit exposures used in the<br/>countercyclical capital buffer <sup>1</sup></b> |   | <b>60,378</b>   |   |                                  |
| <b>Total RWA <sup>2</sup></b>  |   | <b>77,801</b>   | <b>0.03%</b>  | <b>23</b>                        |

<sup>1</sup> The total equals the sum of RWA for Zürcher Kantonalbank's relevant private sector credit exposures, including countries without a countercyclical buffer rate and countries with a countercyclical buffer rate of 0.00%.

<sup>2</sup> For the calculation of the countercyclical buffer amount, the total RWA of Zürcher Kantonalbank are relevant.

Since 30 June 2023 the United Kingdom has raised the countercyclical buffer rate for the relevant exposures from 1.00 percent to 2.00 percent. Apart from this, the extended countercyclical buffer (eCCB) under Art. 44a CAO saw no material change.

## 9 Leverage Ratio

### 9.1 LR1: Leverage ratio: summary comparison of accounting assets vs. leverage ratio exposure measure

|   | 31.12.2023     | 30.06.2023     |
|---|----------------|----------------|
| in CHF million  | a              | a              |
| 1 Total assets as per published financial statements  | 201,259        | 202,862        |
| 1a Differences between published financial statements and accounting principles used for the determination of the leverage ratio exposure <sup>1</sup>  | -              | -              |
| 2 Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation (margin nos. 6 – 7 FINMA Circ. 15/3), as well as adjustment for assets deducted from Tier 1 capital (margin nos. 16 – 17 FINMA Circ. 15/3) | -6             | -8             |
| 3 Adjustment for fiduciary assets recognised on the balance sheet for accounting purposes, but excluded from the leverage ratio exposure measure (margin no. 15 FINMA Circ. 15/3)   | -              | -              |
| 4 Adjustment for derivative financial instruments (margin nos. 21 – 51 FINMA Circ. 15/3)  | 7,189          | 7,719          |
| 5 Adjustment for securities financing transactions (SFTs) (margin nos. 52 – 73 FINMA Circ. 15/3)  | 2,666          | 2,867          |
| 6 Adjustment for off-balance-sheet items (i.e. conversion to credit equivalent amounts) (margin nos. 74 – 76 FINMA Circ. 15/3)  | 12,762         | 12,882         |
| 7 Other adjustments   | -              | -              |
| <b>8 Leverage ratio exposure (sum of Rows 1 – 7)</b>  | <b>223,870</b> | <b>226,321</b> |

<sup>1</sup> Not applicable to Zürcher Kantonalbank, as it does not use an international accounting standard.

### 9.2 LR2: Leverage ratio: leverage ratio common disclosure template

|  | a              | b              |
|--|----------------|----------------|
| in CHF million   | 31.12.2023     | 30.06.2023     |
| <b>On-balance-sheet exposures</b>  |                |                |
| 1 On-balance sheet items (excluding derivatives and SFTs, but including collateral) (margin nos. 14 – 15 FINMA Circ. 15/3)   | 174,552        | 171,899        |
| 2 Assets that must be deducted in determining the eligible Tier 1 capital (margin nos. 7 and 16 – 17 FINMA Circ. 15/3)   | -6             | -8             |
| <b>3 Total on-balance sheet exposures within the leverage ratio framework, excluding derivatives and SFTs (sum of rows 1 and 2)</b>  | <b>174,546</b> | <b>171,890</b> |
| <b>Derivatives</b>   |                |                |
| 4 Replacement values associated with all derivatives transactions, including those with CCPs, taking into account the margin payments received and netting agreements in accordance with margin nos. 22 – 23 and 34 – 35 FINMA Circ. 15/3                                  | 1,660          | 1,321          |
| 5 Add-on amounts for PFE associated with all derivatives transactions (margin nos. 22 and 25 FINMA Circ. 15/3)   | 6,448          | 6,603          |
| 6 Gross up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework (margin no. 27 FINMA Circ. 15/3)  | 3,217          | 3,013          |
| 7 Deduction of receivables assets for cash variation margin provided in derivatives transactions, in accordance with margin no. 36 FINMA Circ. 15/3  | -2,424         | -1,637         |
| 8 Deduction relating to exposures to QCCPs if there is no obligation to reimburse the client in the event of the QCCP defaulting (margin no. 39 FINMA Circ. 15/3)  | -744           | -839           |
| 9 Adjusted effective notional amount of written credit derivatives, after deduction of negative replacement values (margin no. 43 FINMA Circ. 15/3)  | 50             | 143            |
| 10 Adjusted effective notional offsets of bought / written credit derivatives (margin nos. 44 – 50 FINMA Circ. 15/3) and add-on deductions for written credit derivatives (margin no. 51 FINMA Circ. 15/3)   | -50            | -46            |
| <b>11 Total derivative exposures (sum of rows 4 – 10)</b>  | <b>8,156</b>   | <b>8,559</b>   |
| <b>Securities financing transaction exposures</b>  |                |                |
| 12 Gross SFT assets with no recognition of netting (except in the case of novation with a QCCP as per margin no. 57 FINMA Circ. 15/3) including sale accounting transactions (margin no. 69 FINMA Circ. 15/3), less the items specified in margin no. 58 FINMA Circ. 15/3) | 25,740         | 30,123         |
| 13 Netted amounts of cash payables and cash receivables relating to SFT counterparties (margin nos. 59 – 62 FINMA Circ. 15/3)  | -              | -              |
| 14 CCR exposure for SFT assets (margin nos. 63 – 68 FINMA Circ. 15/3)  | 2,666          | 2,867          |
| 15 Agent transaction exposures (margin nos. 70 – 73 FINMA Circ. 15/3)  | -              | -              |
| <b>16 Total securities financing transaction exposures (sum of rows 12 – 15)</b>   | <b>28,406</b>  | <b>32,990</b>  |
| <b>Other off-balance-sheet exposures</b>   |                |                |
| 17 Off-balance-sheet exposure at gross notional amounts before application of credit conversion factors  | 48,039         | 47,877         |
| 18 Adjustments for conversion to credit equivalent amounts (margin nos. 75 – 76 FINMA Circ. 15/3)  | -35,277        | -34,995        |
| <b>19 Total off-balance-sheet items (sum of rows 17 and 18)</b>  | <b>12,762</b>  | <b>12,882</b>  |
| <b>Eligible capital and total exposures</b>  |                |                |
| 20 Tier 1 capital (margin no. 5 FINMA Circ. 15/3)  | 14,797         | 14,014         |
| 21 Total exposures (sum of rows 3, 11, 16 and 19)  | 223,870        | 226,321        |
| <b>Leverage ratio</b>  |                |                |
| <b>22 Leverage ratio (margin nos. 3 – 4 FINMA Circ. 15/3) in %</b>   | <b>6.6%</b>    | <b>6.2%</b>    |

The balance sheet items in row 1 of Table LR2 are equal to total assets as reported less amounts due from securities transactions and the positive replacement value of derivative financial instruments.

Compared to 30 June 2023, total on-balance-sheet exposures (excluding derivatives and securities financing transactions) rose by CHF 2,656 million. Exposures from derivatives (- CHF 403 million), exposures from securities financing transactions (- CHF 4,584 million) and other off balance-sheet exposures (- CHF 120 million) moved in the opposite direction. The increase in Tier 1 capital reinforced the effect of the lower total exposure (- CHF 2,451 million) in the calculation of the leverage ratio, resulting in a higher leverage ratio as at 31 December 2023 (6.6 percent) compared to 30 June 2023 (6.2 percent).

## 10 Liquidity

### 10.1 LIQA: Liquidity: liquidity risk management

#### Qualitative disclosures

##### Strategy

The aim of liquidity risk management is to ensure solvency, even under bank-specific or market-specific stress conditions. Zürcher Kantonalbank pursues a long-term refinancing policy that includes both cost and risk aspects.

Refinancing risks are managed via diversification in terms of maturities, refinancing instruments used and related markets. This diversification limits dependence on funding sources. For this purpose, Treasury uses both short- and long-term instruments, which are placed on the domestic and international markets. The diversified refinancing base is reflected in a broad product portfolio, comprising client deposits, bank deposits and money and capital market refinancing. In addition, the regulatory net stable funding ratio (NSFR) is used to measure, manage and control structural liquidity.

##### Organisation and processes

The Treasury organisational unit, which reports to the CFO, is responsible for managing the liquidity risks and refinancing of Zürcher Kantonalbank. Treasury delegates operational liquidity management to the Money Trading unit, which ensures the efficient use of liquidity based on internal and regulatory rules. In line with the requirements of the bank's risk policy, the Board of Directors defines the liquidity risk tolerance. The risk organisation oversees compliance with the rules and reports to the Board of Directors in this regard on a regular basis.

The measurement, management and control of short-term liquidity risks are based on both an internal model and on the liquidity coverage ratio (LCR), a regulatory liquidity indicator. The special provisions for systemically important banks set out in the Liquidity Ordinance (TBTF requirements) will come into force from 2024. Over a 90-day stress or restructuring horizon, the TBTF requirements set both basic requirements and additional institution-specific requirements so a minimum level of liquidity is still available on day 90. In addition to the regulatory stress scenario, Zürcher Kantonalbank uses internal stress scenarios based on the liquidity risk measurement system (LRS). The result of the liquidity risk measurement under the internal bank-specific stress scenario is calculated daily. This result is presented in a fully automated report. It contains information on the availability of liquid assets and unencumbered high-quality liquid assets (HQLA) in financial investments and trading positions, liquidity inflows and outflows under the stress scenario, and the liquidity position left after the stress scenario. The emergency plan also constitutes a significant element of liquidity risk management. This supports the situationally appropriate conduct of the relevant functions in a crisis.

When calculating the regulatory LCR, the bank uses an internal model to divide wholesale deposits into operational and non-operational categories. Net outflows of funds from the collateralisation of derivatives due to changes in market values are calculated using the look-back method. Besides Swiss francs, which make up by far the largest part of the balance sheet of Zürcher Kantonalbank, the LCR is also monitored and periodically reported in other major currencies.



From 1 January 2024, liquidity risk measurement for systemically important institutions will include a 90-day horizon in addition to a 30-day horizon due to the entry into force of the revised Liquidity Ordinance, with liquidity-generating measures taken into account alongside additional outflows in line with regulatory and, in some cases, institution-specific requirements.

## Quantitative disclosures

The following table shows inflows and outflows in items on and off balance sheet with a fixed term by maturity band in the group and compares these to holdings of high-quality liquid assets (HQLA) as at 31 December 2023. Unlike the data used to calculate the liquidity cover ratio (LCR), this table also includes unweighted inflows and outflows beyond 30 days. Business with no set maturity, such as savings deposits and sight deposits, are not included.

31.12.2023

in CHF million

M = month(s), Y = year

| Outflows   |               | ≤ 1M          | > 1M ≤ 3M     | > 3M ≤ 6M     | > 6M ≤ 1Y     | > 1Y          | Total          |
|--|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| Outflow from own bonds issued                                      |               | 695           | 1,299         | 1,143         | 2,409         | 19,482        | 25,029         |
| Outflow from unsecured financing                                   |               | 27,868        | 20,860        | 6,101         | 1,576         | 2,258         | 58,662         |
| Outflow from securities financing transactions / secured financing |               | 7,667         | –             | –             | 11            | 239           | 7,917          |
| Additional outflows <sup>1</sup>                                   |               | 10,519        | 6,133         | 2,763         | 6,408         | 8,123         | 33,946         |
| <b>Total outflows</b>  |               | <b>46,748</b> | <b>28,292</b> | <b>10,007</b> | <b>10,404</b> | <b>30,103</b> | <b>125,554</b> |
| Inflows  |               | ≤ 1M          | > 1M ≤ 3M     | > 3M ≤ 6M     | > 6M ≤ 1Y     | > 1Y          | Total          |
| Inflow from lending  |               | 4,623         | 5,051         | 3,807         | 6,284         | 69,119        | 88,884         |
| Inflow from securities financing transactions                      |               | 15,734        | 763           | 1,276         | 3,390         | 1,599         | 22,761         |
| Additional inflows <sup>2</sup>                                    |               | 9,731         | 5,866         | 3,302         | 3,580         | 7,032         | 29,512         |
| <b>Total inflows</b>   |               | <b>30,088</b> | <b>11,680</b> | <b>8,384</b>  | <b>13,253</b> | <b>77,751</b> | <b>141,157</b> |
| HQLA   | Inventory     | ≤ 1M          | > 1M ≤ 3M     | > 3M ≤ 6M     | > 6M ≤ 1Y     | > 1Y          |                |
| <b>HQLA after netting of outflows and inflows</b>                  | <b>52,363</b> | <b>35,704</b> | <b>19,092</b> | <b>17,469</b> | <b>20,318</b> | <b>67,966</b> |                |

<sup>1</sup> Outflows from irrevocable lending commitments and derivatives

<sup>2</sup> Inflows from trading securities and derivatives

31.12.2022

in CHF million

M = month(s), Y = year

| Outflows   |               | ≤ 1M          | > 1M ≤ 3M     | > 3M ≤ 6M     | > 6M ≤ 1Y     | > 1Y          | Total          |
|--|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| Outflow from own bonds issued                                      |               | 607           | 896           | 740           | 2,099         | 19,522        | 23,863         |
| Outflow from unsecured financing                                   |               | 25,077        | 16,420        | 3,628         | 1,033         | 2,275         | 48,433         |
| Outflow from securities financing transactions / secured financing |               | 4,475         | –             | –             | –             | 420           | 4,895          |
| Additional outflows <sup>1</sup>                                   |               | 9,835         | 6,641         | 3,298         | 5,730         | 10,470        | 35,974         |
| <b>Total outflows</b>  |               | <b>39,994</b> | <b>23,957</b> | <b>7,666</b>  | <b>8,862</b>  | <b>32,686</b> | <b>113,164</b> |
| Inflows  |               | ≤ 1M          | > 1M ≤ 3M     | > 3M ≤ 6M     | > 6M ≤ 1Y     | > 1Y          | Total          |
| Inflow from lending  |               | 5,569         | 5,150         | 4,636         | 5,700         | 69,229        | 90,283         |
| Inflow from securities financing transactions                      |               | 17,679        | 382           | 1,430         | 2,416         | 2,868         | 24,775         |
| Additional inflows <sup>2</sup>                                    |               | 9,322         | 6,226         | 3,081         | 5,186         | 7,888         | 31,703         |
| <b>Total inflows</b>   |               | <b>32,569</b> | <b>11,758</b> | <b>9,147</b>  | <b>13,302</b> | <b>79,985</b> | <b>146,761</b> |
| HQLA   | Inventory     | ≤ 1M          | > 1M ≤ 3M     | > 3M ≤ 6M     | > 6M ≤ 1Y     | > 1Y          |                |
| <b>HQLA after netting of outflows and inflows</b>                  | <b>55,434</b> | <b>48,010</b> | <b>35,811</b> | <b>37,292</b> | <b>41,731</b> | <b>89,031</b> |                |

<sup>1</sup> Outflows from irrevocable lending commitments and derivatives

<sup>2</sup> Inflows from trading securities and derivatives

## Risk profile

The average LCR for 2023, which is calculated as a simple average of the end-of-day values of the business days during the quarter under review, lies between 144 percent and 148 percent. High-quality liquid assets (HQLA) average between CHF 46.4 billion and CHF 55.2 billion. The HQLA consist of Level 1 assets (cash, central bank deposits, tradeable securities from countries and central banks with high credit ratings) and Level 2 assets (tradeable securities with less strict criteria). The majority of Level 1 assets are held in the form of central bank deposits. Zürcher Kantonalbank actively manages its liquidity risk profile, particularly through targeted management of time deposits, money-market instruments as well as SLB and repo transactions. The changes in the LCR and the internal statistical measures of liquidity risk are mainly driven by portfolio changes in non-operational sight deposits, time deposits, money-market instruments, as well as SLB and repo transactions with banks and major clients.

The quarter-end NSFR values ranged from 117 percent to 126 percent in 2023. The required stable funding ranges between CHF 95.6 billion and CHF 98.9 billion. The available stable funding is between CHF 115.7 billion and CHF 120.0 billion.

## 10.2 LIQ1: Liquidity: Liquidity coverage ratio (LCR)

| in CHF million   | Quarterly averages Q4 23 <sup>1</sup> |                 | Quarterly averages Q3 23 <sup>1</sup> |                 |
|--|---------------------------------------|-----------------|---------------------------------------|-----------------|
|  | Unweighted values                     | Weighted values | Unweighted values                     | Weighted values |
| <b>A. High-quality liquid assets (HQLA)</b>  |                                       |                 |                                       |                 |
| <b>1 Total high quality liquid assets (HQLA)</b>   |                                       | <b>46,388</b>   |                                       | <b>47,978</b>   |
| <b>B. Cash outflows</b>  |                                       |                 |                                       |                 |
| 2 Retail deposits  | 62,140                                | 6,329           | 63,295                                | 6,446           |
| 3 of which stable deposits   | 6,059                                 | 303             | 6,450                                 | 323             |
| 4 of which less stable deposits  | 56,066                                | 6,027           | 56,828                                | 6,124           |
| 5 Unsecured wholesale funding  | 38,177                                | 20,488          | 41,061                                | 22,093          |
| 6 of which operational deposits (all counterparties) and deposits in networks of cooperative banks   | 3,549                                 | 887             | 3,749                                 | 937             |
| 7 of which non-operational deposits (all counterparties)   | 34,542                                | 19,524          | 37,228                                | 21,083          |
| 8 of which unsecured debt  | 76                                    | 76              | 73                                    | 73              |
| 9 Secured wholesale funding and collateral swaps   |                                       | 10,989          |                                       | 10,720          |
| 10 Other outflows  | 25,815                                | 9,573           | 26,691                                | 9,712           |
| 11 of which outflows related to derivative exposures and other transactions  | 12,483                                | 7,273           | 12,618                                | 7,132           |
| 12 of which outflows related to loss of funding on asset-backed securities, covered bonds and other structured financing instruments, asset-backed commercial papers, conduits, securities investment vehicles and other such financing facilities | 115                                   | 115             | 141                                   | 141             |
| 13 of which, outflows related to committed credit and liquidity facilities   | 13,217                                | 2,186           | 13,932                                | 2,439           |
| 14 Other contractual funding obligations   | 2,679                                 | 2,668           | 2,698                                 | 2,691           |
| 15 Other contingent funding obligations  | 30,255                                | 379             | 29,808                                | 382             |
| <b>16 Total cash outflows</b>  |                                       | <b>50,427</b>   |                                       | <b>52,044</b>   |
| <b>C. Cash inflows</b>   |                                       |                 |                                       |                 |
| 17 Secured financing operations (e.g. reverse repo transactions)   | 16,420                                | 11,552          | 18,157                                | 12,544          |
| 18 Inflows from fully performing exposures   | 1,324                                 | 944             | 1,274                                 | 974             |
| 19 Other cash inflows  | 6,420                                 | 6,420           | 6,116                                 | 6,116           |
| <b>20 Total cash inflows</b>   | <b>24,163</b>                         | <b>18,916</b>   | <b>25,547</b>                         | <b>19,635</b>   |
| <b>Adjusted values</b>   |                                       |                 |                                       |                 |
| <b>21 Total high-quality liquid assets (HQLA)</b>  |                                       | <b>46,388</b>   |                                       | <b>47,978</b>   |
| <b>22 Total net cash outflows</b>  |                                       | <b>31,511</b>   |                                       | <b>32,409</b>   |
| <b>23 Liquidity coverage ratio in %</b>  |                                       | <b>147%</b>     |                                       | <b>148%</b>     |

<sup>1</sup> The average is calculated based on the end of day values from the business days of the reported quarter: Q4 23: 62 days included, Q3 23: 62 days included.

As a systemically important bank, Zürcher Kantonalbank is subject to stricter liquidity requirements than non-systemically important banks. Zürcher Kantonalbank's ongoing comfortable liquidity situation is reflected in the LCR. On a group basis, the LCR decreased lightly from the previous quarter and stood at an average of 147 percent in the fourth quarter of 2023 (third quarter of 2023: 148 percent).

### 10.3 LIQ2: Liquidity: Net stable funding ratio (NSFR)

| 31.12.2023                                 | in CHF million   | a                                     | b          | c                      | d        | e              |
|--|--|---------------------------------------|------------|------------------------|----------|----------------|
|  |  | Unweighted value by residual maturity |            |                        |          | Weighted value |
|  |  | No maturity                           | < 6 months | ≥ 6 months to < 1 year | ≥ 1 year |                |
| <b>Available Stable Funding (ASF) item</b> |  |                                       |            |                        |          |                |
| 1  | Capital  | –                                     | –          | –                      | 15,527   | 15,527         |
| 2  | Regulatory capital   | –                                     | –          | –                      | 15,527   | 15,527         |
| 3  | Other capital instruments  | –                                     | –          | –                      | –        | –              |
| 4  | Retail deposits and deposits from small business customers   | 58,592                                | 11,430     | 1,047                  | 197      | 64,558         |
| 5  | Stable deposits  | 5,856                                 | 1,765      | 363                    | 55       | 7,641          |
| 6  | Less stable deposits   | 52,735                                | 9,664      | 684                    | 142      | 56,917         |
| 7  | Wholesale funding  | 18,789                                | 39,885     | 519                    | 1,369    | 15,812         |
| 8  | Operational deposits   | 3,509                                 | –          | –                      | –        | 1,754          |
| 9  | Other wholesale funding  | 15,280                                | 39,885     | 519                    | 1,369    | 14,057         |
| 10   | Liabilities with matching interdependent assets  | 984                                   | 18         | –                      | –        | –              |
| 11   | Other liabilities  | 17,514                                | 12,315     | 1,208                  | 20,635   | 20,222         |
| 12   | NSFR derivative liabilities  | –                                     | –          | –                      | 1,485    | –              |
| 13   | All other liabilities and equity not included in the above categories  | 17,514                                | 12,315     | 1,208                  | 19,149   | 20,222         |
| <b>14</b>                                  | <b>Total Available Stable Funding (ASF)</b>  |                                       |            |                        |          | <b>116,118</b> |
| <b>Required Stable Funding (RSF) item</b>  |  |                                       |            |                        |          |                |
| 15   | Total NSFR high-quality liquid assets (HQLA)   |                                       |            |                        |          | 1,321          |
| 16   | Deposits held at other financial institutions for operational purposes   | 604                                   | –          | –                      | –        | 302            |
| 17   | Performing loans and securities  | 37,063                                | 29,950     | 6,472                  | 71,838   | 91,040         |
| 18   | Performing loans to financial institutions secured by level 1 and 2a   | 1,335                                 | 7,950      | –                      | –        | 1,089          |
| 19   | Performing loans to financial institutions secured by non-level 1 and 2a HQLA and unsecured performing loans to financial institutions   | 9,209                                 | 6,339      | 1,195                  | 1,717    | 8,753          |
| 20   | Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and public sector entities, of which | 5,839                                 | 9,557      | 1,160                  | 10,265   | 18,645         |
| 21   | with a risk weight of less than or equal to 35% under SA-BIS   | 213                                   | –          | –                      | 511      | 471            |
| 22   | Performing residential mortgages, of which   | 18,663                                | 5,737      | 3,773                  | 56,687   | 57,789         |
| 23   | with a risk weight of less than or equal to 35% under SA-BIS   | 18,320                                | 5,724      | 3,723                  | 56,165   | 57,016         |
| 24   | Securities that are not in default and do not qualify as HQLA, including exchange-traded equities  | 2,016                                 | 368        | 343                    | 3,169    | 4,764          |
| 25   | Assets with matching interdependent liabilities  | 1,002                                 | –          | –                      | –        | –              |
| 26   | Other assets   | 3,728                                 | 531        | 17                     | 2,163    | 5,406          |
| 27   | Physical traded commodities, including gold  | 1,416                                 | –          | –                      | –        | 1,204          |
| 28   | Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs  | –                                     | –          | –                      | 997      | 847            |
| 29   | NSFR derivative assets   | –                                     | –          | –                      | –        | –              |
| 30   | NSFR derivative liabilities before deduction of variation margin posted  | –                                     | –          | –                      | 1,132    | 1,132          |
| 31   | All other assets not included in the above categories  | 2,312                                 | 531        | 17                     | 34       | 2,223          |
| 32   | Off-balance sheet items  | –                                     | 36,341     | 4,074                  | 7,890    | 852            |
| <b>33</b>                                  | <b>Total Required Stable Funding (RSF)</b>   |                                       |            |                        |          | <b>98,921</b>  |
| <b>34</b>                                  | <b>Net Stable Funding Ratio (NSFR) (%)</b>   |                                       |            |                        |          | <b>117%</b>    |

| 30.09.2023                                 | in CHF million   | Unweighted value by residual maturity |            |                        |          | Weighted value |
|--|--|---------------------------------------|------------|------------------------|----------|----------------|
|  |  | a                                     | b          | c                      | d        |                |
|  |  | No maturity                           | < 6 months | ≥ 6 months to < 1 year | ≥ 1 year |                |
| <b>Available Stable Funding (ASF) item</b> |  |                                       |            |                        |          |                |
| 1  | Capital  | –                                     | –          | –                      | 14,763   | 14,763         |
| 2  | Regulatory capital   | –                                     | –          | –                      | 14,763   | 14,763         |
| 3  | Other capital instruments  | –                                     | –          | –                      | –        | –              |
| 4  | Retail deposits and deposits from small business customers   | 60,194                                | 9,787      | 1,457                  | 199      | 64,892         |
| 5  | Stable deposits  | 6,293                                 | 1,206      | 481                    | 54       | 7,634          |
| 6  | Less stable deposits   | 53,901                                | 8,581      | 976                    | 145      | 57,258         |
| 7  | Wholesale funding  | 19,568                                | 39,507     | 725                    | 1,397    | 15,430         |
| 8  | Operational deposits   | 3,534                                 | –          | –                      | –        | 1,767          |
| 9  | Other wholesale funding  | 16,034                                | 39,507     | 725                    | 1,397    | 13,663         |
| 10   | Liabilities with matching interdependent assets  | 1,212                                 | –          | 9                      | –        | –              |
| 11   | Other liabilities  | 19,264                                | 9,586      | 1,049                  | 19,666   | 20,644         |
| 12   | NSFR derivative liabilities  | –                                     | –          | –                      | –        | –              |
| 13   | All other liabilities and equity not included in the above categories  | 19,264                                | 9,586      | 1,049                  | 19,666   | 20,644         |
| <b>14</b>                                  | <b>Total Available Stable Funding (ASF)</b>  |                                       |            |                        |          | <b>115,730</b> |
| <b>Required Stable Funding (RSF) item</b>  |  |                                       |            |                        |          |                |
| 15   | Total NSFR high-quality liquid assets (HQLA)   |                                       |            |                        |          | 1,108          |
| 16   | Deposits held at other financial institutions for operational purposes   | 328                                   | –          | –                      | –        | 164            |
| 17   | Performing loans and securities  | 37,629                                | 33,339     | 5,932                  | 70,888   | 91,310         |
| 18   | Performing loans to financial institutions secured by level 1 and 2a   | 1,115                                 | 6,069      | –                      | –        | 757            |
| 19   | Performing loans to financial institutions secured by non-level 1 and 2a HQLA and unsecured performing loans to financial institutions   | 10,052                                | 10,841     | 1,180                  | 1,511    | 9,805          |
| 20   | Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and public sector entities, of which | 5,639                                 | 10,041     | 686                    | 10,096   | 18,138         |
| 21   | with a risk weight of less than or equal to 35% under SA-BIS   | 195                                   | –          | –                      | 450      | 421            |
| 22   | Performing residential mortgages, of which   | 18,821                                | 5,822      | 3,678                  | 55,855   | 57,519         |
| 23   | with a risk weight of less than or equal to 35% under SA-BIS   | 18,483                                | 5,768      | 3,667                  | 55,386   | 56,809         |
| 24   | Securities that are not in default and do not qualify as HQLA, including exchange-traded equities  | 2,003                                 | 566        | 388                    | 3,426    | 5,092          |
| 25   | Assets with matching interdependent liabilities  | 1,221                                 | –          | –                      | –        | –              |
| 26   | Other assets   | 4,422                                 | 37         | 2                      | 2,570    | 5,484          |
| 27   | Physical traded commodities, including gold  | 1,334                                 | –          | –                      | –        | 1,134          |
| 28   | Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs  | –                                     | –          | –                      | 826      | 702            |
| 29   | NSFR derivative assets   | –                                     | –          | –                      | 733      | 733            |
| 30   | NSFR derivative liabilities before deduction of variation margin posted  | –                                     | –          | –                      | 991      | 991            |
| 31   | All other assets not included in the above categories  | 3,088                                 | 37         | 2                      | 20       | 1,923          |
| 32   | Off-balance sheet items  | –                                     | 36,678     | 3,654                  | 7,885    | 852            |
| <b>33</b>                                  | <b>Total Required Stable Funding (RSF)</b>   |                                       |            |                        |          | <b>98,917</b>  |
| <b>34</b>                                  | <b>Net Stable Funding Ratio (NSFR) (%)</b>   |                                       |            |                        |          | <b>117%</b>    |

Zürcher Kantonalbank has fulfilled the provisions on the net stable funding ratio (NSFR) of 100 percent with a significant buffer for some time. There were no significant changes during the reporting period. The quarter-end NSFR values in the second half of 2023 were 117 percent.

## 11 Credit risk

### 11.1 CRA: Credit risk: general qualitative information about credit risk

The strategy applied in the management of credit risks is set out in the internal lending policy. The strategy is revised and updated by the risk organisation as part of an annual, structured process and is approved by the Executive Board. The principles defined in the lending policy include the measurement and management of risks based on uniform, binding objectives and instruments, and the acceptance of risks based on objective, business-related criteria, in proportion to the bank's risk capacity, together with sustainable management of the quality of the credit portfolio.

The bank adopts a risk and cost-based pricing policy, with transparent credit decisions and a selective, quality-oriented strategy for the acquisition of financing business. Particular attention is paid to environmental and social risks in the credit assessment process. In recognition of the total commitment of owners, higher risks may deliberately be accepted on occasion for SMEs from the Greater Zurich Area.

#### Organisation and processes

The risk managers bear responsibility for profits and losses generated on the risks entered into. They are responsible for the continuous, active management of risks and for compliance with internal risk tolerance regulations, relevant laws, ordinances, circulars and standards. The sales units in Corporate Clients, Institutionals & Multinationals, Private Banking and the support centre in Products, Services & Direct Banking are the risk managers responsible for credit risks.

The preventative risk management and risk control functions are separated from risk management at Executive Board level. Preventative risk management issues lending guidelines, analyses and reviews transactions in line with existing delineations of power, monitors business-related risks on an ongoing basis and assists in the training of risk managers. Risk control monitors and reports at portfolio level and is responsible for defining risk measurement methods.

The Compliance function is a member of the Risk Committee of the Executive Board and also the Credit Committee, which considers in advance credit risk-related issues which fall within the remit of the Risk Committee.

Audit supports the Board of Directors in fulfilling its statutory supervisory and control tasks and discharges the monitoring tasks assigned to it by the Board of Directors. In particular, Audit independently and objectively evaluates the appropriateness and effectiveness of the internal control and risk management processes and contributes towards their improvement. Audit also checks the bank's compliance with regulatory provisions, internal directives and guidelines. Audit has unlimited rights of inspection, information and access within the entire group.

Credit risks are managed and limited by means of detailed parameters and areas of responsibility within the credit process at individual exposure level and by means of limiting the risk capital in accordance with the capital at risk approach at portfolio level. Another key control element in credit risk management is risk-adjusted pricing, which includes expected losses (standard risk costs) as well as the cost of the risk capital to be retained in order to cover unexpected losses.

Expected losses are determined on the basis of the statistical probability of default (PD), assumptions regarding the level of exposure at default (EAD) and the estimated loss given default (LGD). Rating models specific to individual segments are used to determine default probabilities. The rating system for retail and corporate clients as well as banks combines statistical procedures with many years of practical experience in the lending business and incorporates both qualitative and quantitative elements. Country ratings are in principle based on the ratings of external agencies (country ceiling ratings and sovereign default ratings).

A credit portfolio model is used as the basis for the modelling of unexpected losses. Besides default probabilities, exposures in the event of default and loss rates, correlations between debtors are particularly significant for the modelling of unexpected losses. The model covers balance-sheet and off-balance-sheet items.

### **Collateral**

The valuation of collateral for loans, and in particular the calculation of market and collateral values, is governed by an extensive set of internal rules setting out the relevant methods, procedures and responsibilities. These rules are continually reviewed and aligned with regulatory requirements and market changes. For the valuation of mortgage collateral, the bank uses recognised estimation methods that are tailored to the type of property. These include hedonic models, income capitalisation approaches and expert appraisals, among others.

The models used as well as the individual valuations are reviewed on a regular basis. The maximum loan-to-value ratio for mortgages depends on how realisable the collateral is and is influenced by factors such as location and type of property (family home or commercial property, for example). Readily marketable collateral (securities, precious metals, account balances, for example) is generally valued at current market prices. The lending of readily marketable collateral is subject to the deduction of specified margins. These margins differ primarily in terms of the collateral's susceptibility to fluctuations in value.

### **Limiting and monitoring credit exposures**

Credit exposures are restricted by limits. In addition to the limits at counterparty and counterparty group level, limits are placed on sub-portfolios, for instance for foreign exposures. All credit and contingent exposures are monitored on a daily basis, and exposures from trading transactions are monitored on a real-time basis. In the case of trading transactions, pre-deal checks can be undertaken to examine and ensure adherence to counterparty limits. Any breaches of limits are reported promptly to the competent management level. An early-warning system identifies negative developments, which are communicated to the officers responsible. The rating of corporate clients is generally reviewed once a year on the basis of the annual financial statements. A supplementary review of ratings, limits and exposures in the retail and corporate client business is undertaken using risk-oriented criteria. Ratings, limits and exposures in the banking sector are reviewed periodically and on an extraordinary basis in the event of a deterioration in the credit rating of a particular institution.

### **Value adjustments**

As part of their risk management role, the bank's relationship management units constantly monitor all positions in the credit portfolio to identify any signs of impairment of value. Should any signs be found, a standardised impairment test is used to determine whether a loan should be classed as impaired. Impaired loans are those where the borrower is unlikely to be able to meet future obligations.

Where it appears that the bank will be unable to collect all amounts due on a claim, the bank makes an allowance for the unsecured part of the loan, taking into account the borrower's creditworthiness. In determining the required value adjustment, mortgage collateral (including valuation discounts, settlement and holding costs) and readily marketable collateral (freely tradeable securities as well as other easily realised assets such as deposits, precious metals, fiduciary investments, etc.) are considered at their current liquidation value. The recoverability of other collateral (e. g. leased assets, guarantees) has to be demonstrated in particular. The authority to approve the creation of new individual value adjustments rests with the risk managers. Above a certain amount, the approval of the risk organisation is also required.

Interest and associated commission payments that have not been received in full 90 days after becoming due are classified as past due. They are deemed to be impaired and are usually fully adjusted if they are not covered by collateral. Individual value adjustment rates may apply to the principal in the case of major positions. Collective individual value adjustments are recognised for overdrafts of up to CHF 30,000 and for interest and associated commission payments outstanding for more than 90 days; in all other cases, individual value adjustments are generally set aside.

In principle, a central, specialised unit fundamentally manages impaired positions across all client segments. This unit steers the positions through the stabilisation, restructuring and resolution process and ensures that existing value adjustments are regularly reviewed and adjusted where necessary.

### **Value adjustments and provisions for expected losses**

For non-impaired loans/receivables and off-balance-sheet transactions, Zürcher Kantonalbank recognises value adjustments and provisions for expected losses. Expected loss (EL) is the anticipated value of future losses from credit defaults. The EL is determined on the non-impaired loans/receivables of the following balance sheet and off-balance-sheet items:

- Amounts due from banks
- Amounts due from customers
- Mortgage loans
- Debt securities held to maturity in financial investments
- Contingent liabilities
- Irrevocable commitments

### **Country risks**

The country risk of individual exposures is determined on the basis of the risk domicile, where this is not identical to the domicile of the borrower, in accordance with the Swiss Bankers Association's guidelines on the management of country risk. In the case of secured exposures, the domicile of the collateral is taken into account when determining the risk domicile. The risks for each country, total country risks and total country risks outside the bank's best internal rating category are subject to limits, adherence to which is monitored on a constant basis.

### **Settlement risks**

A settlement risk arises in the case of transactions with mutual payment and delivery obligations where Zürcher Kantonalbank must meet its obligations without being able to ensure that counter-payment is also being made. Settlement risk can occur in relation to foreign exchange transactions, securities lending and borrowing (SLB) and OTC repo transactions as well as transactions involving different payment systems and time zones in the interbank sector. Zürcher Kantonalbank is a member of the joint venture CLS, a clearing centre for settling foreign exchange transactions "payment against payment". This helps largely eliminate the fulfilment risks arising in foreign exchange trading.

### **Concentration risks**

Zürcher Kantonalbank uses a systems-based method for monitoring concentration risks. Besides measurement for the purpose of preparing regulatory reports, concentration risks are limited at product and client level using benchmarks that are reflected in the corresponding powers of authorisation. Internal concentration risk reporting includes information on product, sector and individual position concentrations. Due to the bank's roots within the Greater Zurich Area, a large concentration risk in the credit portfolio takes the form of geographical concentration risk in the mortgage portfolio.

### **Reporting**

The CRO report is a quarterly report from the risk organisation, produced independently of the risk managers, informing the Executive Board and Board of Directors of events, the risk profile and credit risk monitoring. Information on the credit risk profile of the group is provided in tables, graphs and commentaries on trends in the individual sub-portfolios and credit risk overall. In addition to management reporting, there are also special reports on selected issues of special relevance and/or topicality. These reports are also seen by FINMA and the external auditor. In addition, every year, the Executive Board and Board of Directors receive reports on the suitability and effectiveness of internal controls in credit risk management. When special developments or events occur, the Executive Board and Board of Directors are informed on an ad hoc basis of changes in the risk profile in additional reports and analyses.



Apart from the management reporting, there are also various monitoring reports. These support risk monitoring in the Risk unit and management controls in the organisational units managing risk. Unlike the management reporting, the monitoring reports focus on a limited presentation of specific risks or portfolios, in some cases all the way down to counterparty level. Depending on their subject, these monitoring reports are produced at shorter intervals, as production is often more automated than for the management reporting described above.

### **Risk profile**

Zürcher Kantonalbank pursues a full-service banking strategy. This is directly derived from the Law on Zürcher Kantonalbank and the needs of the people and businesses in the Greater Zurich Area. In line with this strategic focus, the bank operates a broadly diversified business model strongly rooted in the Greater Zurich Area. In accordance with the business model the lending business, and especially the mortgage lending business, are central business areas for the bank. Mortgage receivables amount to CHF 100.9 billion making them by far the largest item in the receivables on the balance sheet. Around two-thirds of mortgage loans relate to owner-occupied residential property. The remaining loans are secured with rented residential properties or properties that are used for commercial purposes. This is reflected in the bank's risk profile. Loan commitments are shown in table CR4 (SA-BIS) starting from page 74 and CR6 (IRB) starting from page 78 by exposure category under Basel III.

### **Investment portfolio**

#### **Strategy, organisation and processes for the management of risks in the investment portfolio**

The risks in the investment portfolio comprise issuer risks on debt and equity securities in financial investments. Because these are allocated to the banking book, they are included under credit risk for capital adequacy purposes. Real estate price risk also comes under risks in the investment portfolio. According to the capital adequacy rules, these are non-counterparty related risks. They are disclosed under credit risk; please see table LI1 on page 44. Interest rate risks are managed and limited as part of asset and liability management. The investment portfolio mainly has an operational background: the debt securities in the financial assets are part of the bank's liquidity buffer. The investments relate in particular to companies in the financial market infrastructure. In addition, Zürcher Kantonalbank provides start-up financing to promote young companies. The real estate position consists almost entirely of property in use by the bank.

The purchase of financial investments and real estate as well as the acquisition of participations are subject to detailed regulations and responsibilities. The investment strategy for the financial investments managed by Treasury is laid down in the risk tolerance requirements approved by the Risk Committee of the Executive Board. Only debt securities with a first-class credit rating that are considered high-quality liquid assets (HQLA) may be purchased. There are investment guidelines with rules on climate-related financial risks in Zürcher Kantonalbank's sustainability policy. Financial investments by Treasury must now meet not only exclusion criteria for issuers from critical industries, but also requirements regarding their carbon footprint (CO<sub>2</sub> emissions relative to revenue). The Risk unit is responsible for the measurement and monitoring of risk as well as independent reporting on investment portfolio risks.

Risks relating to the investment portfolio are managed internally by assigning risk capital. For the determination of this risk capital for financial investments and participations, Zürcher Kantonalbank uses an internal default model that takes diversification effects into account. For real estate owned by the bank, risk capital is allocated based on regulatory minimum capital adequacy requirements.

### **Risk profile**

The carrying amount of financial investments was CHF 5.6 billion as at 31 December 2023 (2022: CHF 7.5 billion). Of this, CHF 5.3 billion (2022: CHF 7.2 billion) related to debt securities. The portfolio consists mainly of mortgage bonds and first-class bonds, which are diversified in terms of counterparty groups and countries. Some debt instruments from banks have guarantees from central government. For risk mitigation techniques, please see table CR3 on page 73. At CHF 0.3 billion in total, equity instruments, precious metals and real estate are insignificant in the overall context.

## 11.2 CR1: Credit risk: credit quality of assets

|  | a  | b  | c   | d                         |
|--|--|--|---|---------------------------|
| 31.12.2023<br>in CHF million                     | Gross carrying values<br>of defaulted<br>exposures | Gross carrying values<br>of non-defaulted<br>exposures | Value adjustments /<br>impairments <sup>1</sup> | Net values<br>(a + b - c) |
| 1 Loans (excluding debt securities) <sup>2</sup> | 575  | 114,602  | 675   | 114,502                   |
| 2 Debt securities <sup>2</sup>                   | –  | 5,272  | 2   | 5,271                     |
| 3 Off-balance-sheet exposures                    | 24   | 18,268   | –   | 18,292                    |
| <b>4 Total</b>                                   | <b>599</b>   | <b>138,142</b>   | <b>676</b>                                      | <b>138,065</b>            |

<sup>1</sup> Zürcher Kantonalbank adopted the rules on value adjustments and provisions for expected losses (VA and P for EL) on 01.01.2021. VA and P for EL are recognised in non-defaulted exposures. Consequently, VA for EL are included in column c of this table, so column d shows the net figures according to the accounting rules. This also means that value adjustments / impairments as at 31.12.2023 are higher than the gross carrying values of defaulted exposures.

<sup>2</sup> According to FINMA Circ. 16/1, on-balance-sheet items include loans and debt securities. Hence, liquid assets, trading portfolio assets, equities, accrued income and prepaid expenses and non-counterparty-related risks in the amount of CHF 41,688 million are not included in this table.

|  | a  | b  | c   | d                         |
|--|--|--|---|---------------------------|
| 30.06.2023<br>in CHF million                     | Gross carrying values<br>of defaulted<br>exposures | Gross carrying values<br>of non-defaulted<br>exposures | Value adjustments /<br>impairments <sup>1</sup> | Net values<br>(a + b - c) |
| 1 Loans (excluding debt securities) <sup>2</sup> | 507  | 113,013  | 623   | 112,897                   |
| 2 Debt securities <sup>2</sup>                   | –  | 5,601  | 1   | 5,600                     |
| 3 Off-balance-sheet exposures                    | 64   | 18,612   | –   | 18,676                    |
| <b>4 Total</b>                                   | <b>570</b>   | <b>137,226</b>   | <b>624</b>                                      | <b>137,172</b>            |

<sup>1</sup> Zürcher Kantonalbank adopted the rules on value adjustments and provisions for expected losses (VA and P for EL) on 01.01.2021. VA and P for EL are recognised in non-defaulted exposures. Consequently, VA for EL are included in column c of this table, so column d shows the net figures according to the accounting rules. This also means that value adjustments / impairments as at 30.06.2023 are higher than the gross carrying values of defaulted exposures.

<sup>2</sup> According to FINMA Circ. 16/1, on-balance-sheet items include loans and debt securities. Hence, liquid assets, trading portfolio assets, equities, accrued income and prepaid expenses and non-counterparty-related risks in the amount of CHF 38,790 million are not included in this table.

### Disclosure and explanation of internal definition of default

#### Defaulted loans/receivables

This is a regulatory definition. Under the standardised approach, defaulted loans include both impaired loans and non-performing loans, e. g. those more than 90 days in arrears. Under IRB, a model approach has been selected that uses the rating assigned to define “defaulted”. If a counterparty is assigned the default rating (C19) under such definition, all receivables from that counterparty are deemed to be in default, regardless of whether they are covered by collateral or not.

#### Impaired loans/receivables

Accounting definition: For accounting purposes, loans are impaired when the borrower is unlikely to be able to meet future obligations and they are not covered by collateral. The assessment as to whether a loan is impaired is made on an individual basis.

#### Non-performing loans/receivables

For both accounting and supervisory purposes, loans are classified as non-performing when interest, commission or amortisation payments or the repayment of the principal have not been received in full 90 days after becoming due. This also includes claims against borrowers in liquidation, and loans with special conditions arising from the borrower’s financial standing. Non-performing loans are also often a component of impaired loans.

## 11.3 CR2: Credit risk: changes in stock of defaulted loans and debt securities

31.12.2023

in CHF million

|  | a          |
|--|------------|
| <b>1</b> Defaulted loans and debt securities <sup>1</sup> at end of the previous reporting period (30.06.2023) | <b>507</b> |
| 2 Loans and debt securities that have defaulted since the last reporting period                                | 171        |
| 3 Returned to non-defaulted status   | 83         |
| 4 Amounts written off  | 4          |
| 5 Other changes (+/-) <sup>2</sup>   | -15        |
| <b>6</b> Defaulted loans and debt securities at end of the reporting period (1 + 2 - 3 - 4 + 5)                | <b>575</b> |

<sup>1</sup> All exposures are presented gross of value adjustments for default risks.

<sup>2</sup> Mainly volume changes of loans and debt securities, which had the status "defaulted" at the end of both reporting periods.

During the reporting period, there were no material changes to the portfolios of defaulted loans and debt securities. The total for defaulted loans and debt securities as at 31 December 2023 increased by CHF 68 million compared to the figure recorded on 30 June 2023.

## 11.4 CRB: Credit risk: additional disclosure related to the credit quality of assets

### Breakdown of exposures by geographical area

| in CHF million         | 31.12.2023      | 31.12.2022      |
|------------------------|-----------------|-----------------|
|                        | Carrying values | Carrying values |
| Switzerland            | 113,016         | 110,484         |
| Rest of Europe         | 3,466           | 3,071           |
| Americas               | 2,093           | 1,453           |
| Asia and Oceania       | 1,144           | 1,437           |
| Africa                 | 53              | 47              |
| <b>Total exposures</b> | <b>119,773</b>  | <b>116,490</b>  |

### Breakdown of exposures by industry

| in CHF million         | 31.12.2023      | 31.12.2022      |
|------------------------|-----------------|-----------------|
|                        | Carrying values | Carrying values |
| Agriculture            | 636             | 638             |
| Manufacturing          | 5,187           | 4,530           |
| Services               | 47,390          | 46,486          |
| Individuals and other  | 66,560          | 64,836          |
| <b>Total exposures</b> | <b>119,773</b>  | <b>116,490</b>  |

### Breakdown of exposures by residual maturity

| in CHF million              | 31.12.2023      | 31.12.2022      |
|-----------------------------|-----------------|-----------------|
|                             | Carrying values | Carrying values |
| Due up to 3 months          | 13,623          | 15,612          |
| Due between 3 and 12 months | 21,254          | 20,441          |
| Due between 1 and 3 years   | 23,637          | 22,450          |
| Due between 3 and 5 years   | 16,150          | 17,432          |
| Due after more than 5 years | 45,109          | 40,556          |
| <b>Total exposures</b>      | <b>119,773</b>  | <b>116,490</b>  |

### Impaired loans/receivables

Accounting definition: For accounting purposes, loans are impaired when the borrower is unlikely to be able to meet future obligations and they are not covered by collateral. The assessment as to whether a loan is impaired is made on an individual basis.

Impaired loans amounted to CHF 487 million (2022: CHF 425 million). After deducting the estimated liquidation value of collateral, this equals net debt of CHF 286 million (2022: CHF 224 million).

## Identification of impaired loans

Please refer to the section headed "Value adjustments" in table CRA starting from page 66.

## Breakdown of impaired exposures by geographical area

| in CHF million                  | 31.12.2023<br>Impaired exposures<br>(gross debt) | 31.12.2023<br>Allowances and<br>write-offs | 31.12.2022<br>Impaired exposures<br>(gross debt) | 31.12.2022<br>Allowances and<br>write-offs |
|---------------------------------|--|--|--|--|
| Switzerland                     | 416  | 195  | 351  | 154  |
| Rest of Europe                  | 57   | 40   | 61   | 41   |
| Americas                        | 14   | 14   | 14   | 14   |
| Asia and Oceania                | –  | –  | –  | –  |
| Africa                          | –  | –  | –  | –  |
| <b>Total impaired exposures</b> | <b>487</b>                                       | <b>249</b>                                 | <b>425</b>                                       | <b>209</b>                                 |

## Breakdown of impaired exposures by industry

| in CHF million                  | 31.12.2023<br>Impaired exposures<br>(gross debt) | 31.12.2023<br>Allowances and<br>write-offs | 31.12.2022<br>Impaired exposures<br>(gross debt) | 31.12.2022<br>Allowances and<br>write-offs |
|---------------------------------|--|--|--|--|
| Agriculture                     | 8  | 3  | 5  | 2  |
| Manufacturing                   | 118  | 65   | 103  | 45   |
| Services                        | 272  | 159  | 224  | 141  |
| Individuals and other           | 88   | 22   | 93   | 21   |
| <b>Total impaired exposures</b> | <b>487</b>                                       | <b>249</b>                                 | <b>425</b>                                       | <b>209</b>                                 |

## Non-performing loans/receivables

For both accounting and supervisory purposes, loans are classified as non-performing when interest, commission or amortisation payments or the repayment of the principal have not been received in full 90 days after becoming due. This also includes claims against borrowers in liquidation, and loans with special conditions arising from the borrower's financial standing. Non-performing loans are also often a component of impaired loans. The nominal value of non-performing loans amounted to CHF 125 million at the end of the reporting period (2022: CHF 89 million). Loans that were non-performing but not impaired amounted to CHF 47 million (2022: CHF 33 million). These are loans covered by collateral.

## Ageing analysis of accounting past-due exposures

| in CHF million                  | 31.12.2023<br>Past-due exposures<br>(gross debt) | 31.12.2023<br>Allowances and<br>write-offs | 31.12.2022<br>Past-due exposures<br>(gross debt) | 31.12.2022<br>Allowances and<br>write-offs |
|---------------------------------|--|--|--|--|
| Past-due for 1 day to 3 months  | 54   | 3  | 26   | 11   |
| Past-due for 3 to 6 months      | 20   | 1  | 10   | 2  |
| Past-due for 6 to 9 months      | 11   | 3  | 7  | 1  |
| Past-due for 9 months to 1 year | 12   | 1  | 4  | 1  |
| Past-due for 1 to 3 years       | 18   | 3  | 32   | 11   |
| Past-due for 3 to 5 years       | 2  | 2  | 7  | 5  |
| Past-due for more than 5 years  | 8  | 5  | 3  | 0  |
| <b>Total past-due exposures</b> | <b>125</b>                                       | <b>18</b>                                  | <b>89</b>  | <b>32</b>                                  |

## Restructured exposures

Restructured exposures are all those on- or off-balance-sheet positions which are deemed in default and are being serviced by a dedicated team within the bank. Individual value adjustments or provisions are recognised for impaired default positions and off-balance-sheet positions with credit risk. Positions that have recovered are no longer flagged as being in default, but are generally only transferred from the dedicated team back to sales, once a degree of sustainability has been confirmed. Positions in sales do not count as restructured.

## Breakdown of restructured exposures

| in CHF million         |            | Gross debt |              | Total |
|------------------------|------------|------------|--------------|-------|
|                        |            | Impaired   | Not impaired |       |
| Restructured exposures | 31.12.2023 | 378        | 502          | 880   |
| Restructured exposures | 31.12.2022 | 310        | 511          | 821   |

### Defaulted loans/receivables

This is a regulatory definition. Under the standardised approach, defaulted loans include both impaired loans and non-performing loans, e. g. those more than 90 days in arrears. Under IRB, a model approach has been selected that uses the rating assigned to define “defaulted”. If a counterparty is assigned the default rating (C19) under such definition, all receivables from that counterparty are deemed to be in default, regardless of whether they are covered by collateral or not.

## 11.5 CRC: Credit risk: qualitative disclosure requirements related to credit risk mitigation techniques

### Core features of policies and processes for on- and off-balance-sheet netting

For accounting purposes, with the exception of the following instances, no netting takes place. Payables and receivables are offset if all the conditions below are met:

- payables and receivables arise from the same type of transactions with the same counterparty;
- have the same or earlier maturity for the receivable;
- are in the same currency and
- cannot result in a counterparty risk.

Holdings of own bonds and cash bonds are offset against the corresponding liability items. Furthermore, positive and negative value adjustments with no income effect are offset in the compensation account. For over-the-counter transactions, the positive and negative replacement values of derivative instruments as well as the related cash collaterals are offset. For this purpose, a relevant bilateral agreement with the affected counterparties must be in place. This agreement must be proven to be recognised and legally enforceable.

Netting on the balance sheet as at 31 December 2023 amounted to CHF 24.1 billion (2022: CHF 32.6 billion). No off-balance-sheet netting takes place.

### Core features of policies and processes for collateral evaluation and management

Bank guarantees are treated as other collateral. The loan-to-value ratio depends on the rating of the bank in question. Bank guarantees are checked by the sales unit for banks before acceptance. All other guarantees are classified simply as additional cover with no eligible collateral value (unsecured). Guarantees from other companies may only be taken into consideration where Risk Control has given its prior consent.

If the amount of a guarantee is a maximum including interest and other costs, it must be for at least 110 percent of the loan amount to be secured. The term of the credit exposure is measured in line with the maximum validity of the guarantee. The loan generally matures one month before the guarantee expires, so a claim can be made.

For the purposes of calculating capital adequacy, Zürcher Kantonalbank recognises bank guarantees (Zürcher Kantonalbank as direct beneficiary, callable on first request with no right of objection) using the substitution approach. State guarantees are also taken into account.

### Information about market or credit risk concentrations under the credit risk mitigation instruments used (i. e. by guarantor type, collateral and credit derivative protection providers)

Guarantees taken into account for credit exposures are included in internal risk measurement under the guarantor’s credit exposure. This means that the value of guarantees is included automatically in concentration risk monitoring at the level of client, region and sector.

## 11.6 CR3: Credit risk: credit risk mitigation techniques - overview

In order to ensure a consistent point of view without anticipating the IRB segmentation, the standardised approach was used to present the overview of credit risk mitigation techniques. We refer to the IRB tables in this report on page 78 onwards for IRB disclosures.

|                              |                                   | a  | b1  | b  | d  | f  |
|------------------------------|-----------------------------------|--|---|--|--|--|
| 31.12.2023<br>in CHF million |                                   | Unsecured exposures<br>/ carrying amount | Secured exposures<br>/ carrying amount <sup>1</sup> | of which secured<br>by collateral <sup>2</sup> | of which secured by<br>financial guarantees <sup>2</sup> | of which secured by<br>credit derivatives <sup>2</sup> |
| 1                            | Loans (excluding debt securities) | 11,061                                   | 103,441   | 101,780  | 1,313  | –  |
| 2                            | Debt securities                   | 5,096                                    | 175   | –  | 175  | –  |
| <b>3</b>                     | <b>Total</b>                      | <b>16,157</b>                            | <b>103,616</b>                                      | <b>101,780</b>                                 | <b>1,488</b>   | <b>–</b>   |
| 4                            | of which defaulted                | 160                                      | 182   | 143  | 36   | –  |

<sup>1</sup> Fully or partially secured by collateral (incl. secured by financial guarantees and credit derivatives)

<sup>2</sup> Secured amount. Where the amount the collateral / financial guarantee / credit derivate can be settled for exceeds the value of the exposure, the exposure amount is reported.

|                              |                                   | a  | b1  | b  | d  | f  |
|------------------------------|-----------------------------------|--|---|--|--|--|
| 30.06.2023<br>in CHF million |                                   | Unsecured exposures<br>/ carrying amount | Secured exposures<br>/ carrying amount <sup>1</sup> | of which secured<br>by collateral <sup>2</sup> | of which secured by<br>financial guarantees <sup>2</sup> | of which secured by<br>credit derivatives <sup>2</sup> |
| 1                            | Loans (excluding debt securities) | 11,670                                   | 101,227   | 99,848   | 1,145  | –  |
| 2                            | Debt securities                   | 5,412                                    | 188   | –  | 188  | –  |
| <b>3</b>                     | <b>Total</b>                      | <b>17,082</b>                            | <b>101,415</b>                                      | <b>99,848</b>                                  | <b>1,333</b>   | <b>–</b>   |
| 4                            | of which defaulted                | 138                                      | 185   | 128  | 54   | –  |

<sup>1</sup> Fully or partially secured by collateral (incl. secured by financial guarantees and credit derivatives)

<sup>2</sup> Secured amount. Where the amount the collateral / financial guarantee / credit derivate can be settled for exceeds the value of the exposure, the exposure amount is reported.

Unsecured exposures (excluding debt securities) decreased by CHF 925 million compared to 30 June 2023. The proportion of fully or partially secured exposures (excluding debt securities) as at 31 December 2023 remained at 90 percent. During the reporting period, there were no material changes in the extent to which credit risk mitigation techniques were used.

## 11.7 CRD: Credit risk: qualitative disclosures on banks' use of external credit ratings under the standardised approach for credit risk

Capital adequacy requirements for credit risks are calculated using the IRB approach. However, some positions are still calculated using the international standard approach (SA-BIS). With respect to these positions, the risk weights of counterparties may be calculated on the basis of agency ratings.

For the corporate and public-sector entity categories, Zürcher Kantonalbank applies the ratings from the agencies Standard & Poor's and Moody's. The ratings of export credit agencies (ECAs) are not taken into account.

For banks and governments, Fitch ratings are also taken into account. No ratings are used in the categories retail, equity securities and other positions. For securities, the issue-specific ratings from Standard & Poor's and Moody's are used.

If two or more ratings exist with different risk weights, those ratings which correspond to the two lowest risk weights are taken into consideration and the higher of the two risk weights is used. For debt securities, top priority is given to the issue rating and second priority to the issuer rating.

There were no changes in this regard during the period under review.

## 11.8 CR4: Credit risk: standardised approach - credit risk exposure and credit risk mitigation (CRM) effects

| 31.12.2023<br>in CHF million (unless stated otherwise) |   | a                            |                          | b                          |                          | c |  | d            |              | e |  | f |  |
|--|---|------------------------------|--------------------------|----------------------------|--------------------------|---|--|--------------|--------------|---|--|---|--|
|  |   | Exposures before CCF and CRM |                          | Exposures post-CCF and CRM |                          |   |  |              |              |   |  |   |  |
| Exposure class   |   | On-balance-sheet amount      | Off-balance-sheet amount | On-balance-sheet amount    | Off-balance-sheet amount |   |  | RWA          | RWA density  |   |  |   |  |
| 1  | Central governments and central banks                           | 736                          | –                        | 1,599                      | 123                      |   |  | 3            | 0.2%         |   |  |   |  |
| 2  | Banks and securities firms                                      | 227                          | 168                      | 226                        | 37                       |   |  | 59           | 22.5%        |   |  |   |  |
| 3  | Other public sector entities and multilateral development banks | 1,529                        | 4,072                    | 1,499                      | 889                      |   |  | 740          | 31.0%        |   |  |   |  |
| 4  | Corporates  | 2,621                        | 7,786                    | 2,596                      | 1,728                    |   |  | 2,676        | 61.9%        |   |  |   |  |
| 5  | Retail  | 3,780                        | 2,577                    | 2,978                      | 264                      |   |  | 2,576        | 79.4%        |   |  |   |  |
| 6  | Equity  | –                            | –                        | –                          | –                        |   |  | –            | –            |   |  |   |  |
| 7  | Other exposures <sup>1</sup>                                    | 41,296                       | 720                      | 41,249                     | 233                      |   |  | 1,697        | 4.1%         |   |  |   |  |
| <b>8</b>   | <b>Total</b>  | <b>50,189</b>                | <b>15,322</b>            | <b>50,148</b>              | <b>3,274</b>             |   |  | <b>7,751</b> | <b>14.5%</b> |   |  |   |  |

<sup>1</sup> According to FINMA Circ. 16/1, non-counterparty-related exposures are included in other exposures.

| 30.06.2023<br>in CHF million (unless stated otherwise) |   | a                            |                          | b                          |                          | c |  | d            |              | e |  | f |  |
|--|---|------------------------------|--------------------------|----------------------------|--------------------------|---|--|--------------|--------------|---|--|---|--|
|  |   | Exposures before CCF and CRM |                          | Exposures post-CCF and CRM |                          |   |  |              |              |   |  |   |  |
| Exposure class   |   | On-balance-sheet amount      | Off-balance-sheet amount | On-balance-sheet amount    | Off-balance-sheet amount |   |  | RWA          | RWA density  |   |  |   |  |
| 1  | Central governments and central banks                           | 1,059                        | –                        | 1,963                      | 171                      |   |  | 20           | 0.9%         |   |  |   |  |
| 2  | Banks and securities firms                                      | 416                          | 179                      | 414                        | 82                       |   |  | 107          | 21.6%        |   |  |   |  |
| 3  | Other public sector entities and multilateral development banks | 1,427                        | 4,123                    | 1,413                      | 867                      |   |  | 674          | 29.6%        |   |  |   |  |
| 4  | Corporates  | 3,382                        | 6,903                    | 3,302                      | 1,674                    |   |  | 3,376        | 67.8%        |   |  |   |  |
| 5  | Retail  | 4,122                        | 2,727                    | 3,242                      | 307                      |   |  | 2,867        | 80.8%        |   |  |   |  |
| 6  | Equity  | –                            | –                        | –                          | –                        |   |  | –            | –            |   |  |   |  |
| 7  | Other exposures <sup>1</sup>                                    | 37,400                       | 973                      | 37,372                     | 249                      |   |  | 1,631        | 4.3%         |   |  |   |  |
| <b>8</b>   | <b>Total</b>  | <b>47,805</b>                | <b>14,905</b>            | <b>47,705</b>              | <b>3,351</b>             |   |  | <b>8,675</b> | <b>17.0%</b> |   |  |   |  |

<sup>1</sup> According to FINMA Circ. 16/1, non-counterparty-related exposures are included in other exposures.

Compared with 30 June 2023, total on-balance-sheet exposures before CCF and CRM subject to credit risk using the standardised approach were up by CHF 2,384 million. However, only the on-balance-sheet amounts for other exposures increased (+ CHF 3,896 million) and, to a much lesser extent, the items relating to other public sector entities and multilateral development banks (+ CHF 102 million). The on-balance-sheet amounts in all other segments declined. Off-balance-sheet exposures rose CHF 417 million in the second half of 2023 (primarily in corporates, which was up CHF 883 million). As the average risk weight (RWA density in %) fell over the second half, total RWA was CHF 924 million lower than at 30 June 2023, despite the net increase in on-balance-sheet and off-balance-sheet items.

## 11.9 CR5: Credit risk: standardised approach - exposures by asset classes and risk weights

|   | a   | b        | c            | d            | e            | f          | g            | h         | i        | j             |
|---|---|----------|--------------|--------------|--------------|------------|--------------|-----------|----------|---------------|
|   | Total credit exposures amount (post-CCF/post-CRM) |          |              |              |              |            |              |           |          |               |
| 31.12.2023<br>in CHF million                                      | 0%  | 10%      | 20%          | 35%          | 50%          | 75%        | 100%         | 150%      | Other    | CCF/post-CRM  |
| Exposure class / risk weight                                      |   |          |              |              |              |            |              |           |          |               |
| 1 Central governments and central banks                           | 1,720   | –        | –            | –            | –            | –          | 3            | –         | –        | 1,722         |
| 2 Banks and securities firms                                      | –   | –        | 251          | –            | 10           | –          | –            | 3         | –        | 263           |
| 3 Other public sector entities and multilateral development banks | 194   | –        | 1,219        | 26           | 926          | –          | 24           | 0         | –        | 2,389         |
| 4 Corporates  | –   | –        | 1,271        | 125          | 1,098        | 6          | 1,822        | 2         | –        | 4,323         |
| 5 Retail  | –   | –        | –            | 941          | –            | 259        | 2,022        | 20        | –        | 3,242         |
| 6 Equity  | –   | –        | –            | –            | –            | –          | –            | –         | –        | –             |
| 7 Other exposures <sup>1</sup>                                    | 39,706  | –        | –            | 121          | –            | –          | 1,654        | 0         | –        | 41,482        |
| <b>8 Total</b>  | <b>41,619</b>                                     | <b>–</b> | <b>2,741</b> | <b>1,213</b> | <b>2,034</b> | <b>265</b> | <b>5,525</b> | <b>25</b> | <b>–</b> | <b>53,421</b> |
| 9 of which, covered by mortgages                                  | –   | –        | –            | 1,213        | –            | 12         | 1,029        | –         | –        | 2,253         |
| 10 of which, past-due loans                                       | –   | –        | –            | –            | –            | –          | 15           | 24        | –        | 38            |

<sup>1</sup> According to FINMA Circ. 16/1, non-counterparty-related exposures are included in other exposures.

|   | a   | b        | c            | d            | e            | f          | g            | h         | i        | j             |
|---|---|----------|--------------|--------------|--------------|------------|--------------|-----------|----------|---------------|
|   | Total credit exposures amount (post-CCF/post-CRM) |          |              |              |              |            |              |           |          |               |
| 30.06.2023<br>in CHF million                                      | 0%  | 10%      | 20%          | 35%          | 50%          | 75%        | 100%         | 150%      | Other    | CCF/post-CRM  |
| Exposure class / risk weight                                      |   |          |              |              |              |            |              |           |          |               |
| 1 Central governments and central banks                           | 2,114   | –        | –            | –            | –            | –          | 20           | –         | –        | 2,134         |
| 2 Banks and securities firms                                      | –   | –        | 482          | –            | 9            | –          | 0            | 4         | –        | 496           |
| 3 Other public sector entities and multilateral development banks | 264   | –        | 1,191        | 18           | 754          | –          | 53           | 0         | –        | 2,280         |
| 4 Corporates  | –   | –        | 1,063        | 108          | 1,357        | 6          | 2,441        | 1         | –        | 4,976         |
| 5 Retail  | –   | –        | –            | 956          | –            | 269        | 2,311        | 13        | –        | 3,549         |
| 6 Equity  | –   | –        | –            | –            | –            | –          | –            | –         | –        | –             |
| 7 Other exposures <sup>1</sup>                                    | 35,949  | –        | –            | 64           | –            | –          | 1,606        | 2         | –        | 37,621        |
| <b>8 Total</b>  | <b>38,327</b>                                     | <b>–</b> | <b>2,737</b> | <b>1,147</b> | <b>2,120</b> | <b>275</b> | <b>6,431</b> | <b>20</b> | <b>–</b> | <b>51,056</b> |
| 9 of which, covered by mortgages                                  | –   | –        | –            | 1,147        | –            | 13         | 1,251        | –         | –        | 2,410         |
| 10 of which, past-due loans                                       | –   | –        | –            | –            | –            | –          | 17           | 18        | –        | 35            |

<sup>1</sup> According to FINMA Circ. 16/1, non-counterparty-related exposures are included in other exposures.

The changes as at 31 December 2023 depicted in Table CR4 are also displayed in Table CR5 after CCF and CRM. Exposures with a risk weight of zero percent increased by CHF 3,292 million, while those with a risk weight of 100 percent decreased by CHF 906 million. Otherwise, there were no significant changes in table CR5.

### 11.10 CRE: IRB: qualitative disclosures related to IRB models

In an order dated 8 January 2018, Zürcher Kantonalbank received permission from FINMA to use the IRB approach retrospectively from 31 December 2017 to calculate the capital adequacy requirement for credit risk. Model governance sets out the internal duties, competences and responsibilities within model management as follows:

#### Model development

The model owner has the technical responsibility for developing and refining the model. Care must be taken to ensure it is appropriate for the area of use and that suitable allowance is made for model uncertainties. The model owner has the technical responsibility for regular model suitability tests to monitor that the model is methodologically appropriate (e. g. back-testing). Model suitability tests are defined in terms of method and procedure as part of model development, and are carried out on a regular basis.

#### Model validation

Model validation acts as a supervisory body that is independent from the model owner, the manager of the specialist area and the model users. It ensures that models are appropriate and that material model uncertainties are taken into account.



New models undergo initial validation before going into operation. Models are revalidated in operation, either regularly or as required. The frequency is determined by model validation, taking into account regulatory requirements.

Reporting on model validation is provided in the internal quarterly report from the CRO and annually in the summary report of activities submitted by the Risk Control unit to the Executive Board and the Board of Directors.

### Authorisation of model approvals and model changes

When a new model goes into operation or a model is changed, depending on the situation, the model validators must give approval and the competency holder within the bank must also issue their authorisation. It may also be necessary to then seek authorisation from or inform FINMA.

### Internal control system and models

The heads of specialist areas are responsible for identifying models in their areas. The model owner also carries out a further management control of the effectiveness of model risk management. The Head of Risk Control monitors the effectiveness of the model risk management through model validation. For details of the role of Audit, please refer to the information presented under section OVA on page 32.

### Models

The rating models used for IRB purposes are:

| Model name                                      | Model type               | Area of application   |
|---|--------------------------|---|
| <b>Bank rating model</b>                        | Statistical rating model | <p>The rating model for banks consists of two sequential sub-models. In a first step, the stand-alone model is used to categorise a bank according to its intrinsic financial strength. This involves determining a failure or stand-alone rating, which expresses the probability of the bank defaulting within a year. This takes no account of any potential external support from a banking group or government.</p> <p>Any rating improvement due to the willingness and ability of a banking group or government to provide support is only calculated in the second stage using the support model.</p> <p>When a support rating is calculated, this also takes the transfer and convertibility risk of the country of domicile into consideration. This may, however, lead to a lower rating. The end result is the final rating. Technically, the final stage is considered to form part of the support model.</p> <p>A shadow rating approach is used for the estimation and calibration of the standalone model, which takes agency ratings as target data. Replication is performed using a statistical regression model where the regression parameters for suitable influence factors are estimated (top-down approach).</p> <p>The support model, by contrast, is a mechanistic structural model that directly models the individual interactions (bottom-up approach).</p> |
| <b>Commercial rating model (Mini/Midi/Maxi)</b> | Statistical rating model | <p>The commercial rating model is used for SMEs and key account customers. The model consists of three sub-modules for companies with small, medium or high financing volumes. Different client information with different levels of detail is used for the rating calculation in the three segments.</p> <p>This includes quantitative, balance sheet factors such as profitability, debt and liquidity, qualitative factors such as the skills and stability of management as well as transaction and account information.</p>  |
| <b>Retail client rating model</b>               | Statistical rating model | <p>The retail client rating model is used for retail real estate financing. It uses various factors such as disposable income, net loan to value and profession to calculate an overall score, which is presented as a probability of default (PD) via a calibration function.</p>  |

|                                 |                          |   |
|---------------------------------|--------------------------|---|
| <b>Real estate rating model</b> | Statistical rating model | The real estate rating model is used for clients with rental property loans. The model consists of various sub-models (with the option to select various factors and weights) for different client groups: <ul style="list-style-type: none"> <li>– Real estate balance sheet model/module 1: Profit-oriented companies (based on balance sheet data)</li> <li>– Real estate balance sheet model/module 2: Non-profit-oriented companies (e. g. cooperatives, based on balance sheet data)</li> <li>– Real estate tax model/module 3: Natural persons (based on tax return)</li> </ul> These models also consist of a quantitative part with factors such as the debt ratio and the cost/income ratio, and a qualitative part that considers issues such as real estate expertise and management stability. |
|---------------------------------|--------------------------|---|

As at 31 December 2018 Zürcher Kantonalbank separated the calibration of internal and external ratings (PD). A through-the-cycle (TTC) calibration has been used since for the RWA calculations (external perspective); this is based on long-term average default rates.

Another major building block used by Zürcher Kantonalbank in the IRB universe is the loss given default (LGD) model in retail, where own LGD estimates are permitted. This model uses the following LGD drivers:

- Collateral recovery ratio: the percentage of the estimated value of collateral (e. g. real estate for a mortgage) that can be recovered on sale, reducing the loss; broken down by type of collateral and, for real estate, type of property.
- Unsecured recovery ratio: the percentage of the unsecured portion that can still be repaid by the borrower, reducing the loss.
- Cure rate: the percentage of cases where the borrower moves out of default status within a year without a write off, meaning there is ultimately no loss.
- Recovery costs: the cost of processing defaults, added to the loan loss.
- Calibration is in line with the requirements for a downturn, and hence are different from the calibration used internally. The internal collateral recovery ratio is reduced so the current portfolio has an average LGD equal to the maximum in the last real estate crisis.

### Breakdown of EAD by different approaches as at 31 December 2023

| <b>EAD in percent</b>  | <b>SA-BIS</b> | <b>IRB</b> |
|--|---------------|------------|
| Central governments and central banks                        | 100%          | 0%         |
| Banks and securities firms                                   | 17%           | 83%        |
| Other public-sector entities, multilateral development banks | 100%          | 0%         |
| Corporates   | 15%           | 85%        |
| Retail: covered by mortgages                                 | 1%            | 99%        |
| Retail: other retail exposures                               | 100%          | 0%         |
| Equity   | 0%            | 100%       |
| Other exposures  | 100%          | 0%         |
| <b>Total</b>   | <b>14%</b>    | <b>86%</b> |

## 11.11 CR6: IRB: credit risk exposures by portfolio and probability of default (PD) range

| 31.12.2023<br>in million CHF<br>(unless stated otherwise)          | a<br>Original on-<br>balance-sheet<br>gross exposure | b<br>Off-balance-<br>sheet exposu-<br>res pre CCF | c<br>Average<br>CCF in % | d<br>EAD post-CRM<br>and post-CCF | e<br>Average PD<br>in % | f<br>Number<br>of obligors | g<br>Average<br>LGD in % | h<br>Average<br>maturity<br>in years | i<br>RWA | j<br>RWA density<br>in % | k<br>EL | l<br>Provisions |
|--|--|---|--------------------------|-----------------------------------|-------------------------|----------------------------|--------------------------|--------------------------------------|----------|--------------------------|---------|-----------------|
| <b>1 Central governments and central banks (F-IRB) by PD range</b> |  |   |                          |                                   |                         |                            |                          |                                      |          |                          |         |                 |
| 0.00 to <0.15  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 0.15 to <0.25  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 0.25 to <0.50  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 0.50 to <0.75  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 0.75 to <2.50  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 2.50 to <10.00   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 10.00 to <100.00   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 100.00 (Default)   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| Sub-total  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| <b>2 Central governments and central banks (A-IRB) by PD range</b> |  |   |                          |                                   |                         |                            |                          |                                      |          |                          |         |                 |
| 0.00 to <0.15  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 0.15 to <0.25  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 0.25 to <0.50  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 0.50 to <0.75  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 0.75 to <2.50  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 2.50 to <10.00   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 10.00 to <100.00   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 100.00 (Default)   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| Sub-total  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| <b>3 Banks and securities firms (F-IRB) by PD range</b>            |  |   |                          |                                   |                         |                            |                          |                                      |          |                          |         |                 |
| 0.00 to <0.15  | 1,191  | 697   | 62.9%                    | 1,857                             | 0.1%                    | 96                         | 45.0%                    | 1.5                                  | 474      | 25.5%                    | 1       | -               |
| 0.15 to <0.25  | 750  | 485   | 34.9%                    | 730                               | 0.2%                    | 70                         | 45.0%                    | 1.2                                  | 244      | 33.5%                    | 1       | -               |
| 0.25 to <0.50  | 185  | 88  | 31.1%                    | 162                               | 0.3%                    | 49                         | 45.0%                    | 1.1                                  | 74       | 45.9%                    | 0       | -               |
| 0.50 to <0.75  | 107  | 111   | 21.1%                    | 156                               | 0.7%                    | 29                         | 45.0%                    | 0.9                                  | 117      | 74.8%                    | 0       | -               |
| 0.75 to <2.50  | 994  | 171   | 28.9%                    | 605                               | 1.5%                    | 63                         | 45.0%                    | 1.0                                  | 622      | 102.9%                   | 4       | -               |
| 2.50 to <10.00   | 125  | 56  | 21.2%                    | 79                                | 3.9%                    | 30                         | 45.0%                    | 1.0                                  | 100      | 126.5%                   | 1       | -               |
| 10.00 to <100.00   | 89   | 93  | 23.1%                    | 81                                | 18.0%                   | 40                         | 45.0%                    | 0.9                                  | 188      | 234.0%                   | 7       | -               |
| 100.00 (Default)   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| Sub-total  | 3,441  | 1,701   | 47.9%                    | 3,670                             | 0.8%                    | 377                        | 45.0%                    | 1.3                                  | 1,820    | 49.6%                    | 14      | -               |

| 31.12.2023<br>in million CHF<br>(unless stated otherwise)                                 | a<br>Original on-<br>balance-sheet<br>gross exposure | b<br>Off-balance-<br>sheet exposu-<br>res pre CCF | c<br>Average<br>CCF in % | d<br>EAD post-CRM<br>and post-CCF | e<br>Average PD<br>in % | f<br>Number<br>of obligors | g<br>Average<br>LGD in % | h<br>Average<br>maturity<br>in years | i<br>RWA | j<br>RWA density<br>in % | k<br>EL | l<br>Provisions |
|---|--|---|--------------------------|-----------------------------------|-------------------------|----------------------------|--------------------------|--------------------------------------|----------|--------------------------|---------|-----------------|
| <b>4 Banks and securities firms (A-IRB) by PD range</b>                                   |  |   |                          |                                   |                         |                            |                          |                                      |          |                          |         |                 |
| 0.00 to <0.15   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 0.15 to <0.25   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 0.25 to <0.50   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 0.50 to <0.75   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 0.75 to <2.50   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 2.50 to <10.00  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 10.00 to <100.00  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 100.00 (Default)  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| Sub-total   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| <b>5 Other public sector entities, multilateral development banks (F-IRB) by PD range</b> |  |   |                          |                                   |                         |                            |                          |                                      |          |                          |         |                 |
| 0.00 to <0.15   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 0.15 to <0.25   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 0.25 to <0.50   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 0.50 to <0.75   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 0.75 to <2.50   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 2.50 to <10.00  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 10.00 to <100.00  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 100.00 (Default)  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| Sub-total   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| <b>6 Other public sector entities, multilateral development banks (A-IRB) by PD range</b> |  |   |                          |                                   |                         |                            |                          |                                      |          |                          |         |                 |
| 0.00 to <0.15   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 0.15 to <0.25   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 0.25 to <0.50   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 0.50 to <0.75   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 0.75 to <2.50   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 2.50 to <10.00  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 10.00 to <100.00  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 100.00 (Default)  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| Sub-total   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| <b>7 Corporates: specialised lending (F-IRB) by PD range</b>                              |  |   |                          |                                   |                         |                            |                          |                                      |          |                          |         |                 |
| 0.00 to <0.15   | 1,461  | 1,706   | 75.0%                    | 2,740                             | 0.1%                    | 23                         | 39.9%                    | 1.5                                  | 556      | 20.3%                    | 1       | -               |
| 0.15 to <0.25   | 3,574  | 2,950   | 75.0%                    | 5,787                             | 0.2%                    | 109                        | 40.8%                    | 2.1                                  | 1,940    | 33.5%                    | 4       | -               |
| 0.25 to <0.50   | 13,111   | 4,922   | 74.8%                    | 16,791                            | 0.3%                    | 754                        | 38.3%                    | 2.4                                  | 8,142    | 48.5%                    | 20      | -               |
| 0.50 to <0.75   | 3,351  | 1,058   | 75.0%                    | 4,145                             | 0.7%                    | 464                        | 39.3%                    | 2.4                                  | 2,926    | 70.6%                    | 11      | -               |
| 0.75 to <2.50   | 2,300  | 579   | 75.0%                    | 2,734                             | 1.2%                    | 589                        | 39.5%                    | 2.3                                  | 2,409    | 88.1%                    | 13      | -               |
| 2.50 to <10.00  | 175  | 30  | 74.9%                    | 198                               | 3.4%                    | 105                        | 40.5%                    | 2.1                                  | 241      | 122.0%                   | 3       | -               |
| 10.00 to <100.00  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 100.00 (Default)  | 59   | 4   | 75.0%                    | 56                                | -                       | 9                          | -                        | -                                    | 59       | 106.0%                   | -       | -               |
| Sub-total   | 24,032   | 11,249  | 74.9%                    | 32,450                            | 0.4%                    | 2,053                      | 39.1%                    | 2.2                                  | 16,274   | 50.2%                    | 51      | 6               |

| 31.12.2023<br>in million CHF<br>(unless stated otherwise)    | a<br>Original on-<br>balance-sheet<br>gross exposure | b<br>Off-balance-<br>sheet exposu-<br>res pre CCF | c<br>Average<br>CCF in % | d<br>EAD post-CRM<br>and post-CCF | e<br>Average PD<br>in % | f<br>Number<br>of obligors | g<br>Average<br>LGD in % | h<br>Average<br>maturity<br>in years | i<br>RWA | j<br>RWA density<br>in % | k<br>EL | l<br>Provisions |
|--|--|---|--------------------------|-----------------------------------|-------------------------|----------------------------|--------------------------|--------------------------------------|----------|--------------------------|---------|-----------------|
| <b>8 Corporates: specialised lending (A-IRB) by PD range</b> |  |   |                          |                                   |                         |                            |                          |                                      |          |                          |         |                 |
| 0.00 to <0.15  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 0.15 to <0.25  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 0.25 to <0.50  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 0.50 to <0.75  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 0.75 to <2.50  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 2.50 to <10.00   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 10.00 to <100.00   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 100.00 (Default)   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| Sub-total  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| <b>9 Corporates: other lending (F-IRB) by PD range</b>       |  |   |                          |                                   |                         |                            |                          |                                      |          |                          |         |                 |
| 0.00 to <0.15  | 1,010  | 4,117   | 74.4%                    | 4,075                             | 0.1%                    | 103                        | 44.4%                    | 1.7                                  | 893      | 21.9%                    | 2       | -               |
| 0.15 to <0.25  | 708  | 1,139   | 73.7%                    | 1,547                             | 0.2%                    | 74                         | 40.8%                    | 1.9                                  | 529      | 34.2%                    | 1       | -               |
| 0.25 to <0.50  | 3,517  | 4,838   | 72.7%                    | 6,678                             | 0.4%                    | 1,404                      | 39.8%                    | 1.8                                  | 3,131    | 46.9%                    | 10      | -               |
| 0.50 to <0.75  | 2,248  | 1,874   | 72.4%                    | 3,596                             | 0.7%                    | 1,118                      | 40.6%                    | 1.7                                  | 2,427    | 67.5%                    | 11      | -               |
| 0.75 to <2.50  | 3,548  | 1,822   | 72.4%                    | 4,835                             | 1.4%                    | 2,120                      | 40.1%                    | 1.9                                  | 4,115    | 85.1%                    | 28      | -               |
| 2.50 to <10.00   | 903  | 375   | 72.2%                    | 1,132                             | 3.9%                    | 1,456                      | 39.6%                    | 1.8                                  | 1,220    | 107.8%                   | 17      | -               |
| 10.00 to <100.00   | 40   | 7   | 62.9%                    | 37                                | 15.0%                   | 131                        | 39.6%                    | 1.7                                  | 64       | 170.5%                   | 2       | -               |
| 100.00 (Default)   | 243  | 53  | 66.7%                    | 128                               | -                       | 210                        | -                        | -                                    | 136      | 106.0%                   | -       | -               |
| Sub-total  | 12,216   | 14,225  | 73.2%                    | 22,027                            | 0.8%                    | 6,616                      | 40.7%                    | 1.8                                  | 12,514   | 56.8%                    | 71      | 128             |
| <b>10 Corporates: other lending (A-IRB) by PD range</b>      |  |   |                          |                                   |                         |                            |                          |                                      |          |                          |         |                 |
| 0.00 to <0.15  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 0.15 to <0.25  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 0.25 to <0.50  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 0.50 to <0.75  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 0.75 to <2.50  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 2.50 to <10.00   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 10.00 to <100.00   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 100.00 (Default)   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| Sub-total  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| <b>11 Retail: covered by mortgages by PD range</b>           |  |   |                          |                                   |                         |                            |                          |                                      |          |                          |         |                 |
| 0.00 to <0.15  | 20,420   | 1,765   | 75.0%                    | 21,744                            | 0.1%                    | 36,121                     | 18.9%                    | 2.7                                  | 1,229    | 5.7%                     | 3       | -               |
| 0.15 to <0.25  | 9,780  | 727   | 75.0%                    | 10,325                            | 0.2%                    | 12,196                     | 21.8%                    | 2.8                                  | 1,254    | 12.1%                    | 4       | -               |
| 0.25 to <0.50  | 21,370   | 1,405   | 75.0%                    | 22,424                            | 0.3%                    | 22,619                     | 24.5%                    | 2.9                                  | 5,232    | 23.3%                    | 19      | -               |
| 0.50 to <0.75  | 8,183  | 548   | 75.0%                    | 8,594                             | 0.7%                    | 7,874                      | 26.2%                    | 2.8                                  | 3,404    | 39.6%                    | 15      | -               |
| 0.75 to <2.50  | 7,898  | 622   | 75.0%                    | 8,364                             | 1.2%                    | 7,127                      | 27.3%                    | 2.8                                  | 5,260    | 62.9%                    | 28      | -               |
| 2.50 to <10.00   | 1,379  | 113   | 75.1%                    | 1,464                             | 3.2%                    | 1,335                      | 28.2%                    | 2.6                                  | 1,670    | 114.0%                   | 13      | -               |
| 10.00 to <100.00   | 16   | 2   | 75.0%                    | 17                                | 12.1%                   | 13                         | 25.5%                    | 2.0                                  | 33       | 192.6%                   | 0       | -               |
| 100.00 (Default)   | 138  | 7   | 75.0%                    | 135                               | -                       | 139                        | -                        | -                                    | 143      | 106.0%                   | -       | -               |
| Sub-total  | 69,184   | 5,189   | 75.0%                    | 73,067                            | 0.4%                    | 87,424                     | 23.0%                    | 2.8                                  | 18,224   | 24.9%                    | 82      | 8               |

| 31.12.2023  | a   | b  | c                | d                            | e                  | f                     | g                   | h                               | i             | j                   | k          | l          |
|---|---|--|------------------|------------------------------|--------------------|-----------------------|---------------------|---------------------------------|---------------|---------------------|------------|------------|
| in million CHF<br>(unless stated otherwise)                         | Original on-<br>balance-sheet<br>gross exposure | Off-balance-<br>sheet exposu-<br>res pre CCF | Average CCF in % | EAD post-CRM<br>and post-CCF | Average PD<br>in % | Number<br>of obligors | Average<br>LGD in % | Average<br>maturity<br>in years | RWA           | RWA density<br>in % | EL         | Provisions |
| <b>12 Retail: qualifying revolving exposures (QRRE) by PD range</b> |   |  |                  |                              |                    |                       |                     |                                 |               |                     |            |            |
| 0.00 to <0.15   | -   | -  | -                | -                            | -                  | -                     | -                   | -                               | -             | -                   | -          | -          |
| 0.15 to <0.25   | -   | -  | -                | -                            | -                  | -                     | -                   | -                               | -             | -                   | -          | -          |
| 0.25 to <0.50   | -   | -  | -                | -                            | -                  | -                     | -                   | -                               | -             | -                   | -          | -          |
| 0.50 to <0.75   | -   | -  | -                | -                            | -                  | -                     | -                   | -                               | -             | -                   | -          | -          |
| 0.75 to <2.50   | -   | -  | -                | -                            | -                  | -                     | -                   | -                               | -             | -                   | -          | -          |
| 2.50 to <10.00  | -   | -  | -                | -                            | -                  | -                     | -                   | -                               | -             | -                   | -          | -          |
| 10.00 to <100.00  | -   | -  | -                | -                            | -                  | -                     | -                   | -                               | -             | -                   | -          | -          |
| 100.00 (Default)  | -   | -  | -                | -                            | -                  | -                     | -                   | -                               | -             | -                   | -          | -          |
| Sub-total   | -   | -  | -                | -                            | -                  | -                     | -                   | -                               | -             | -                   | -          | -          |
| <b>13 Other retail exposures by PD range</b>                        |   |  |                  |                              |                    |                       |                     |                                 |               |                     |            |            |
| 0.00 to <0.15   | -   | -  | -                | -                            | -                  | -                     | -                   | -                               | -             | -                   | -          | -          |
| 0.15 to <0.25   | -   | -  | -                | -                            | -                  | -                     | -                   | -                               | -             | -                   | -          | -          |
| 0.25 to <0.50   | -   | -  | -                | -                            | -                  | -                     | -                   | -                               | -             | -                   | -          | -          |
| 0.50 to <0.75   | -   | -  | -                | -                            | -                  | -                     | -                   | -                               | -             | -                   | -          | -          |
| 0.75 to <2.50   | -   | -  | -                | -                            | -                  | -                     | -                   | -                               | -             | -                   | -          | -          |
| 2.50 to <10.00  | -   | -  | -                | -                            | -                  | -                     | -                   | -                               | -             | -                   | -          | -          |
| 10.00 to <100.00  | -   | -  | -                | -                            | -                  | -                     | -                   | -                               | -             | -                   | -          | -          |
| 100.00 (Default)  | -   | -  | -                | -                            | -                  | -                     | -                   | -                               | -             | -                   | -          | -          |
| Sub-total   | -   | -  | -                | -                            | -                  | -                     | -                   | -                               | -             | -                   | -          | -          |
| <b>14 Equity (PD / LGD approach) by PD range</b>                    |   |  |                  |                              |                    |                       |                     |                                 |               |                     |            |            |
| 0.00 to <0.15   | -   | -  | -                | -                            | -                  | -                     | -                   | -                               | -             | -                   | -          | -          |
| 0.15 to <0.25   | -   | -  | -                | -                            | -                  | -                     | -                   | -                               | -             | -                   | -          | -          |
| 0.25 to <0.50   | -   | -  | -                | -                            | -                  | -                     | -                   | -                               | -             | -                   | -          | -          |
| 0.50 to <0.75   | -   | -  | -                | -                            | -                  | -                     | -                   | -                               | -             | -                   | -          | -          |
| 0.75 to <2.50   | -   | -  | -                | -                            | -                  | -                     | -                   | -                               | -             | -                   | -          | -          |
| 2.50 to <10.00  | -   | -  | -                | -                            | -                  | -                     | -                   | -                               | -             | -                   | -          | -          |
| 10.00 to <100.00  | -   | -  | -                | -                            | -                  | -                     | -                   | -                               | -             | -                   | -          | -          |
| 100.00 (Default)  | -   | -  | -                | -                            | -                  | -                     | -                   | -                               | -             | -                   | -          | -          |
| Sub-total   | -   | -  | -                | -                            | -                  | -                     | -                   | -                               | -             | -                   | -          | -          |
| <b>Total (all portfolios)</b>                                       | <b>108,873</b>                                  | <b>32,364</b>                                | <b>72.7%</b>     | <b>131,213</b>               | <b>0.5%</b>        | <b>96,470</b>         | <b>24.6%</b>        | <b>2.4</b>                      | <b>48,832</b> | <b>37.2%</b>        | <b>218</b> | <b>143</b> |

| 30.06.2023<br>in million CHF<br>(unless stated otherwise)          | a<br>Original on-<br>balance-sheet<br>gross exposure | b<br>Off-balance-<br>sheet exposu-<br>res pre CCF | c<br>Average<br>CCF in % | d<br>EAD post-CRM<br>and post-CCF | e<br>Average PD<br>in % | f<br>Number<br>of obligors | g<br>Average<br>LGD in % | h<br>Average<br>maturity<br>in years | i<br>RWA | j<br>RWA density<br>in % | k<br>EL | l<br>Provisions |
|--|--|---|--------------------------|-----------------------------------|-------------------------|----------------------------|--------------------------|--------------------------------------|----------|--------------------------|---------|-----------------|
| <b>1 Central governments and central banks (F-IRB) by PD range</b> |  |   |                          |                                   |                         |                            |                          |                                      |          |                          |         |                 |
| 0.00 to <0.15  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 0.15 to <0.25  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 0.25 to <0.50  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 0.50 to <0.75  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 0.75 to <2.50  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 2.50 to <10.00   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 10.00 to <100.00   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 100.00 (Default)   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| Sub-total  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| <b>2 Central governments and central banks (A-IRB) by PD range</b> |  |   |                          |                                   |                         |                            |                          |                                      |          |                          |         |                 |
| 0.00 to <0.15  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 0.15 to <0.25  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 0.25 to <0.50  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 0.50 to <0.75  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 0.75 to <2.50  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 2.50 to <10.00   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 10.00 to <100.00   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 100.00 (Default)   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| Sub-total  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| <b>3 Banks and securities firms (F-IRB) by PD range</b>            |  |   |                          |                                   |                         |                            |                          |                                      |          |                          |         |                 |
| 0.00 to <0.15  | 1,248  | 723   | 60.1%                    | 1,893                             | 0.1%                    | 100                        | 45.0%                    | 1.4                                  | 462      | 24.4%                    | 1       | -               |
| 0.15 to <0.25  | 674  | 448   | 28.1%                    | 743                               | 0.2%                    | 73                         | 45.0%                    | 1.0                                  | 231      | 31.2%                    | 1       | -               |
| 0.25 to <0.50  | 230  | 238   | 30.2%                    | 163                               | 0.3%                    | 58                         | 45.0%                    | 1.7                                  | 90       | 55.2%                    | 0       | -               |
| 0.50 to <0.75  | 182  | 63  | 35.1%                    | 200                               | 0.7%                    | 37                         | 45.0%                    | 1.0                                  | 144      | 72.0%                    | 1       | -               |
| 0.75 to <2.50  | 860  | 108   | 30.4%                    | 628                               | 1.4%                    | 54                         | 45.0%                    | 1.0                                  | 653      | 103.9%                   | 4       | -               |
| 2.50 to <10.00   | 191  | 45  | 27.0%                    | 121                               | 4.5%                    | 37                         | 45.0%                    | 1.0                                  | 161      | 133.0%                   | 2       | -               |
| 10.00 to <100.00   | 92   | 60  | 25.6%                    | 54                                | 15.0%                   | 34                         | 45.0%                    | 1.0                                  | 117      | 216.6%                   | 4       | -               |
| 100.00 (Default)   | 1  | -   | -                        | -                                 | -                       | 1                          | -                        | -                                    | -        | -                        | -       | -               |
| Sub-total  | 3,477  | 1,685   | 46.8%                    | 3,801                             | 0.7%                    | 394                        | 45.0%                    | 1.2                                  | 1,858    | 48.9%                    | 12      | 1               |

| 30.06.2023<br>in million CHF<br>(unless stated otherwise)                                 | a<br>Original on-<br>balance-sheet<br>gross exposure | b<br>Off-balance-<br>sheet exposu-<br>res pre CCF | c<br>Average<br>CCF in % | d<br>EAD post-CRM<br>and post-CCF | e<br>Average PD<br>in % | f<br>Number<br>of obligors | g<br>Average<br>LGD in % | h<br>Average<br>maturity<br>in years | i<br>RWA | j<br>RWA density<br>in % | k<br>EL | l<br>Provisions |
|---|--|---|--------------------------|-----------------------------------|-------------------------|----------------------------|--------------------------|--------------------------------------|----------|--------------------------|---------|-----------------|
| <b>4 Banks and securities firms (A-IRB) by PD range</b>                                   |  |   |                          |                                   |                         |                            |                          |                                      |          |                          |         |                 |
| 0.00 to <0.15   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 0.15 to <0.25   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 0.25 to <0.50   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 0.50 to <0.75   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 0.75 to <2.50   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 2.50 to <10.00  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 10.00 to <100.00  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 100.00 (Default)  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| Sub-total   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| <b>5 Other public sector entities, multilateral development banks (F-IRB) by PD range</b> |  |   |                          |                                   |                         |                            |                          |                                      |          |                          |         |                 |
| 0.00 to <0.15   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 0.15 to <0.25   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 0.25 to <0.50   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 0.50 to <0.75   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 0.75 to <2.50   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 2.50 to <10.00  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 10.00 to <100.00  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 100.00 (Default)  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| Sub-total   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| <b>6 Other public sector entities, multilateral development banks (A-IRB) by PD range</b> |  |   |                          |                                   |                         |                            |                          |                                      |          |                          |         |                 |
| 0.00 to <0.15   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 0.15 to <0.25   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 0.25 to <0.50   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 0.50 to <0.75   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 0.75 to <2.50   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 2.50 to <10.00  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 10.00 to <100.00  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 100.00 (Default)  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| Sub-total   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| <b>7 Corporates: specialised lending (F-IRB) by PD range</b>                              |  |   |                          |                                   |                         |                            |                          |                                      |          |                          |         |                 |
| 0.00 to <0.15   | 1,224  | 2,477   | 75.0%                    | 3,082                             | 0.1%                    | 29                         | 39.6%                    | 1.3                                  | 596      | 19.3%                    | 1       | -               |
| 0.15 to <0.25   | 3,589  | 2,459   | 75.0%                    | 5,433                             | 0.2%                    | 93                         | 40.6%                    | 2.0                                  | 1,775    | 32.7%                    | 4       | -               |
| 0.25 to <0.50   | 12,674   | 5,399   | 74.8%                    | 16,712                            | 0.3%                    | 745                        | 38.4%                    | 2.3                                  | 8,086    | 48.4%                    | 21      | -               |
| 0.50 to <0.75   | 2,887  | 781   | 75.0%                    | 3,473                             | 0.7%                    | 433                        | 39.0%                    | 2.4                                  | 2,459    | 70.8%                    | 9       | -               |
| 0.75 to <2.50   | 2,273  | 671   | 75.0%                    | 2,775                             | 1.2%                    | 586                        | 39.8%                    | 2.3                                  | 2,448    | 88.2%                    | 13      | -               |
| 2.50 to <10.00  | 187  | 36  | 74.7%                    | 214                               | 3.4%                    | 104                        | 41.5%                    | 2.4                                  | 273      | 127.7%                   | 3       | -               |
| 10.00 to <100.00  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 100.00 (Default)  | 28   | 9   | 75.0%                    | 29                                | -                       | 8                          | -                        | -                                    | 30       | 106.0%                   | -       | -               |
| Sub-total   | 22,862   | 11,832  | 74.9%                    | 31,718                            | 0.4%                    | 1,998                      | 39.0%                    | 2.2                                  | 15,667   | 49.4%                    | 50      | 6               |



| 30.06.2023<br>in million CHF<br>(unless stated otherwise)    | a<br>Original on-<br>balance-sheet<br>gross exposure | b<br>Off-balance-<br>sheet exposu-<br>res pre CCF | c<br>Average<br>CCF in % | d<br>EAD post-CRM<br>and post-CCF | e<br>Average PD<br>in % | f<br>Number<br>of obligors | g<br>Average<br>LGD in % | h<br>Average<br>maturity<br>in years | i<br>RWA | j<br>RWA density<br>in % | k<br>EL | l<br>Provisions |
|--|--|---|--------------------------|-----------------------------------|-------------------------|----------------------------|--------------------------|--------------------------------------|----------|--------------------------|---------|-----------------|
| <b>8 Corporates: specialised lending (A-IRB) by PD range</b> |  |   |                          |                                   |                         |                            |                          |                                      |          |                          |         |                 |
| 0.00 to <0.15  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 0.15 to <0.25  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 0.25 to <0.50  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 0.50 to <0.75  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 0.75 to <2.50  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 2.50 to <10.00   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 10.00 to <100.00   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 100.00 (Default)   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| Sub-total  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| <b>9 Corporates: other lending (F-IRB) by PD range</b>       |  |   |                          |                                   |                         |                            |                          |                                      |          |                          |         |                 |
| 0.00 to <0.15  | 1,175  | 3,896   | 74.1%                    | 4,063                             | 0.1%                    | 103                        | 44.3%                    | 1.7                                  | 865      | 21.3%                    | 2       | -               |
| 0.15 to <0.25  | 826  | 1,049   | 73.6%                    | 1,597                             | 0.2%                    | 73                         | 41.2%                    | 2.1                                  | 568      | 35.6%                    | 1       | -               |
| 0.25 to <0.50  | 3,382  | 4,359   | 72.5%                    | 6,155                             | 0.4%                    | 1,006                      | 39.7%                    | 1.8                                  | 2,899    | 47.1%                    | 9       | -               |
| 0.50 to <0.75  | 1,992  | 2,497   | 73.7%                    | 3,820                             | 0.7%                    | 920                        | 41.3%                    | 1.9                                  | 2,740    | 71.7%                    | 12      | -               |
| 0.75 to <2.50  | 3,479  | 1,726   | 72.3%                    | 4,676                             | 1.4%                    | 1,890                      | 38.8%                    | 1.9                                  | 3,901    | 83.4%                    | 26      | -               |
| 2.50 to <10.00   | 955  | 373   | 71.6%                    | 1,170                             | 3.9%                    | 1,189                      | 39.8%                    | 1.8                                  | 1,266    | 108.2%                   | 18      | -               |
| 10.00 to <100.00   | 24   | 5   | 62.6%                    | 22                                | 16.2%                   | 68                         | 39.6%                    | 1.8                                  | 38       | 173.1%                   | 1       | -               |
| 100.00 (Default)   | 207  | 105   | 64.7%                    | 153                               | -                       | 186                        | -                        | -                                    | 163      | 106.0%                   | -       | -               |
| Sub-total  | 12,041   | 14,011  | 73.2%                    | 21,658                            | 0.8%                    | 5,435                      | 40.5%                    | 1.8                                  | 12,440   | 57.4%                    | 70      | 94              |
| <b>10 Corporates: other lending (A-IRB) by PD range</b>      |  |   |                          |                                   |                         |                            |                          |                                      |          |                          |         |                 |
| 0.00 to <0.15  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 0.15 to <0.25  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 0.25 to <0.50  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 0.50 to <0.75  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 0.75 to <2.50  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 2.50 to <10.00   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 10.00 to <100.00   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| 100.00 (Default)   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| Sub-total  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -        | -                        | -       | -               |
| <b>11 Retail: covered by mortgages by PD range</b>           |  |   |                          |                                   |                         |                            |                          |                                      |          |                          |         |                 |
| 0.00 to <0.15  | 20,357   | 1,700   | 75.0%                    | 21,632                            | 0.1%                    | 36,231                     | 18.9%                    | 2.8                                  | 1,219    | 5.6%                     | 3       | -               |
| 0.15 to <0.25  | 9,669  | 658   | 75.0%                    | 10,162                            | 0.2%                    | 12,168                     | 21.7%                    | 2.9                                  | 1,226    | 12.1%                    | 4       | -               |
| 0.25 to <0.50  | 21,232   | 1,413   | 75.0%                    | 22,292                            | 0.3%                    | 22,639                     | 24.5%                    | 3.0                                  | 5,211    | 23.4%                    | 19      | -               |
| 0.50 to <0.75  | 8,082  | 540   | 75.0%                    | 8,487                             | 0.7%                    | 7,915                      | 26.3%                    | 2.9                                  | 3,376    | 39.8%                    | 15      | -               |
| 0.75 to <2.50  | 7,550  | 618   | 75.0%                    | 8,014                             | 1.2%                    | 7,057                      | 27.3%                    | 2.9                                  | 5,066    | 63.2%                    | 27      | -               |
| 2.50 to <10.00   | 1,361  | 154   | 75.0%                    | 1,476                             | 3.2%                    | 1,371                      | 28.3%                    | 2.7                                  | 1,712    | 116.0%                   | 13      | -               |
| 10.00 to <100.00   | 15   | 3   | 75.0%                    | 17                                | 12.1%                   | 14                         | 25.5%                    | 2.2                                  | 34       | 193.4%                   | 0       | -               |
| 100.00 (Default)   | 137  | 3   | 75.0%                    | 130                               | -                       | 137                        | -                        | -                                    | 138      | 106.0%                   | -       | -               |
| Sub-total  | 68,404   | 5,089   | 75.0%                    | 72,210                            | 0.4%                    | 87,532                     | 23.0%                    | 2.9                                  | 17,982   | 24.9%                    | 81      | 9               |

| 30.06.2023<br>in million CHF<br>(unless stated otherwise)           | a<br>Original on-<br>balance-sheet<br>gross exposure | b<br>Off-balance-<br>sheet exposu-<br>res pre CCF | c<br>Average<br>CCF in % | d<br>EAD post-CRM<br>and post-CCF | e<br>Average PD<br>in % | f<br>Number<br>of obligors | g<br>Average<br>LGD in % | h<br>Average<br>maturity<br>in years | i<br>RWA      | j<br>RWA density<br>in % | k<br>EL    | l<br>Provisions |
|---|--|---|--------------------------|-----------------------------------|-------------------------|----------------------------|--------------------------|--------------------------------------|---------------|--------------------------|------------|-----------------|
| <b>12 Retail: qualifying revolving exposures (QRRE) by PD range</b> |  |   |                          |                                   |                         |                            |                          |                                      |               |                          |            |                 |
| 0.00 to <0.15   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -             | -                        | -          | -               |
| 0.15 to <0.25   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -             | -                        | -          | -               |
| 0.25 to <0.50   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -             | -                        | -          | -               |
| 0.50 to <0.75   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -             | -                        | -          | -               |
| 0.75 to <2.50   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -             | -                        | -          | -               |
| 2.50 to <10.00  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -             | -                        | -          | -               |
| 10.00 to <100.00  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -             | -                        | -          | -               |
| 100.00 (Default)  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -             | -                        | -          | -               |
| Sub-total   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -             | -                        | -          | -               |
| <b>13 Other retail exposures by PD range</b>                        |  |   |                          |                                   |                         |                            |                          |                                      |               |                          |            |                 |
| 0.00 to <0.15   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -             | -                        | -          | -               |
| 0.15 to <0.25   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -             | -                        | -          | -               |
| 0.25 to <0.50   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -             | -                        | -          | -               |
| 0.50 to <0.75   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -             | -                        | -          | -               |
| 0.75 to <2.50   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -             | -                        | -          | -               |
| 2.50 to <10.00  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -             | -                        | -          | -               |
| 10.00 to <100.00  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -             | -                        | -          | -               |
| 100.00 (Default)  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -             | -                        | -          | -               |
| Sub-total   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -             | -                        | -          | -               |
| <b>14 Equity (PD / LGD approach) by PD range</b>                    |  |   |                          |                                   |                         |                            |                          |                                      |               |                          |            |                 |
| 0.00 to <0.15   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -             | -                        | -          | -               |
| 0.15 to <0.25   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -             | -                        | -          | -               |
| 0.25 to <0.50   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -             | -                        | -          | -               |
| 0.50 to <0.75   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -             | -                        | -          | -               |
| 0.75 to <2.50   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -             | -                        | -          | -               |
| 2.50 to <10.00  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -             | -                        | -          | -               |
| 10.00 to <100.00  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -             | -                        | -          | -               |
| 100.00 (Default)  | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -             | -                        | -          | -               |
| Sub-total   | -  | -   | -                        | -                                 | -                       | -                          | -                        | -                                    | -             | -                        | -          | -               |
| <b>Total (all portfolios)</b>                                       | <b>106,785</b>                                       | <b>32,617</b>                                     | <b>72.7%</b>             | <b>129,387</b>                    | <b>0.5%</b>             | <b>95,359</b>              | <b>24.4%</b>             | <b>2.5</b>                           | <b>47,947</b> | <b>37.1%</b>             | <b>213</b> | <b>109</b>      |

Zürcher Kantonalbank was not using any credit derivatives for hedging purposes on the reporting date under the credit risk rules. Therefore, there was no impact on RWA.

### 11.12 CR7: IRB: effect on RWA of credit derivatives used as CRM techniques

Zürcher Kantonalbank was not using any credit derivatives for hedging purposes on the reporting date under the credit risk rules. Therefore, there was no impact on RWA.

### 11.13 CR8: IRB: RWA flow statements of credit risk exposures under IRB

| 31.12.2023     |   | a           |
|----------------|---|-------------|
| in CHF million |   | RWA amounts |
| 1              | RWA as at end of previous reporting period (30.06.2023) | 47,947      |
| 2              | Asset size changes                                      | 855         |
| 3              | Asset quality changes                                   | 161         |
| 4              | Model updates   | 16          |
| 5              | Methodology and policy changes                          | –           |
| 6              | Acquisitions and disposals (of entities)                | –           |
| 7              | Foreign exchange movements                              | -147        |
| 8              | Other   | –           |
| 9              | RWA as at end of current reporting period               | 48,832      |

Compared with 30 June 2023 the RWA of credit risk exposures under the IRB approach grew, due to an increased volume of assets (CHF 855 million). The other changes in the second half of 2023 were minor. Overall, this resulted in net RWA growth of CHF 885 million as at 31 December 2023.

## 11.14 CR9: IRB: back-testing of PD per portfolio

The average historical annual default rate in percent as per 31 December 2023 is based on the five-year average.

| a and b   | c                          |                |                | d     | e     | f                        |  | g | h | i    |
|---|----------------------------|----------------|----------------|-------|-------|--------------------------|--|---|---|------|
|   | External rating equivalent |                |                |       |       | Weighted average PD in % | Arithmetic average PD by obligors in % |   |   |      |
| 31.12.2023  | S&P                        | Moody's        | Fitch          |       |       |                          |  |   |   |      |
| <b>1 Central governments and central banks (FIRB) by PD range</b> |                            |                |                |       |       |                          |  |   |   |      |
| 0.00 to <0.15   | AAA to A                   | Aaa to A2      | AAA to A       | -     | -     | -                        | -                                      | - | - | -    |
| 0.15 to <0.25   | A-                         | A3             | A-             | -     | -     | -                        | -                                      | - | - | -    |
| 0.25 to <0.50   | BBB+ / BBB                 | Baa1 / Baa2    | BBB+ / BBB     | -     | -     | -                        | -                                      | - | - | -    |
| 0.50 to <0.75   | BBB-                       | Baa3           | BBB-           | -     | -     | -                        | -                                      | - | - | -    |
| 0.75 to <2.50   | BBB- neg / BB+             | Baa3 neg / Ba1 | BBB- neg / BB+ | -     | -     | -                        | -                                      | - | - | -    |
| 2.50 to <10.00  | BB to B+                   | Ba2 to B1      | BB to B+       | -     | -     | -                        | -                                      | - | - | -    |
| 10.00 to <100.00  | B to C                     | B2 to C        | B to C         | -     | -     | -                        | -                                      | - | - | -    |
| 100.00 (Default)  | D                          | D              | D              | -     | -     | -                        | -                                      | - | - | -    |
| Subtotal  | -                          | -              | -              | -     | -     | -                        | -                                      | - | - | -    |
| <b>2 Central governments and central banks (AIRB) by PD range</b> |                            |                |                |       |       |                          |  |   |   |      |
| 0.00 to <0.15   | AAA to A                   | Aaa to A2      | AAA to A       | -     | -     | -                        | -                                      | - | - | -    |
| 0.15 to <0.25   | A-                         | A3             | A-             | -     | -     | -                        | -                                      | - | - | -    |
| 0.25 to <0.50   | BBB+ / BBB                 | Baa1 / Baa2    | BBB+ / BBB     | -     | -     | -                        | -                                      | - | - | -    |
| 0.50 to <0.75   | BBB-                       | Baa3           | BBB-           | -     | -     | -                        | -                                      | - | - | -    |
| 0.75 to <2.50   | BBB- neg / BB+             | Baa3 neg / Ba1 | BBB- neg / BB+ | -     | -     | -                        | -                                      | - | - | -    |
| 2.50 to <10.00  | BB to B+                   | Ba2 to B1      | BB to B+       | -     | -     | -                        | -                                      | - | - | -    |
| 10.00 to <100.00  | B to C                     | B2 to C        | B to C         | -     | -     | -                        | -                                      | - | - | -    |
| 100.00 (Default)  | D                          | D              | D              | -     | -     | -                        | -                                      | - | - | -    |
| Subtotal  | -                          | -              | -              | -     | -     | -                        | -                                      | - | - | -    |
| <b>3 Banks and securities firms (FIRB) by PD range</b>            |                            |                |                |       |       |                          |  |   |   |      |
| 0.00 to <0.15   | AAA to A                   | Aaa to A2      | AAA to A       | 0.1%  | 0.0%  | 95                       | 96                                     | - | - | -    |
| 0.15 to <0.25   | A-                         | A3             | A-             | 0.2%  | 0.2%  | 52                       | 70                                     | - | - | -    |
| 0.25 to <0.50   | BBB+ / BBB                 | Baa1 / Baa2    | BBB+ / BBB     | 0.3%  | 0.4%  | 55                       | 49                                     | - | - | -    |
| 0.50 to <0.75   | BBB-                       | Baa3           | BBB-           | 0.7%  | 0.7%  | 27                       | 29                                     | - | - | 0.7% |
| 0.75 to <2.50   | BBB- neg / BB+             | Baa3 neg / Ba1 | BBB- neg / BB+ | 1.5%  | 1.3%  | 46                       | 63                                     | - | - | -    |
| 2.50 to <10.00  | BB to B+                   | Ba2 to B1      | BB to B+       | 3.9%  | 4.2%  | 41                       | 30                                     | - | - | -    |
| 10.00 to <100.00  | B to C                     | B2 to C        | B to C         | 18.0% | 16.0% | 48                       | 40                                     | - | - | 1.1% |
| 100.00 (Default)  | D                          | D              | D              | -     | -     | 2                        | -                                      | - | - | -    |
| Subtotal  | -                          | -              | -              | 0.8%  | 1.0%  | 366                      | 377                                    | - | - | 0.2% |

| a and b  | c                          |                |                | d                        | e                                      | f                    |                              | g           | h           | i    |
|--|----------------------------|----------------|----------------|--------------------------|--|----------------------|------------------------------|-------------|-------------|------|
|  | External rating equivalent |                |                |                          |  | Number of obligors   | Number of defaulted obligors |             |             |      |
|  | S&P                        | Moody's        | Fitch          | Weighted average PD in % | Arithmetic average PD by obligors in % | End of previous year | End of the year              | in the year | in the year | in % |
| <b>31.12.2023</b>  |                            |                |                |                          |  |                      |                              |             |             |      |
| <b>4 Banks and securities firms (AIRB) by PD range</b>                                   |                            |                |                |                          |  |                      |                              |             |             |      |
| 0.00 to <0.15  | AAA to A                   | Aaa to A2      | AAA to A       | -                        | -                                      | -                    | -                            | -           | -           | -    |
| 0.15 to <0.25  | A-                         | A3             | A-             | -                        | -                                      | -                    | -                            | -           | -           | -    |
| 0.25 to <0.50  | BBB+ / BBB                 | Baa1 / Baa2    | BBB+ / BBB     | -                        | -                                      | -                    | -                            | -           | -           | -    |
| 0.50 to <0.75  | BBB-                       | Baa3           | BBB-           | -                        | -                                      | -                    | -                            | -           | -           | -    |
| 0.75 to <2.50  | BBB- neg / BB+             | Baa3 neg / Ba1 | BBB- neg / BB+ | -                        | -                                      | -                    | -                            | -           | -           | -    |
| 2.50 to <10.00   | BB to B+                   | Ba2 to B1      | BB to B+       | -                        | -                                      | -                    | -                            | -           | -           | -    |
| 10.00 to <100.00   | B to C                     | B2 to C        | B to C         | -                        | -                                      | -                    | -                            | -           | -           | -    |
| 100.00 (Default)   | D                          | D              | D              | -                        | -                                      | -                    | -                            | -           | -           | -    |
| Subtotal   | -                          | -              | -              | -                        | -                                      | -                    | -                            | -           | -           | -    |
| <b>5 Other public sector entities, multilateral development banks (FIRB) by PD range</b> |                            |                |                |                          |  |                      |                              |             |             |      |
| 0.00 to <0.15  | AAA to A                   | Aaa to A2      | AAA to A       | -                        | -                                      | -                    | -                            | -           | -           | -    |
| 0.15 to <0.25  | A-                         | A3             | A-             | -                        | -                                      | -                    | -                            | -           | -           | -    |
| 0.25 to <0.50  | BBB+ / BBB                 | Baa1 / Baa2    | BBB+ / BBB     | -                        | -                                      | -                    | -                            | -           | -           | -    |
| 0.50 to <0.75  | BBB-                       | Baa3           | BBB-           | -                        | -                                      | -                    | -                            | -           | -           | -    |
| 0.75 to <2.50  | BBB- neg / BB+             | Baa3 neg / Ba1 | BBB- neg / BB+ | -                        | -                                      | -                    | -                            | -           | -           | -    |
| 2.50 to <10.00   | BB to B+                   | Ba2 to B1      | BB to B+       | -                        | -                                      | -                    | -                            | -           | -           | -    |
| 10.00 to <100.00   | B to C                     | B2 to C        | B to C         | -                        | -                                      | -                    | -                            | -           | -           | -    |
| 100.00 (Default)   | D                          | D              | D              | -                        | -                                      | -                    | -                            | -           | -           | -    |
| Subtotal   | -                          | -              | -              | -                        | -                                      | -                    | -                            | -           | -           | -    |
| <b>6 Other public sector entities, multilateral development banks (AIRB) by PD range</b> |                            |                |                |                          |  |                      |                              |             |             |      |
| 0.00 to <0.15  | AAA to A                   | Aaa to A2      | AAA to A       | -                        | -                                      | -                    | -                            | -           | -           | -    |
| 0.15 to <0.25  | A-                         | A3             | A-             | -                        | -                                      | -                    | -                            | -           | -           | -    |
| 0.25 to <0.50  | BBB+ / BBB                 | Baa1 / Baa2    | BBB+ / BBB     | -                        | -                                      | -                    | -                            | -           | -           | -    |
| 0.50 to <0.75  | BBB-                       | Baa3           | BBB-           | -                        | -                                      | -                    | -                            | -           | -           | -    |
| 0.75 to <2.50  | BBB- neg / BB+             | Baa3 neg / Ba1 | BBB- neg / BB+ | -                        | -                                      | -                    | -                            | -           | -           | -    |
| 2.50 to <10.00   | BB to B+                   | Ba2 to B1      | BB to B+       | -                        | -                                      | -                    | -                            | -           | -           | -    |
| 10.00 to <100.00   | B to C                     | B2 to C        | B to C         | -                        | -                                      | -                    | -                            | -           | -           | -    |
| 100.00 (Default)   | D                          | D              | D              | -                        | -                                      | -                    | -                            | -           | -           | -    |
| Subtotal   | -                          | -              | -              | -                        | -                                      | -                    | -                            | -           | -           | -    |
| <b>7 Corporates: specialised lending (FIRB) by PD range</b>                              |                            |                |                |                          |  |                      |                              |             |             |      |
| 0.00 to <0.15  | AAA to A                   | Aaa to A2      | AAA to A       | 0.1%                     | 0.1%                                   | 20                   | 23                           | -           | -           | -    |
| 0.15 to <0.25  | A-                         | A3             | A-             | 0.2%                     | 0.2%                                   | 98                   | 109                          | -           | -           | -    |
| 0.25 to <0.50  | BBB+ / BBB                 | Baa1 / Baa2    | BBB+ / BBB     | 0.3%                     | 0.3%                                   | 747                  | 754                          | -           | -           | -    |
| 0.50 to <0.75  | BBB-                       | Baa3           | BBB-           | 0.7%                     | 0.7%                                   | 411                  | 464                          | -           | -           | 0.1% |
| 0.75 to <2.50  | BBB- neg / BB+             | Baa3 neg / Ba1 | BBB- neg / BB+ | 1.2%                     | 1.2%                                   | 560                  | 589                          | 3           | -           | 0.2% |
| 2.50 to <10.00   | BB to B+                   | Ba2 to B1      | BB to B+       | 3.4%                     | 3.2%                                   | 98                   | 105                          | 1           | -           | 0.6% |
| 10.00 to <100.00   | B to C                     | B2 to C        | B to C         | -                        | -                                      | -                    | -                            | -           | -           | -    |
| 100.00 (Default)   | D                          | D              | D              | -                        | -                                      | 7                    | 9                            | -           | -           | -    |
| Subtotal   | -                          | -              | -              | 0.4%                     | 0.4%                                   | 1,941                | 2,053                        | 4           | -           | 0.1% |

| a and b   | c                          |                |                | d                        | e                                      | f                    |                    | g           | h           | i    |
|---|----------------------------|----------------|----------------|--------------------------|--|----------------------|--------------------|-------------|-------------|------|
|   | External rating equivalent |                |                |                          |  | Number of obligors   | Number of obligors |             |             |      |
|   | S&P                        | Moody's        | Fitch          | Weighted average PD in % | Arithmetic average PD by obligors in % | End of previous year | End of the year    | in the year | in the year | in % |
| <b>31.12.2023</b>   |                            |                |                |                          |  |                      |                    |             |             |      |
| <b>8 Corporates: specialised lending (AIRB) by PD range</b> |                            |                |                |                          |  |                      |                    |             |             |      |
| 0.00 to <0.15   | AAA to A                   | Aaa to A2      | AAA to A       | -                        | -                                      | -                    | -                  | -           | -           | -    |
| 0.15 to <0.25   | A-                         | A3             | A-             | -                        | -                                      | -                    | -                  | -           | -           | -    |
| 0.25 to <0.50   | BBB+ / BBB                 | Baa1 / Baa2    | BBB+ / BBB     | -                        | -                                      | -                    | -                  | -           | -           | -    |
| 0.50 to <0.75   | BBB-                       | Baa3           | BBB-           | -                        | -                                      | -                    | -                  | -           | -           | -    |
| 0.75 to <2.50   | BBB- neg / BB+             | Baa3 neg / Ba1 | BBB- neg / BB+ | -                        | -                                      | -                    | -                  | -           | -           | -    |
| 2.50 to <10.00  | BB to B+                   | Ba2 to B1      | BB to B+       | -                        | -                                      | -                    | -                  | -           | -           | -    |
| 10.00 to <100.00  | B to C                     | B2 to C        | B to C         | -                        | -                                      | -                    | -                  | -           | -           | -    |
| 100.00 (Default)  | D                          | D              | D              | -                        | -                                      | -                    | -                  | -           | -           | -    |
| Subtotal  | -                          | -              | -              | -                        | -                                      | -                    | -                  | -           | -           | -    |
| <b>9 Corporates: other lending (FIRB) by PD range</b>       |                            |                |                |                          |  |                      |                    |             |             |      |
| 0.00 to <0.15   | AAA to A                   | Aaa to A2      | AAA to A       | 0.1%                     | 0.1%                                   | 97                   | 103                | -           | -           | -    |
| 0.15 to <0.25   | A-                         | A3             | A-             | 0.2%                     | 0.2%                                   | 69                   | 74                 | -           | -           | -    |
| 0.25 to <0.50   | BBB+ / BBB                 | Baa1 / Baa2    | BBB+ / BBB     | 0.4%                     | 0.4%                                   | 957                  | 1,404              | -           | -           | 0.0% |
| 0.50 to <0.75   | BBB-                       | Baa3           | BBB-           | 0.7%                     | 0.7%                                   | 901                  | 1,118              | 2           | -           | 0.1% |
| 0.75 to <2.50   | BBB- neg / BB+             | Baa3 neg / Ba1 | BBB- neg / BB+ | 1.4%                     | 1.5%                                   | 1,850                | 2,120              | 18          | -           | 0.8% |
| 2.50 to <10.00  | BB to B+                   | Ba2 to B1      | BB to B+       | 3.9%                     | 4.4%                                   | 1,161                | 1,456              | 39          | -           | 2.5% |
| 10.00 to <100.00  | B to C                     | B2 to C        | B to C         | 15.0%                    | 16.0%                                  | 81                   | 131                | 5           | -           | 7.9% |
| 100.00 (Default)  | D                          | D              | D              | -                        | -                                      | 185                  | 210                | -           | -           | -    |
| Subtotal  | -                          | -              | -              | 0.8%                     | 1.5%                                   | 5,301                | 6,616              | 64          | -           | 1.0% |
| <b>10 Corporates: other lending (AIRB) by PD range</b>      |                            |                |                |                          |  |                      |                    |             |             |      |
| 0.00 to <0.15   | AAA to A                   | Aaa to A2      | AAA to A       | -                        | -                                      | -                    | -                  | -           | -           | -    |
| 0.15 to <0.25   | A-                         | A3             | A-             | -                        | -                                      | -                    | -                  | -           | -           | -    |
| 0.25 to <0.50   | BBB+ / BBB                 | Baa1 / Baa2    | BBB+ / BBB     | -                        | -                                      | -                    | -                  | -           | -           | -    |
| 0.50 to <0.75   | BBB-                       | Baa3           | BBB-           | -                        | -                                      | -                    | -                  | -           | -           | -    |
| 0.75 to <2.50   | BBB- neg / BB+             | Baa3 neg / Ba1 | BBB- neg / BB+ | -                        | -                                      | -                    | -                  | -           | -           | -    |
| 2.50 to <10.00  | BB to B+                   | Ba2 to B1      | BB to B+       | -                        | -                                      | -                    | -                  | -           | -           | -    |
| 10.00 to <100.00  | B to C                     | B2 to C        | B to C         | -                        | -                                      | -                    | -                  | -           | -           | -    |
| 100.00 (Default)  | D                          | D              | D              | -                        | -                                      | -                    | -                  | -           | -           | -    |
| Subtotal  | -                          | -              | -              | -                        | -                                      | -                    | -                  | -           | -           | -    |
| <b>11 Retail: covered by mortgages by PD range</b>          |                            |                |                |                          |  |                      |                    |             |             |      |
| 0.00 to <0.15   | AAA to A                   | Aaa to A2      | AAA to A       | 0.1%                     | 0.1%                                   | 37,167               | 36,121             | 5           | -           | 0.0% |
| 0.15 to <0.25   | A-                         | A3             | A-             | 0.2%                     | 0.2%                                   | 12,373               | 12,196             | 5           | -           | 0.0% |
| 0.25 to <0.50   | BBB+ / BBB                 | Baa1 / Baa2    | BBB+ / BBB     | 0.3%                     | 0.3%                                   | 21,550               | 22,619             | 15          | -           | 0.1% |
| 0.50 to <0.75   | BBB-                       | Baa3           | BBB-           | 0.7%                     | 0.7%                                   | 7,883                | 7,874              | 6           | -           | 0.1% |
| 0.75 to <2.50   | BBB- neg / BB+             | Baa3 neg / Ba1 | BBB- neg / BB+ | 1.2%                     | 1.2%                                   | 7,208                | 7,127              | 16          | -           | 0.1% |
| 2.50 to <10.00  | BB to B+                   | Ba2 to B1      | BB to B+       | 3.2%                     | 3.1%                                   | 1,251                | 1,335              | 3           | -           | 0.4% |
| 10.00 to <100.00  | B to C                     | B2 to C        | B to C         | 12.1%                    | 11.3%                                  | 16                   | 13                 | -           | -           | 0.8% |
| 100.00 (Default)  | D                          | D              | D              | -                        | -                                      | 135                  | 139                | -           | -           | -    |
| Subtotal  | -                          | -              | -              | 0.4%                     | 0.4%                                   | 87,583               | 87,424             | 50          | -           | 0.0% |

| a and b   | c                          |                |                | d                        | e                                      | f                    |                 | g  | h   | i   |
|---|----------------------------|----------------|----------------|--------------------------|--|----------------------|-----------------|--|---|---|
|   | External rating equivalent |                |                |                          |  | Number of obligors   |                 |  |   |   |
|   | S&P                        | Moody's        | Fitch          | Weighted average PD in % | Arithmetic average PD by obligors in % | End of previous year | End of the year | Number of defaulted obligors in the year | of which number of defaulted obligors in the year | Average historical annual default rate in % |
| <b>31.12.2023</b>   |                            |                |                |                          |  |                      |                 |  |   |   |
| <b>12 Retail: qualifying revolving exposures (QRRE) by PD range</b> |                            |                |                |                          |  |                      |                 |  |   |   |
| 0.00 to <0.15   | AAA to A                   | Aaa to A2      | AAA to A       | -                        | -                                      | -                    | -               | -  | -   | -   |
| 0.15 to <0.25   | A-                         | A3             | A-             | -                        | -                                      | -                    | -               | -  | -   | -   |
| 0.25 to <0.50   | BBB+ / BBB                 | Baa1 / Baa2    | BBB+ / BBB     | -                        | -                                      | -                    | -               | -  | -   | -   |
| 0.50 to <0.75   | BBB-                       | Baa3           | BBB-           | -                        | -                                      | -                    | -               | -  | -   | -   |
| 0.75 to <2.50   | BBB- neg / BB+             | Baa3 neg / Ba1 | BBB- neg / BB+ | -                        | -                                      | -                    | -               | -  | -   | -   |
| 2.50 to <10.00  | BB to B+                   | Ba2 to B1      | BB to B+       | -                        | -                                      | -                    | -               | -  | -   | -   |
| 10.00 to <100.00  | B to C                     | B2 to C        | B to C         | -                        | -                                      | -                    | -               | -  | -   | -   |
| 100.00 (Default)  | D                          | D              | D              | -                        | -                                      | -                    | -               | -  | -   | -   |
| Subtotal  | -                          | -              | -              | -                        | -                                      | -                    | -               | -  | -   | -   |
| <b>13 Other retail exposures by PD range</b>                        |                            |                |                |                          |  |                      |                 |  |   |   |
| 0.00 to <0.15   | AAA to A                   | Aaa to A2      | AAA to A       | -                        | -                                      | -                    | -               | -  | -   | -   |
| 0.15 to <0.25   | A-                         | A3             | A-             | -                        | -                                      | -                    | -               | -  | -   | -   |
| 0.25 to <0.50   | BBB+ / BBB                 | Baa1 / Baa2    | BBB+ / BBB     | -                        | -                                      | -                    | -               | -  | -   | -   |
| 0.50 to <0.75   | BBB-                       | Baa3           | BBB-           | -                        | -                                      | -                    | -               | -  | -   | -   |
| 0.75 to <2.50   | BBB- neg / BB+             | Baa3 neg / Ba1 | BBB- neg / BB+ | -                        | -                                      | -                    | -               | -  | -   | -   |
| 2.50 to <10.00  | BB to B+                   | Ba2 to B1      | BB to B+       | -                        | -                                      | -                    | -               | -  | -   | -   |
| 10.00 to <100.00  | B to C                     | B2 to C        | B to C         | -                        | -                                      | -                    | -               | -  | -   | -   |
| 100.00 (Default)  | D                          | D              | D              | -                        | -                                      | -                    | -               | -  | -   | -   |
| Subtotal  | -                          | -              | -              | -                        | -                                      | -                    | -               | -  | -   | -   |
| <b>14 Equity (PD / LGD approach) by PD range</b>                    |                            |                |                |                          |  |                      |                 |  |   |   |
| 0.00 to <0.15   | AAA to A                   | Aaa to A2      | AAA to A       | -                        | -                                      | -                    | -               | -  | -   | -   |
| 0.15 to <0.25   | A-                         | A3             | A-             | -                        | -                                      | -                    | -               | -  | -   | -   |
| 0.25 to <0.50   | BBB+ / BBB                 | Baa1 / Baa2    | BBB+ / BBB     | -                        | -                                      | -                    | -               | -  | -   | -   |
| 0.50 to <0.75   | BBB-                       | Baa3           | BBB-           | -                        | -                                      | -                    | -               | -  | -   | -   |
| 0.75 to <2.50   | BBB- neg / BB+             | Baa3 neg / Ba1 | BBB- neg / BB+ | -                        | -                                      | -                    | -               | -  | -   | -   |
| 2.50 to <10.00  | BB to B+                   | Ba2 to B1      | BB to B+       | -                        | -                                      | -                    | -               | -  | -   | -   |
| 10.00 to <100.00  | B to C                     | B2 to C        | B to C         | -                        | -                                      | -                    | -               | -  | -   | -   |
| 100.00 (Default)  | D                          | D              | D              | -                        | -                                      | -                    | -               | -  | -   | -   |
| Subtotal  | -                          | -              | -              | -                        | -                                      | -                    | -               | -  | -   | -   |
| <b>Total (all Portfolios)</b>                                       | -                          | -              | -              | <b>0.5%</b>              | <b>0.5%</b>                            | <b>95,191</b>        | <b>96,470</b>   | <b>118</b>                               | <b>-</b>  | <b>0.1%</b>                                 |

The average historical annual default rate in percent as per 31 December 2022 is based on the five-year average.

| a and b   | c                          |                |                | d     | e     | f                        |  | g | h | i    |
|---|----------------------------|----------------|----------------|-------|-------|--------------------------|--|---|---|------|
|   | External rating equivalent |                |                |       |       | Weighted average PD in % | Arithmetic average PD by obligors in % |   |   |      |
| <b>31.12.2022</b>   | <b>S&amp;P</b>             | <b>Moody's</b> | <b>Fitch</b>   |       |       |                          |  |   |   |      |
| <b>1 Central governments and central banks (FIRB) by PD range</b> |                            |                |                |       |       |                          |  |   |   |      |
| 0.00 to <0.15   | AAA to A                   | Aaa to A2      | AAA to A       | –     | –     | –                        | –                                      | – | – | –    |
| 0.15 to <0.25   | A-                         | A3             | A-             | –     | –     | –                        | –                                      | – | – | –    |
| 0.25 to <0.50   | BBB+ / BBB                 | Baa1 / Baa2    | BBB+ / BBB     | –     | –     | –                        | –                                      | – | – | –    |
| 0.50 to <0.75   | BBB-                       | Baa3           | BBB-           | –     | –     | –                        | –                                      | – | – | –    |
| 0.75 to <2.50   | BBB- neg / BB+             | Baa3 neg / Ba1 | BBB- neg / BB+ | –     | –     | –                        | –                                      | – | – | –    |
| 2.50 to <10.00  | BB to B+                   | Ba2 to B1      | BB to B+       | –     | –     | –                        | –                                      | – | – | –    |
| 10.00 to <100.00  | B to C                     | B2 to C        | B to C         | –     | –     | –                        | –                                      | – | – | –    |
| 100.00 (Default)  | D                          | D              | D              | –     | –     | –                        | –                                      | – | – | –    |
| Subtotal  | –                          | –              | –              | –     | –     | –                        | –                                      | – | – | –    |
| <b>2 Central governments and central banks (AIRB) by PD range</b> |                            |                |                |       |       |                          |  |   |   |      |
| 0.00 to <0.15   | AAA to A                   | Aaa to A2      | AAA to A       | –     | –     | –                        | –                                      | – | – | –    |
| 0.15 to <0.25   | A-                         | A3             | A-             | –     | –     | –                        | –                                      | – | – | –    |
| 0.25 to <0.50   | BBB+ / BBB                 | Baa1 / Baa2    | BBB+ / BBB     | –     | –     | –                        | –                                      | – | – | –    |
| 0.50 to <0.75   | BBB-                       | Baa3           | BBB-           | –     | –     | –                        | –                                      | – | – | –    |
| 0.75 to <2.50   | BBB- neg / BB+             | Baa3 neg / Ba1 | BBB- neg / BB+ | –     | –     | –                        | –                                      | – | – | –    |
| 2.50 to <10.00  | BB to B+                   | Ba2 to B1      | BB to B+       | –     | –     | –                        | –                                      | – | – | –    |
| 10.00 to <100.00  | B to C                     | B2 to C        | B to C         | –     | –     | –                        | –                                      | – | – | –    |
| 100.00 (Default)  | D                          | D              | D              | –     | –     | –                        | –                                      | – | – | –    |
| Subtotal  | –                          | –              | –              | –     | –     | –                        | –                                      | – | – | –    |
| <b>3 Banks and securities firms (FIRB) by PD range</b>            |                            |                |                |       |       |                          |  |   |   |      |
| 0.00 to <0.15   | AAA to A                   | Aaa to A2      | AAA to A       | 0.1%  | 0.0%  | 94                       | 95                                     | – | – | –    |
| 0.15 to <0.25   | A-                         | A3             | A-             | 0.2%  | 0.2%  | 51                       | 52                                     | – | – | –    |
| 0.25 to <0.50   | BBB+ / BBB                 | Baa1 / Baa2    | BBB+ / BBB     | 0.3%  | 0.3%  | 56                       | 55                                     | – | – | –    |
| 0.50 to <0.75   | BBB-                       | Baa3           | BBB-           | 0.7%  | 0.7%  | 25                       | 27                                     | 1 | – | 0.6% |
| 0.75 to <2.50   | BBB- neg / BB+             | Baa3 neg / Ba1 | BBB- neg / BB+ | 1.4%  | 1.3%  | 48                       | 46                                     | – | – | –    |
| 2.50 to <10.00  | BB to B+                   | Ba2 to B1      | BB to B+       | 5.2%  | 5.6%  | 70                       | 41                                     | – | – | –    |
| 10.00 to <100.00  | B to C                     | B2 to C        | B to C         | 12.2% | 17.0% | 40                       | 48                                     | 1 | – | 1.2% |
| 100.00 (Default)  | D                          | D              | D              | –     | –     | –                        | 2                                      | – | – | –    |
| Subtotal  | –                          | –              | –              | 0.9%  | 1.0%  | 384                      | 366                                    | 2 | – | 0.1% |



| a and b  | c                          |                |                | d                        | e                                      | f                    |                 | g  | h   | i   |
|--|----------------------------|----------------|----------------|--------------------------|--|----------------------|-----------------|--|---|---|
|  | External rating equivalent |                |                |                          |  | Number of obligors   |                 |  |   |   |
|  | S&P                        | Moody's        | Fitch          | Weighted average PD in % | Arithmetic average PD by obligors in % | End of previous year | End of the year | Number of defaulted obligors in the year | of which number of defaulted obligors in the year | Average historical annual default rate in % |
| <b>31.12.2022</b>  |                            |                |                |                          |  |                      |                 |  |   |   |
| <b>4 Banks and securities firms (AIRB) by PD range</b>                                   |                            |                |                |                          |  |                      |                 |  |   |   |
| 0.00 to <0.15  | AAA to A                   | Aaa to A2      | AAA to A       | -                        | -                                      | -                    | -               | -  | -   | -   |
| 0.15 to <0.25  | A-                         | A3             | A-             | -                        | -                                      | -                    | -               | -  | -   | -   |
| 0.25 to <0.50  | BBB+ / BBB                 | Baa1 / Baa2    | BBB+ / BBB     | -                        | -                                      | -                    | -               | -  | -   | -   |
| 0.50 to <0.75  | BBB-                       | Baa3           | BBB-           | -                        | -                                      | -                    | -               | -  | -   | -   |
| 0.75 to <2.50  | BBB- neg / BB+             | Baa3 neg / Ba1 | BBB- neg / BB+ | -                        | -                                      | -                    | -               | -  | -   | -   |
| 2.50 to <10.00   | BB to B+                   | Ba2 to B1      | BB to B+       | -                        | -                                      | -                    | -               | -  | -   | -   |
| 10.00 to <100.00   | B to C                     | B2 to C        | B to C         | -                        | -                                      | -                    | -               | -  | -   | -   |
| 100.00 (Default)   | D                          | D              | D              | -                        | -                                      | -                    | -               | -  | -   | -   |
| Subtotal   | -                          | -              | -              | -                        | -                                      | -                    | -               | -  | -   | -   |
| <b>5 Other public sector entities, multilateral development banks (FIRB) by PD range</b> |                            |                |                |                          |  |                      |                 |  |   |   |
| 0.00 to <0.15  | AAA to A                   | Aaa to A2      | AAA to A       | -                        | -                                      | -                    | -               | -  | -   | -   |
| 0.15 to <0.25  | A-                         | A3             | A-             | -                        | -                                      | -                    | -               | -  | -   | -   |
| 0.25 to <0.50  | BBB+ / BBB                 | Baa1 / Baa2    | BBB+ / BBB     | -                        | -                                      | -                    | -               | -  | -   | -   |
| 0.50 to <0.75  | BBB-                       | Baa3           | BBB-           | -                        | -                                      | -                    | -               | -  | -   | -   |
| 0.75 to <2.50  | BBB- neg / BB+             | Baa3 neg / Ba1 | BBB- neg / BB+ | -                        | -                                      | -                    | -               | -  | -   | -   |
| 2.50 to <10.00   | BB to B+                   | Ba2 to B1      | BB to B+       | -                        | -                                      | -                    | -               | -  | -   | -   |
| 10.00 to <100.00   | B to C                     | B2 to C        | B to C         | -                        | -                                      | -                    | -               | -  | -   | -   |
| 100.00 (Default)   | D                          | D              | D              | -                        | -                                      | -                    | -               | -  | -   | -   |
| Subtotal   | -                          | -              | -              | -                        | -                                      | -                    | -               | -  | -   | -   |
| <b>6 Other public sector entities, multilateral development banks (AIRB) by PD range</b> |                            |                |                |                          |  |                      |                 |  |   |   |
| 0.00 to <0.15  | AAA to A                   | Aaa to A2      | AAA to A       | -                        | -                                      | -                    | -               | -  | -   | -   |
| 0.15 to <0.25  | A-                         | A3             | A-             | -                        | -                                      | -                    | -               | -  | -   | -   |
| 0.25 to <0.50  | BBB+ / BBB                 | Baa1 / Baa2    | BBB+ / BBB     | -                        | -                                      | -                    | -               | -  | -   | -   |
| 0.50 to <0.75  | BBB-                       | Baa3           | BBB-           | -                        | -                                      | -                    | -               | -  | -   | -   |
| 0.75 to <2.50  | BBB- neg / BB+             | Baa3 neg / Ba1 | BBB- neg / BB+ | -                        | -                                      | -                    | -               | -  | -   | -   |
| 2.50 to <10.00   | BB to B+                   | Ba2 to B1      | BB to B+       | -                        | -                                      | -                    | -               | -  | -   | -   |
| 10.00 to <100.00   | B to C                     | B2 to C        | B to C         | -                        | -                                      | -                    | -               | -  | -   | -   |
| 100.00 (Default)   | D                          | D              | D              | -                        | -                                      | -                    | -               | -  | -   | -   |
| Subtotal   | -                          | -              | -              | -                        | -                                      | -                    | -               | -  | -   | -   |
| <b>7 Corporates: specialised lending (FIRB) by PD range</b>                              |                            |                |                |                          |  |                      |                 |  |   |   |
| 0.00 to <0.15  | AAA to A                   | Aaa to A2      | AAA to A       | 0.1%                     | 0.1%                                   | 20                   | 20              | -  | -   | -   |
| 0.15 to <0.25  | A-                         | A3             | A-             | 0.2%                     | 0.2%                                   | 100                  | 98              | -  | -   | -   |
| 0.25 to <0.50  | BBB+ / BBB                 | Baa1 / Baa2    | BBB+ / BBB     | 0.3%                     | 0.3%                                   | 695                  | 747             | -  | -   | -   |
| 0.50 to <0.75  | BBB-                       | Baa3           | BBB-           | 0.6%                     | 0.6%                                   | 421                  | 411             | -  | -   | 0.1%  |
| 0.75 to <2.50  | BBB- neg / BB+             | Baa3 neg / Ba1 | BBB- neg / BB+ | 1.2%                     | 1.1%                                   | 563                  | 560             | -  | -   | 0.2%  |
| 2.50 to <10.00   | BB to B+                   | Ba2 to B1      | BB to B+       | 3.2%                     | 2.9%                                   | 88                   | 98              | -  | -   | 0.6%  |
| 10.00 to <100.00   | B to C                     | B2 to C        | B to C         | -                        | -                                      | 1                    | -               | -  | -   | -   |
| 100.00 (Default)   | D                          | D              | D              | -                        | -                                      | 9                    | 7               | -  | -   | -   |
| Subtotal   | -                          | -              | -              | 0.4%                     | 0.4%                                   | 1,897                | 1,941           | -  | -   | 0.1%  |

| a and b   | c                          |                |                | d                        | e                                      | f                    |                 | g  | h   | i   |
|---|----------------------------|----------------|----------------|--------------------------|--|----------------------|-----------------|--|---|---|
|   | External rating equivalent |                |                |                          |  | Number of obligors   |                 |  |   |   |
|   | S&P                        | Moody's        | Fitch          | Weighted average PD in % | Arithmetic average PD by obligors in % | End of previous year | End of the year | Number of defaulted obligors in the year | of which number of defaulted obligors in the year | Average historical annual default rate in % |
| <b>31.12.2022</b>   |                            |                |                |                          |  |                      |                 |  |   |   |
| <b>8 Corporates: specialised lending (AIRB) by PD range</b> |                            |                |                |                          |  |                      |                 |  |   |   |
| 0.00 to <0.15   | AAA to A                   | Aaa to A2      | AAA to A       | -                        | -                                      | -                    | -               | -  | -   | -   |
| 0.15 to <0.25   | A-                         | A3             | A-             | -                        | -                                      | -                    | -               | -  | -   | -   |
| 0.25 to <0.50   | BBB+ / BBB                 | Baa1 / Baa2    | BBB+ / BBB     | -                        | -                                      | -                    | -               | -  | -   | -   |
| 0.50 to <0.75   | BBB-                       | Baa3           | BBB-           | -                        | -                                      | -                    | -               | -  | -   | -   |
| 0.75 to <2.50   | BBB- neg / BB+             | Baa3 neg / Ba1 | BBB- neg / BB+ | -                        | -                                      | -                    | -               | -  | -   | -   |
| 2.50 to <10.00  | BB to B+                   | Ba2 to B1      | BB to B+       | -                        | -                                      | -                    | -               | -  | -   | -   |
| 10.00 to <100.00  | B to C                     | B2 to C        | B to C         | -                        | -                                      | -                    | -               | -  | -   | -   |
| 100.00 (Default)  | D                          | D              | D              | -                        | -                                      | -                    | -               | -  | -   | -   |
| Subtotal  | -                          | -              | -              | -                        | -                                      | -                    | -               | -  | -   | -   |
| <b>9 Corporates: other lending (FIRB) by PD range</b>       |                            |                |                |                          |  |                      |                 |  |   |   |
| 0.00 to <0.15   | AAA to A                   | Aaa to A2      | AAA to A       | 0.1%                     | 0.1%                                   | 88                   | 97              | -  | -   | -   |
| 0.15 to <0.25   | A-                         | A3             | A-             | 0.2%                     | 0.2%                                   | 75                   | 69              | -  | -   | -   |
| 0.25 to <0.50   | BBB+ / BBB                 | Baa1 / Baa2    | BBB+ / BBB     | 0.4%                     | 0.4%                                   | 908                  | 957             | -  | -   | 0.1%  |
| 0.50 to <0.75   | BBB-                       | Baa3           | BBB-           | 0.7%                     | 0.7%                                   | 939                  | 901             | 1  | -   | 0.1%  |
| 0.75 to <2.50   | BBB- neg / BB+             | Baa3 neg / Ba1 | BBB- neg / BB+ | 1.5%                     | 1.5%                                   | 1,870                | 1,850           | 14                                       | -   | 0.7%  |
| 2.50 to <10.00  | BB to B+                   | Ba2 to B1      | BB to B+       | 3.9%                     | 4.4%                                   | 1,172                | 1,161           | 30                                       | -   | 2.1%  |
| 10.00 to <100.00  | B to C                     | B2 to C        | B to C         | 14.3%                    | 15.1%                                  | 93                   | 81              | 8  | -   | 8.6%  |
| 100.00 (Default)  | D                          | D              | D              | -                        | -                                      | 182                  | 185             | -  | -   | -   |
| Subtotal  | -                          | -              | -              | 0.8%                     | 1.4%                                   | 5,327                | 5,301           | 53                                       | -   | 0.9%  |
| <b>10 Corporates: other lending (AIRB) by PD range</b>      |                            |                |                |                          |  |                      |                 |  |   |   |
| 0.00 to <0.15   | AAA to A                   | Aaa to A2      | AAA to A       | -                        | -                                      | -                    | -               | -  | -   | -   |
| 0.15 to <0.25   | A-                         | A3             | A-             | -                        | -                                      | -                    | -               | -  | -   | -   |
| 0.25 to <0.50   | BBB+ / BBB                 | Baa1 / Baa2    | BBB+ / BBB     | -                        | -                                      | -                    | -               | -  | -   | -   |
| 0.50 to <0.75   | BBB-                       | Baa3           | BBB-           | -                        | -                                      | -                    | -               | -  | -   | -   |
| 0.75 to <2.50   | BBB- neg / BB+             | Baa3 neg / Ba1 | BBB- neg / BB+ | -                        | -                                      | -                    | -               | -  | -   | -   |
| 2.50 to <10.00  | BB to B+                   | Ba2 to B1      | BB to B+       | -                        | -                                      | -                    | -               | -  | -   | -   |
| 10.00 to <100.00  | B to C                     | B2 to C        | B to C         | -                        | -                                      | -                    | -               | -  | -   | -   |
| 100.00 (Default)  | D                          | D              | D              | -                        | -                                      | -                    | -               | -  | -   | -   |
| Subtotal  | -                          | -              | -              | -                        | -                                      | -                    | -               | -  | -   | -   |
| <b>11 Retail: covered by mortgages by PD range</b>          |                            |                |                |                          |  |                      |                 |  |   |   |
| 0.00 to <0.15   | AAA to A                   | Aaa to A2      | AAA to A       | 0.1%                     | 0.1%                                   | 37,621               | 37,167          | 9  | -   | 0.0%  |
| 0.15 to <0.25   | A-                         | A3             | A-             | 0.2%                     | 0.2%                                   | 12,398               | 12,373          | 1  | -   | 0.0%  |
| 0.25 to <0.50   | BBB+ / BBB                 | Baa1 / Baa2    | BBB+ / BBB     | 0.4%                     | 0.4%                                   | 21,948               | 21,550          | 10                                       | -   | 0.1%  |
| 0.50 to <0.75   | BBB-                       | Baa3           | BBB-           | 0.6%                     | 0.7%                                   | 7,253                | 7,883           | 4  | -   | 0.1%  |
| 0.75 to <2.50   | BBB- neg / BB+             | Baa3 neg / Ba1 | BBB- neg / BB+ | 1.3%                     | 1.3%                                   | 6,378                | 7,208           | 8  | -   | 0.1%  |
| 2.50 to <10.00  | BB to B+                   | Ba2 to B1      | BB to B+       | 3.6%                     | 3.5%                                   | 1,523                | 1,251           | 6  | -   | 0.5%  |
| 10.00 to <100.00  | B to C                     | B2 to C        | B to C         | 12.7%                    | 12.6%                                  | 50                   | 16              | -  | -   | 0.7%  |
| 100.00 (Default)  | D                          | D              | D              | -                        | -                                      | 142                  | 135             | -  | -   | -   |
| Subtotal  | -                          | -              | -              | 0.4%                     | 0.4%                                   | 87,313               | 87,583          | 38                                       | -   | 0.0%  |

| a and b   | c                          |                |                | d                        | e                                      | f                    |                 | g  | h   | i   |
|---|----------------------------|----------------|----------------|--------------------------|--|----------------------|-----------------|--|---|---|
|   | External rating equivalent |                |                |                          |  | Number of obligors   |                 |  |   |   |
|   | S&P                        | Moody's        | Fitch          | Weighted average PD in % | Arithmetic average PD by obligors in % | End of previous year | End of the year | Number of defaulted obligors in the year | of which number of defaulted obligors in the year | Average historical annual default rate in % |
| <b>31.12.2022</b>   |                            |                |                |                          |  |                      |                 |  |   |   |
| <b>12 Retail: qualifying revolving exposures (QRRE) by PD range</b> |                            |                |                |                          |  |                      |                 |  |   |   |
| 0.00 to <0.15   | AAA to A                   | Aaa to A2      | AAA to A       | -                        | -                                      | -                    | -               | -  | -   | -   |
| 0.15 to <0.25   | A-                         | A3             | A-             | -                        | -                                      | -                    | -               | -  | -   | -   |
| 0.25 to <0.50   | BBB+ / BBB                 | Baa1 / Baa2    | BBB+ / BBB     | -                        | -                                      | -                    | -               | -  | -   | -   |
| 0.50 to <0.75   | BBB-                       | Baa3           | BBB-           | -                        | -                                      | -                    | -               | -  | -   | -   |
| 0.75 to <2.50   | BBB- neg / BB+             | Baa3 neg / Ba1 | BBB- neg / BB+ | -                        | -                                      | -                    | -               | -  | -   | -   |
| 2.50 to <10.00  | BB to B+                   | Ba2 to B1      | BB to B+       | -                        | -                                      | -                    | -               | -  | -   | -   |
| 10.00 to <100.00  | B to C                     | B2 to C        | B to C         | -                        | -                                      | -                    | -               | -  | -   | -   |
| 100.00 (Default)  | D                          | D              | D              | -                        | -                                      | -                    | -               | -  | -   | -   |
| Subtotal  | -                          | -              | -              | -                        | -                                      | -                    | -               | -  | -   | -   |
| <b>13 Other retail exposures by PD range</b>                        |                            |                |                |                          |  |                      |                 |  |   |   |
| 0.00 to <0.15   | AAA to A                   | Aaa to A2      | AAA to A       | -                        | -                                      | -                    | -               | -  | -   | -   |
| 0.15 to <0.25   | A-                         | A3             | A-             | -                        | -                                      | -                    | -               | -  | -   | -   |
| 0.25 to <0.50   | BBB+ / BBB                 | Baa1 / Baa2    | BBB+ / BBB     | -                        | -                                      | -                    | -               | -  | -   | -   |
| 0.50 to <0.75   | BBB-                       | Baa3           | BBB-           | -                        | -                                      | -                    | -               | -  | -   | -   |
| 0.75 to <2.50   | BBB- neg / BB+             | Baa3 neg / Ba1 | BBB- neg / BB+ | -                        | -                                      | -                    | -               | -  | -   | -   |
| 2.50 to <10.00  | BB to B+                   | Ba2 to B1      | BB to B+       | -                        | -                                      | -                    | -               | -  | -   | -   |
| 10.00 to <100.00  | B to C                     | B2 to C        | B to C         | -                        | -                                      | -                    | -               | -  | -   | -   |
| 100.00 (Default)  | D                          | D              | D              | -                        | -                                      | -                    | -               | -  | -   | -   |
| Subtotal  | -                          | -              | -              | -                        | -                                      | -                    | -               | -  | -   | -   |
| <b>14 Equity (PD / LGD approach) by PD range</b>                    |                            |                |                |                          |  |                      |                 |  |   |   |
| 0.00 to <0.15   | AAA to A                   | Aaa to A2      | AAA to A       | -                        | -                                      | -                    | -               | -  | -   | -   |
| 0.15 to <0.25   | A-                         | A3             | A-             | -                        | -                                      | -                    | -               | -  | -   | -   |
| 0.25 to <0.50   | BBB+ / BBB                 | Baa1 / Baa2    | BBB+ / BBB     | -                        | -                                      | -                    | -               | -  | -   | -   |
| 0.50 to <0.75   | BBB-                       | Baa3           | BBB-           | -                        | -                                      | -                    | -               | -  | -   | -   |
| 0.75 to <2.50   | BBB- neg / BB+             | Baa3 neg / Ba1 | BBB- neg / BB+ | -                        | -                                      | -                    | -               | -  | -   | -   |
| 2.50 to <10.00  | BB to B+                   | Ba2 to B1      | BB to B+       | -                        | -                                      | -                    | -               | -  | -   | -   |
| 10.00 to <100.00  | B to C                     | B2 to C        | B to C         | -                        | -                                      | -                    | -               | -  | -   | -   |
| 100.00 (Default)  | D                          | D              | D              | -                        | -                                      | -                    | -               | -  | -   | -   |
| Subtotal  | -                          | -              | -              | -                        | -                                      | -                    | -               | -  | -   | -   |
| <b>Total (all Portfolios)</b>                                       | -                          | -              | -              | <b>0.5%</b>              | <b>0.5%</b>                            | <b>94,921</b>        | <b>95,191</b>   | <b>93</b>                                | <b>-</b>  | <b>0.1%</b>                                 |

There were no material changes in the back-testing of PD per portfolio compared with the previous period.

## 11.15 CR10: IRB: specialised lending and equities under the simple risk weight method

Zürcher Kantonalbank does not use the supervisory slotting approach for special financing. Hence, only equity securities under the simplified risk weight method have to be disclosed in table CR10.

### Equities under the simple risk weight approach

| 31.12.2023                               | On-balance-sheet | Off-balance-sheet |                  |                 |            |
|--|------------------|-------------------|------------------|-----------------|------------|
| in CHF million (unless stated otherwise) | amount           | amount            | Risk weight in % | Exposure amount | RWA        |
| Exchange-traded equity exposures         | 7                | –                 | 300%             | 7               | 22         |
| Private equity exposures                 | 133              | –                 | 400%             | 133             | 565        |
| Other equity exposures                   | 1                | 0                 | 400%             | 1               | 6          |
| <b>Total</b>                             | <b>142</b>       | <b>0</b>          |                  | <b>142</b>      | <b>593</b> |

### Equities under the simple risk weight approach

| 30.06.2023                               | On-balance-sheet | Off-balance-sheet |                  |                 |            |
|--|------------------|-------------------|------------------|-----------------|------------|
| in CHF million (unless stated otherwise) | amount           | amount            | Risk weight in % | Exposure amount | RWA        |
| Exchange-traded equity exposures         | 7                | –                 | 300%             | 7               | 22         |
| Private equity exposures                 | 132              | –                 | 400%             | 132             | 559        |
| Other equity exposures                   | 1                | 0                 | 400%             | 1               | 6          |
| <b>Total</b>                             | <b>140</b>       | <b>0</b>          |                  | <b>140</b>      | <b>587</b> |

There were no material changes in equities under the simple risk weight method compared to the previous re-reporting date.

## 12 Counterparty credit risk

### 12.1 CCRA: Counterparty credit risk: qualitative disclosure related to counterparty credit risk

#### Relevant divisions

Trading activities at Zürcher Kantonalbank with counterparty credit risk include bilateral OTC derivatives, repos and SLB transactions. Zürcher Kantonalbank is also a clearing member of central counterparties for OTC derivatives, exchange traded derivatives (ETDs) and repos, and provides clearing services for clients. In some market segments, Zürcher Kantonalbank also uses access to central counterparties through a clearing broker. The client base includes financial institutions, corporates and public-sector entities.

#### Organisation, processes and methods

In procedural and organisational terms, management of counterparty credit risk is integrated into that of credit risk. Counterparty credit risk is managed at the level of individual counterparties using limits monitored in real time. Compliance can be examined with a pre-deal check before a transaction is executed. When calculating limit utilisation, both, current exposure and potential future exposure are taken into account.

Contractual collateralisation agreements are offset separately as risk reduction. In addition to the separate perspective, limit utilisation is also compared to all other credit exposures to a counterparty combined and to its overall credit risk limit. Counterparty credit risk is also included in credit risk measurement at portfolio level and in the calculation of capital at risk and expected loss in the Credit Risk Portfolio Management System. For central counterparties, both, potential future exposure and contributions to the default fund and the initial margin are also taken into account.

#### Risk mitigation techniques and wrong way risk

With bilateral OTC derivatives, Zürcher Kantonalbank aims for collateralisation by means of netting agreements and collateral support annexes (CSAs), especially when dealing with financial institutions and large corporates. Where this is not possible, alternative collateral is often agreed, e. g. in the form of mortgages. Conservative rules apply as regards currency, quality and overcollateralisation (haircut) for collateral that Zürcher Kantonalbank accepts for derivative, repo and SLB transactions. Counterparties are expressly forbidden from posting their own bonds or equities as collateral.

## Impact of a rating downgrade on guarantees given

Zürcher Kantonalbank has been awarded the highest rating from the major rating agencies Standard & Poor's, Moody's and Fitch. A downgrade of Zürcher Kantonalbank would not mean an immediate and material increase in the collateral/guarantees demanded by counterparties in SLB, repo and derivatives business. Zürcher Kantonalbank mostly uses standard agreements for this business; these do not contain any clauses triggering the issue of more guarantees when the bank's own rating deteriorates.

## 12.2 CCR1: Counterparty credit risk: analysis of counterparty credit risk (CCR) exposure by approach

|   | a                | b                         | c   | d                                       | e            | f            |
|---|------------------|---------------------------|---|---|--------------|--------------|
| 31.12.2023<br>in CHF million<br>(unless stated otherwise) | Replacement cost | Potential future exposure | EEPE (effective expected positive exposure) | Alpha used for computing regulatory EAD | EAD post-CRM | RWA          |
| 1 SA-CCR (for derivatives)                                | 1,360            | 2,986                     |   | 1.4                                     | 6,084        | 2,999        |
| 2 IMM (for derivatives and SFTs)                          |                  |                           | -   | -                                       | -            | -            |
| 3 Simple approach for risk mitigation (for SFTs)          |                  |                           |   |   | -            | -            |
| 4 Comprehensive approach for risk mitigation (for SFTs)   |                  |                           |   |   | 8,847        | 5,469        |
| 5 VaR for SFTs  |                  |                           |   |   | -            | -            |
| <b>6 Total</b>  |                  |                           |   |   |              | <b>8,468</b> |

|   | a                | b                         | c   | d                                       | e            | f            |
|---|------------------|---------------------------|---|---|--------------|--------------|
| 30.06.2023<br>in CHF million<br>(unless stated otherwise) | Replacement cost | Potential future exposure | EEPE (effective expected positive exposure) | Alpha used for computing regulatory EAD | EAD post-CRM | RWA          |
| 1 SA-CCR (for derivatives)                                | 991              | 3,438                     |   | 1.4                                     | 6,201        | 3,064        |
| 2 IMM (for derivatives and SFTs)                          |                  |                           | -   | -                                       | -            | -            |
| 3 Simple approach for risk mitigation (for SFTs)          |                  |                           |   |   | -            | -            |
| 4 Comprehensive approach for risk mitigation (for SFTs)   |                  |                           |   |   | 9,039        | 5,426        |
| 5 VaR for SFTs  |                  |                           |   |   | -            | -            |
| <b>6 Total</b>  |                  |                           |   |   |              | <b>8,490</b> |

Replacement cost for derivatives increased compared to 30 June 2023, while potential future exposure decreased in the same period. As a result, EAD post-CRM for derivatives was CHF 117 million lower. With an essentially unchanged average risk weight of 49 percent for counterparties for derivative transactions, this results in RWA of CHF 2,999 million (- CHF 65 million compared with 30 June 2023). EAD post-CRM for SFTs slightly decreased (- CHF 192 million). Together with the higher average risk weight for SFTs (increase from 60 percent to 62 percent), RWA as at 31 December 2023 increased by CHF 43 million compared to the end of June 2023.

## 12.3 CCR2: Counterparty credit risk: credit valuation adjustment (CVA) capital charge

|   | 31.12.2023<br>a | 31.12.2023<br>b | 30.06.2023<br>a | 30.06.2023<br>b |
|---|-----------------|-----------------|-----------------|-----------------|
| in CHF million  | EAD post-CRM    | RWA             | EAD post-CRM    | RWA             |
| Total portfolios subject to the Advanced CVA capital charge     | -               | -               | -               | -               |
| 1 VaR component (including the 3 × multiplier)                  |                 | -               |                 | -               |
| 2 Stressed VaR component (including the 3 × multiplier)         |                 | -               |                 | -               |
| 3 All portfolios subject to the standardised CVA capital charge | 6,084           | 1,890           | 6,201           | 1,547           |
| <b>4 Total subject to the standardised CVA capital charge</b>   | <b>6,084</b>    | <b>1,890</b>    | <b>6,201</b>    | <b>1,547</b>    |

The changes shown in Table CCR1 are also displayed in Table CCR2. For the CVA, the CHF 117 million decrease in EAD post-CRM for derivatives resulted in an increase of CHF 343 million in RWA to CHF 1,890 million.

## 12.4 CCR3: Counterparty credit risk: standardised approach of CCR exposures by regulatory portfolio and risk weights

31.12.2023

| in million CHF                               |   | a          | b        | c            | d          | e        | f            | g        | h        | i                     |
|--|---|------------|----------|--------------|------------|----------|--------------|----------|----------|-----------------------|
| Exposure category / risk weight <sup>1</sup> |   | 0%         | 10%      | 20%          | 50%        | 75%      | 100%         | 150%     | Other    | Total credit exposure |
| 1  | Central governments and central banks                           | 102        | –        | –            | –          | –        | 815          | –        | –        | 917                   |
| 2  | Banks and securities firms                                      | –          | –        | 1,411        | 267        | –        | –            | –        | –        | 1,678                 |
| 3  | Other public sector entities and multilateral development banks | 123        | –        | 45           | 18         | –        | 156          | –        | –        | 341                   |
| 4  | Corporates  | –          | –        | 157          | 481        | –        | 4,599        | –        | –        | 5,238                 |
| 5  | Retail  | –          | –        | –            | –          | –        | 222          | –        | –        | 222                   |
| 6  | Equity  | –          | –        | –            | –          | –        | –            | –        | –        | –                     |
| 7  | Other exposures   | –          | –        | –            | –          | –        | 292          | –        | –        | 292                   |
| 8 <sup>2</sup>                               |   | –          | –        | –            | –          | –        | –            | –        | –        | –                     |
| 9  | <b>Total</b>  | <b>225</b> | <b>–</b> | <b>1,613</b> | <b>766</b> | <b>–</b> | <b>6,084</b> | <b>–</b> | <b>–</b> | <b>8,688</b>          |

<sup>1</sup> According to FINMA Circ. 16/1, the exposure category central counterparties (CCP) is not part of this table. We refer to table CCR8 for disclosures with respect to exposures to central counterparties.

<sup>2</sup> Currently, Zürcher Kantonalbank does not have credit exposures that would be disclosed in row 8 of this table.

30.06.2023

| in million CHF                               |   | a          | b        | c            | d          | e        | f            | g        | h        | i                     |
|--|---|------------|----------|--------------|------------|----------|--------------|----------|----------|-----------------------|
| Exposure category / risk weight <sup>1</sup> |   | 0%         | 10%      | 20%          | 50%        | 75%      | 100%         | 150%     | Other    | Total credit exposure |
| 1  | Central governments and central banks                           | 97         | –        | –            | –          | –        | 966          | –        | –        | 1,062                 |
| 2  | Banks and securities firms                                      | –          | –        | 1,607        | 228        | –        | –            | –        | –        | 1,834                 |
| 3  | Other public sector entities and multilateral development banks | 64         | –        | 25           | 14         | –        | 210          | –        | –        | 313                   |
| 4  | Corporates  | –          | –        | 400          | 650        | –        | 4,238        | –        | –        | 5,288                 |
| 5  | Retail  | –          | –        | –            | –          | –        | 277          | –        | –        | 277                   |
| 6  | Equity  | –          | –        | –            | –          | –        | –            | –        | –        | –                     |
| 7  | Other exposures   | –          | –        | –            | –          | –        | 417          | –        | –        | 417                   |
| 8 <sup>2</sup>                               |   | –          | –        | –            | –          | –        | –            | –        | –        | –                     |
| 9  | <b>Total</b>  | <b>160</b> | <b>–</b> | <b>2,032</b> | <b>892</b> | <b>–</b> | <b>6,106</b> | <b>–</b> | <b>–</b> | <b>9,190</b>          |

<sup>1</sup> According to FINMA Circ. 16/1, the exposure category central counterparties (CCP) is not part of this table. We refer to table CCR8 for disclosures with respect to exposures to central counterparties.

<sup>2</sup> Currently, Zürcher Kantonalbank does not have credit exposures that would be disclosed in row 8 of this table.

Counterparty credit risk positions under the standardised approach sank by CHF 502 million compared with 30 June 2023. With the exception of the segment other public sector entities and multilateral development banks, exposures in all segments were slightly lower than in mid-2023.

## 12.5 CCR4: IRB: CCR exposures by portfolio and PD scale

31.12.2023

| in CHF million<br>(unless stated<br>otherwise)                     | a               | b                  | c                     | d                   | e                            | f   | g                   |
|--|-----------------|--------------------|-----------------------|---------------------|------------------------------|-----|---------------------|
|  | EAD<br>post-CRM | Average<br>PD in % | Number<br>of obligors | Average<br>LGD in % | Average<br>maturity in years | RWA | RWA density<br>in % |
| <b>1 Central governments and central banks (F-IRB) by PD range</b> |                 |                    |                       |                     |                              |     |                     |
| 0.00 to <0.15  | –               | –                  | –                     | –                   | –                            | –   | –                   |
| 0.15 to <0.25  | –               | –                  | –                     | –                   | –                            | –   | –                   |
| 0.25 to <0.50  | –               | –                  | –                     | –                   | –                            | –   | –                   |
| 0.50 to <0.75  | –               | –                  | –                     | –                   | –                            | –   | –                   |
| 0.75 to <2.50  | –               | –                  | –                     | –                   | –                            | –   | –                   |
| 2.50 to <10.00   | –               | –                  | –                     | –                   | –                            | –   | –                   |
| 10.00 to <100.00   | –               | –                  | –                     | –                   | –                            | –   | –                   |
| 100.00 (Default)   | –               | –                  | –                     | –                   | –                            | –   | –                   |
| Subtotal   | –               | –                  | –                     | –                   | –                            | –   | –                   |

| 31.12.2023<br>in CHF million<br>(unless stated<br>otherwise)                              | a               | b                  | c                     | d                   | e                            | f     | g                   |
|---|-----------------|--------------------|-----------------------|---------------------|------------------------------|-------|---------------------|
|   | EAD<br>post-CRM | Average<br>PD in % | Number<br>of obligors | Average<br>LGD in % | Average<br>maturity in years | RWA   | RWA density<br>in % |
| <b>2 Central governments and central banks (A-IRB) by PD range</b>                        |                 |                    |                       |                     |                              |       |                     |
| 0.00 to <0.15   | –               | –                  | –                     | –                   | –                            | –     | –                   |
| 0.15 to <0.25   | –               | –                  | –                     | –                   | –                            | –     | –                   |
| 0.25 to <0.50   | –               | –                  | –                     | –                   | –                            | –     | –                   |
| 0.50 to <0.75   | –               | –                  | –                     | –                   | –                            | –     | –                   |
| 0.75 to <2.50   | –               | –                  | –                     | –                   | –                            | –     | –                   |
| 2.50 to <10.00  | –               | –                  | –                     | –                   | –                            | –     | –                   |
| 10.00 to <100.00  | –               | –                  | –                     | –                   | –                            | –     | –                   |
| 100.00 (Default)  | –               | –                  | –                     | –                   | –                            | –     | –                   |
| Subtotal  | –               | –                  | –                     | –                   | –                            | –     | –                   |
| <b>3 Banks and securities firms (F-IRB) by PD range</b>                                   |                 |                    |                       |                     |                              |       |                     |
| 0.00 to <0.15   | 4,356           | 0.1%               | 90                    | 45.0%               | 0.9                          | 786   | 18.0%               |
| 0.15 to <0.25   | 835             | 0.2%               | 58                    | 45.0%               | 0.9                          | 265   | 31.8%               |
| 0.25 to <0.50   | 196             | 0.3%               | 56                    | 45.0%               | 0.8                          | 85    | 43.3%               |
| 0.50 to <0.75   | 48              | 0.7%               | 33                    | 45.0%               | 1.1                          | 33    | 69.9%               |
| 0.75 to <2.50   | 35              | 1.4%               | 34                    | 45.0%               | 0.9                          | 32    | 92.1%               |
| 2.50 to <10.00  | 2               | 4.3%               | 8                     | 45.0%               | 1.0                          | 3     | 131.9%              |
| 10.00 to <100.00  | 22              | 16.5%              | 22                    | 45.0%               | 1.0                          | 53    | 239.5%              |
| 100.00 (Default)  | –               | –                  | –                     | –                   | –                            | –     | –                   |
| Subtotal  | 5,495           | 0.2%               | 301                   | 45.0%               | 0.9                          | 1,258 | 22.9%               |
| <b>4 Banks and securities firms (A-IRB) by PD range</b>                                   |                 |                    |                       |                     |                              |       |                     |
| 0.00 to <0.15   | –               | –                  | –                     | –                   | –                            | –     | –                   |
| 0.15 to <0.25   | –               | –                  | –                     | –                   | –                            | –     | –                   |
| 0.25 to <0.50   | –               | –                  | –                     | –                   | –                            | –     | –                   |
| 0.50 to <0.75   | –               | –                  | –                     | –                   | –                            | –     | –                   |
| 0.75 to <2.50   | –               | –                  | –                     | –                   | –                            | –     | –                   |
| 2.50 to <10.00  | –               | –                  | –                     | –                   | –                            | –     | –                   |
| 10.00 to <100.00  | –               | –                  | –                     | –                   | –                            | –     | –                   |
| 100.00 (Default)  | –               | –                  | –                     | –                   | –                            | –     | –                   |
| Subtotal  | –               | –                  | –                     | –                   | –                            | –     | –                   |
| <b>5 Other public sector entities, multilateral development banks (F-IRB) by PD range</b> |                 |                    |                       |                     |                              |       |                     |
| 0.00 to <0.15   | –               | –                  | –                     | –                   | –                            | –     | –                   |
| 0.15 to <0.25   | –               | –                  | –                     | –                   | –                            | –     | –                   |
| 0.25 to <0.50   | –               | –                  | –                     | –                   | –                            | –     | –                   |
| 0.50 to <0.75   | –               | –                  | –                     | –                   | –                            | –     | –                   |
| 0.75 to <2.50   | –               | –                  | –                     | –                   | –                            | –     | –                   |
| 2.50 to <10.00  | –               | –                  | –                     | –                   | –                            | –     | –                   |
| 10.00 to <100.00  | –               | –                  | –                     | –                   | –                            | –     | –                   |
| 100.00 (Default)  | –               | –                  | –                     | –                   | –                            | –     | –                   |
| Subtotal  | –               | –                  | –                     | –                   | –                            | –     | –                   |
| <b>6 Other public sector entities, multilateral development banks (A-IRB) by PD range</b> |                 |                    |                       |                     |                              |       |                     |
| 0.00 to <0.15   | –               | –                  | –                     | –                   | –                            | –     | –                   |
| 0.15 to <0.25   | –               | –                  | –                     | –                   | –                            | –     | –                   |
| 0.25 to <0.50   | –               | –                  | –                     | –                   | –                            | –     | –                   |
| 0.50 to <0.75   | –               | –                  | –                     | –                   | –                            | –     | –                   |
| 0.75 to <2.50   | –               | –                  | –                     | –                   | –                            | –     | –                   |
| 2.50 to <10.00  | –               | –                  | –                     | –                   | –                            | –     | –                   |
| 10.00 to <100.00  | –               | –                  | –                     | –                   | –                            | –     | –                   |
| 100.00 (Default)  | –               | –                  | –                     | –                   | –                            | –     | –                   |
| Subtotal  | –               | –                  | –                     | –                   | –                            | –     | –                   |
| <b>7 Corporates: specialised lending (F-IRB) by PD range</b>                              |                 |                    |                       |                     |                              |       |                     |
| 0.00 to <0.15   | 1               | 0.0%               | 1                     | 45.0%               | 5.0                          | 0     | 31.8%               |
| 0.15 to <0.25   | 15              | 0.2%               | 3                     | 45.0%               | 1.0                          | 4     | 27.4%               |
| 0.25 to <0.50   | 144             | 0.3%               | 26                    | 45.0%               | 4.9                          | 118   | 81.9%               |
| 0.50 to <0.75   | 4               | 0.7%               | 5                     | 45.0%               | 4.9                          | 5     | 113.4%              |
| 0.75 to <2.50   | 3               | 1.0%               | 2                     | 45.0%               | 5.0                          | 4     | 132.9%              |
| 2.50 to <10.00  | –               | –                  | –                     | –                   | –                            | –     | –                   |
| 10.00 to <100.00  | –               | –                  | –                     | –                   | –                            | –     | –                   |
| 100.00 (Default)  | –               | –                  | –                     | –                   | –                            | –     | –                   |
| Subtotal  | 167             | 0.3%               | 37                    | 45.0%               | 4.5                          | 131   | 78.4%               |

| 31.12.2023<br>in CHF million<br>(unless stated<br>otherwise)        | a               | b                  | c                     | d                   | e                            | f   | g                   |
|---|-----------------|--------------------|-----------------------|---------------------|------------------------------|-----|---------------------|
|   | EAD<br>post-CRM | Average<br>PD in % | Number<br>of obligors | Average<br>LGD in % | Average<br>maturity in years | RWA | RWA density<br>in % |
| <b>8 Corporates: specialised lending (A-IRB) by PD range</b>        |                 |                    |                       |                     |                              |     |                     |
| 0.00 to <0.15   | –               | –                  | –                     | –                   | –                            | –   | –                   |
| 0.15 to <0.25   | –               | –                  | –                     | –                   | –                            | –   | –                   |
| 0.25 to <0.50   | –               | –                  | –                     | –                   | –                            | –   | –                   |
| 0.50 to <0.75   | –               | –                  | –                     | –                   | –                            | –   | –                   |
| 0.75 to <2.50   | –               | –                  | –                     | –                   | –                            | –   | –                   |
| 2.50 to <10.00  | –               | –                  | –                     | –                   | –                            | –   | –                   |
| 10.00 to <100.00  | –               | –                  | –                     | –                   | –                            | –   | –                   |
| 100.00 (Default)  | –               | –                  | –                     | –                   | –                            | –   | –                   |
| Subtotal  | –               | –                  | –                     | –                   | –                            | –   | –                   |
| <b>9 Corporates: other lending (F-IRB) by PD range</b>              |                 |                    |                       |                     |                              |     |                     |
| 0.00 to <0.15   | 322             | 0.1%               | 35                    | 45.0%               | 3.5                          | 112 | 35.0%               |
| 0.15 to <0.25   | 36              | 0.2%               | 19                    | 45.0%               | 3.7                          | 20  | 55.1%               |
| 0.25 to <0.50   | 84              | 0.4%               | 94                    | 45.0%               | 1.7                          | 45  | 52.7%               |
| 0.50 to <0.75   | 68              | 0.7%               | 45                    | 45.0%               | 1.1                          | 47  | 69.0%               |
| 0.75 to <2.50   | 50              | 1.7%               | 66                    | 45.0%               | 1.1                          | 49  | 96.2%               |
| 2.50 to <10.00  | 9               | 4.0%               | 12                    | 45.0%               | 2.9                          | 13  | 146.9%              |
| 10.00 to <100.00  | 0               | 18.7%              | 1                     | 45.0%               | 1.0                          | 0   | 183.1%              |
| 100.00 (Default)  | 0               | –                  | 3                     | –                   | –                            | 0   | 106.0%              |
| Subtotal  | 569             | 0.4%               | 275                   | 45.0%               | 2.8                          | 285 | 50.1%               |
| <b>10 Corporates: other lending (A-IRB) by PD range</b>             |                 |                    |                       |                     |                              |     |                     |
| 0.00 to <0.15   | –               | –                  | –                     | –                   | –                            | –   | –                   |
| 0.15 to <0.25   | –               | –                  | –                     | –                   | –                            | –   | –                   |
| 0.25 to <0.50   | –               | –                  | –                     | –                   | –                            | –   | –                   |
| 0.50 to <0.75   | –               | –                  | –                     | –                   | –                            | –   | –                   |
| 0.75 to <2.50   | –               | –                  | –                     | –                   | –                            | –   | –                   |
| 2.50 to <10.00  | –               | –                  | –                     | –                   | –                            | –   | –                   |
| 10.00 to <100.00  | –               | –                  | –                     | –                   | –                            | –   | –                   |
| 100.00 (Default)  | –               | –                  | –                     | –                   | –                            | –   | –                   |
| Subtotal  | –               | –                  | –                     | –                   | –                            | –   | –                   |
| <b>11 Retail: covered by mortgages by PD range</b>                  |                 |                    |                       |                     |                              |     |                     |
| 0.00 to <0.15   | 5               | 0.1%               | 49                    | 53.2%               | 1.3                          | 1   | 12.6%               |
| 0.15 to <0.25   | 3               | 0.2%               | 15                    | 48.7%               | 3.0                          | 1   | 28.0%               |
| 0.25 to <0.50   | 2               | 0.4%               | 21                    | 56.3%               | 1.0                          | 1   | 53.8%               |
| 0.50 to <0.75   | 0               | 0.7%               | 5                     | 56.3%               | 1.0                          | 0   | 88.2%               |
| 0.75 to <2.50   | 1               | 1.0%               | 5                     | 56.3%               | 4.7                          | 1   | 121.8%              |
| 2.50 to <10.00  | 0               | 2.6%               | 1                     | 56.3%               | 1.0                          | 1   | 218.4%              |
| 10.00 to <100.00  | –               | –                  | –                     | –                   | –                            | –   | –                   |
| 100.00 (Default)  | –               | –                  | –                     | –                   | –                            | –   | –                   |
| Subtotal  | 12              | 0.3%               | 96                    | 52.9%               | 1.9                          | 5   | 38.3%               |
| <b>12 Retail: qualifying revolving exposures (QRRE) by PD range</b> |                 |                    |                       |                     |                              |     |                     |
| 0.00 to <0.15   | –               | –                  | –                     | –                   | –                            | –   | –                   |
| 0.15 to <0.25   | –               | –                  | –                     | –                   | –                            | –   | –                   |
| 0.25 to <0.50   | –               | –                  | –                     | –                   | –                            | –   | –                   |
| 0.50 to <0.75   | –               | –                  | –                     | –                   | –                            | –   | –                   |
| 0.75 to <2.50   | –               | –                  | –                     | –                   | –                            | –   | –                   |
| 2.50 to <10.00  | –               | –                  | –                     | –                   | –                            | –   | –                   |
| 10.00 to <100.00  | –               | –                  | –                     | –                   | –                            | –   | –                   |
| 100.00 (Default)  | –               | –                  | –                     | –                   | –                            | –   | –                   |
| Subtotal  | –               | –                  | –                     | –                   | –                            | –   | –                   |
| <b>13 Other retail exposures by PD range</b>                        |                 |                    |                       |                     |                              |     |                     |
| 0.00 to <0.15   | –               | –                  | –                     | –                   | –                            | –   | –                   |
| 0.15 to <0.25   | –               | –                  | –                     | –                   | –                            | –   | –                   |
| 0.25 to <0.50   | –               | –                  | –                     | –                   | –                            | –   | –                   |
| 0.50 to <0.75   | –               | –                  | –                     | –                   | –                            | –   | –                   |
| 0.75 to <2.50   | –               | –                  | –                     | –                   | –                            | –   | –                   |
| 2.50 to <10.00  | –               | –                  | –                     | –                   | –                            | –   | –                   |
| 10.00 to <100.00  | –               | –                  | –                     | –                   | –                            | –   | –                   |
| 100.00 (Default)  | –               | –                  | –                     | –                   | –                            | –   | –                   |
| Subtotal  | –               | –                  | –                     | –                   | –                            | –   | –                   |



| 31.12.2023                                     | a               | b                  | c                     | d                   | e                            | f            | g                   |
|--|-----------------|--------------------|-----------------------|---------------------|------------------------------|--------------|---------------------|
| in CHF million<br>(unless stated<br>otherwise) | EAD<br>post-CRM | Average<br>PD in % | Number<br>of obligors | Average<br>LGD in % | Average<br>maturity in years | RWA          | RWA density<br>in % |
| <b>14 Equity (PD/LGD approach) by PD range</b> |                 |                    |                       |                     |                              |              |                     |
| 0.00 to <0.15                                  | -               | -                  | -                     | -                   | -                            | -            | -                   |
| 0.15 to <0.25                                  | -               | -                  | -                     | -                   | -                            | -            | -                   |
| 0.25 to <0.50                                  | -               | -                  | -                     | -                   | -                            | -            | -                   |
| 0.50 to <0.75                                  | -               | -                  | -                     | -                   | -                            | -            | -                   |
| 0.75 to <2.50                                  | -               | -                  | -                     | -                   | -                            | -            | -                   |
| 2.50 to <10.00                                 | -               | -                  | -                     | -                   | -                            | -            | -                   |
| 10.00 to <100.00                               | -               | -                  | -                     | -                   | -                            | -            | -                   |
| 100.00 (Default)                               | -               | -                  | -                     | -                   | -                            | -            | -                   |
| Subtotal                                       | -               | -                  | -                     | -                   | -                            | -            | -                   |
| <b>Total all portfolios</b>                    | <b>6,243</b>    | <b>0.2%</b>        | <b>709</b>            | <b>46.1%</b>        | <b>1.2</b>                   | <b>1,678</b> | <b>26.9%</b>        |

| 30.06.2023   | a               | b                  | c                     | d                   | e                            | f     | g                   |
|--|-----------------|--------------------|-----------------------|---------------------|------------------------------|-------|---------------------|
| in CHF million<br>(unless stated<br>otherwise)                     | EAD<br>post-CRM | Average<br>PD in % | Number<br>of obligors | Average<br>LGD in % | Average<br>maturity in years | RWA   | RWA density<br>in % |
| <b>1 Central governments and central banks (F-IRB) by PD range</b> |                 |                    |                       |                     |                              |       |                     |
| 0.00 to <0.15  | -               | -                  | -                     | -                   | -                            | -     | -                   |
| 0.15 to <0.25  | -               | -                  | -                     | -                   | -                            | -     | -                   |
| 0.25 to <0.50  | -               | -                  | -                     | -                   | -                            | -     | -                   |
| 0.50 to <0.75  | -               | -                  | -                     | -                   | -                            | -     | -                   |
| 0.75 to <2.50  | -               | -                  | -                     | -                   | -                            | -     | -                   |
| 2.50 to <10.00   | -               | -                  | -                     | -                   | -                            | -     | -                   |
| 10.00 to <100.00   | -               | -                  | -                     | -                   | -                            | -     | -                   |
| 100.00 (Default)   | -               | -                  | -                     | -                   | -                            | -     | -                   |
| Subtotal   | -               | -                  | -                     | -                   | -                            | -     | -                   |
| <b>2 Central governments and central banks (A-IRB) by PD range</b> |                 |                    |                       |                     |                              |       |                     |
| 0.00 to <0.15  | -               | -                  | -                     | -                   | -                            | -     | -                   |
| 0.15 to <0.25  | -               | -                  | -                     | -                   | -                            | -     | -                   |
| 0.25 to <0.50  | -               | -                  | -                     | -                   | -                            | -     | -                   |
| 0.50 to <0.75  | -               | -                  | -                     | -                   | -                            | -     | -                   |
| 0.75 to <2.50  | -               | -                  | -                     | -                   | -                            | -     | -                   |
| 2.50 to <10.00   | -               | -                  | -                     | -                   | -                            | -     | -                   |
| 10.00 to <100.00   | -               | -                  | -                     | -                   | -                            | -     | -                   |
| 100.00 (Default)   | -               | -                  | -                     | -                   | -                            | -     | -                   |
| Subtotal   | -               | -                  | -                     | -                   | -                            | -     | -                   |
| <b>3 Banks and securities firms (F-IRB) by PD range</b>            |                 |                    |                       |                     |                              |       |                     |
| 0.00 to <0.15  | 4,267           | 0.1%               | 90                    | 45.0%               | 0.9                          | 780   | 18.3%               |
| 0.15 to <0.25  | 937             | 0.2%               | 56                    | 45.0%               | 1.0                          | 308   | 32.9%               |
| 0.25 to <0.50  | 178             | 0.3%               | 56                    | 45.0%               | 0.9                          | 81    | 45.3%               |
| 0.50 to <0.75  | 49              | 0.7%               | 30                    | 45.0%               | 1.1                          | 33    | 67.6%               |
| 0.75 to <2.50  | 17              | 1.2%               | 35                    | 45.0%               | 1.2                          | 17    | 99.1%               |
| 2.50 to <10.00   | 4               | 3.5%               | 13                    | 45.0%               | 1.0                          | 5     | 121.9%              |
| 10.00 to <100.00   | 7               | 14.1%              | 20                    | 45.0%               | 1.0                          | 16    | 221.4%              |
| 100.00 (Default)   | -               | -                  | -                     | -                   | -                            | -     | -                   |
| Subtotal   | 5,460           | 0.1%               | 300                   | 45.0%               | 0.9                          | 1,240 | 22.7%               |
| <b>4 Banks and securities firms (A-IRB) by PD range</b>            |                 |                    |                       |                     |                              |       |                     |
| 0.00 to <0.15  | -               | -                  | -                     | -                   | -                            | -     | -                   |
| 0.15 to <0.25  | -               | -                  | -                     | -                   | -                            | -     | -                   |
| 0.25 to <0.50  | -               | -                  | -                     | -                   | -                            | -     | -                   |
| 0.50 to <0.75  | -               | -                  | -                     | -                   | -                            | -     | -                   |
| 0.75 to <2.50  | -               | -                  | -                     | -                   | -                            | -     | -                   |
| 2.50 to <10.00   | -               | -                  | -                     | -                   | -                            | -     | -                   |
| 10.00 to <100.00   | -               | -                  | -                     | -                   | -                            | -     | -                   |
| 100.00 (Default)   | -               | -                  | -                     | -                   | -                            | -     | -                   |
| Subtotal   | -               | -                  | -                     | -                   | -                            | -     | -                   |

| 30.06.2023<br>in CHF million<br>(unless stated<br>otherwise)                              | a               | b                  | c                     | d                   | e                            | f   | g                   |
|---|-----------------|--------------------|-----------------------|---------------------|------------------------------|-----|---------------------|
|   | EAD<br>post-CRM | Average<br>PD in % | Number<br>of obligors | Average<br>LGD in % | Average<br>maturity in years | RWA | RWA density<br>in % |
| <b>5 Other public sector entities, multilateral development banks (F-IRB) by PD range</b> |                 |                    |                       |                     |                              |     |                     |
| 0.00 to <0.15   | -               | -                  | -                     | -                   | -                            | -   | -                   |
| 0.15 to <0.25   | -               | -                  | -                     | -                   | -                            | -   | -                   |
| 0.25 to <0.50   | -               | -                  | -                     | -                   | -                            | -   | -                   |
| 0.50 to <0.75   | -               | -                  | -                     | -                   | -                            | -   | -                   |
| 0.75 to <2.50   | -               | -                  | -                     | -                   | -                            | -   | -                   |
| 2.50 to <10.00  | -               | -                  | -                     | -                   | -                            | -   | -                   |
| 10.00 to <100.00  | -               | -                  | -                     | -                   | -                            | -   | -                   |
| 100.00 (Default)  | -               | -                  | -                     | -                   | -                            | -   | -                   |
| Subtotal  | -               | -                  | -                     | -                   | -                            | -   | -                   |
| <b>6 Other public sector entities, multilateral development banks (A-IRB) by PD range</b> |                 |                    |                       |                     |                              |     |                     |
| 0.00 to <0.15   | -               | -                  | -                     | -                   | -                            | -   | -                   |
| 0.15 to <0.25   | -               | -                  | -                     | -                   | -                            | -   | -                   |
| 0.25 to <0.50   | -               | -                  | -                     | -                   | -                            | -   | -                   |
| 0.50 to <0.75   | -               | -                  | -                     | -                   | -                            | -   | -                   |
| 0.75 to <2.50   | -               | -                  | -                     | -                   | -                            | -   | -                   |
| 2.50 to <10.00  | -               | -                  | -                     | -                   | -                            | -   | -                   |
| 10.00 to <100.00  | -               | -                  | -                     | -                   | -                            | -   | -                   |
| 100.00 (Default)  | -               | -                  | -                     | -                   | -                            | -   | -                   |
| Subtotal  | -               | -                  | -                     | -                   | -                            | -   | -                   |
| <b>7 Corporates: specialised lending (F-IRB) by PD range</b>                              |                 |                    |                       |                     |                              |     |                     |
| 0.00 to <0.15   | 0               | 0.0%               | 1                     | 45.0%               | 5.0                          | 0   | 31.8%               |
| 0.15 to <0.25   | 24              | 0.2%               | 4                     | 45.0%               | 1.0                          | 7   | 27.4%               |
| 0.25 to <0.50   | 60              | 0.3%               | 25                    | 45.0%               | 4.9                          | 48  | 81.0%               |
| 0.50 to <0.75   | 13              | 0.7%               | 8                     | 45.0%               | 5.0                          | 15  | 114.8%              |
| 0.75 to <2.50   | 3               | 1.0%               | 1                     | 45.0%               | 5.0                          | 4   | 132.9%              |
| 2.50 to <10.00  | -               | -                  | -                     | -                   | -                            | -   | -                   |
| 10.00 to <100.00  | -               | -                  | -                     | -                   | -                            | -   | -                   |
| 100.00 (Default)  | -               | -                  | -                     | -                   | -                            | -   | -                   |
| Subtotal  | 100             | 0.3%               | 39                    | 45.0%               | 4.0                          | 74  | 74.0%               |
| <b>8 Corporates: specialised lending (A-IRB) by PD range</b>                              |                 |                    |                       |                     |                              |     |                     |
| 0.00 to <0.15   | -               | -                  | -                     | -                   | -                            | -   | -                   |
| 0.15 to <0.25   | -               | -                  | -                     | -                   | -                            | -   | -                   |
| 0.25 to <0.50   | -               | -                  | -                     | -                   | -                            | -   | -                   |
| 0.50 to <0.75   | -               | -                  | -                     | -                   | -                            | -   | -                   |
| 0.75 to <2.50   | -               | -                  | -                     | -                   | -                            | -   | -                   |
| 2.50 to <10.00  | -               | -                  | -                     | -                   | -                            | -   | -                   |
| 10.00 to <100.00  | -               | -                  | -                     | -                   | -                            | -   | -                   |
| 100.00 (Default)  | -               | -                  | -                     | -                   | -                            | -   | -                   |
| Subtotal  | -               | -                  | -                     | -                   | -                            | -   | -                   |
| <b>9 Corporates: other lending (F-IRB) by PD range</b>                                    |                 |                    |                       |                     |                              |     |                     |
| 0.00 to <0.15   | 246             | 0.1%               | 35                    | 45.0%               | 2.7                          | 71  | 29.0%               |
| 0.15 to <0.25   | 29              | 0.2%               | 21                    | 45.0%               | 2.4                          | 13  | 42.9%               |
| 0.25 to <0.50   | 110             | 0.4%               | 86                    | 45.0%               | 1.3                          | 54  | 48.6%               |
| 0.50 to <0.75   | 48              | 0.7%               | 41                    | 45.0%               | 1.3                          | 34  | 71.3%               |
| 0.75 to <2.50   | 38              | 1.8%               | 66                    | 45.0%               | 1.1                          | 37  | 96.7%               |
| 2.50 to <10.00  | 4               | 3.9%               | 17                    | 45.0%               | 1.4                          | 4   | 125.6%              |
| 10.00 to <100.00  | 0               | 11.8%              | 1                     | 45.0%               | 1.0                          | 0   | 152.2%              |
| 100.00 (Default)  | 0               | -                  | 3                     | -                   | -                            | 0   | 106.0%              |
| Subtotal  | 475             | 0.4%               | 270                   | 45.0%               | 2.1                          | 213 | 44.9%               |
| <b>10 Corporates: other lending (A-IRB) by PD range</b>                                   |                 |                    |                       |                     |                              |     |                     |
| 0.00 to <0.15   | -               | -                  | -                     | -                   | -                            | -   | -                   |
| 0.15 to <0.25   | -               | -                  | -                     | -                   | -                            | -   | -                   |
| 0.25 to <0.50   | -               | -                  | -                     | -                   | -                            | -   | -                   |
| 0.50 to <0.75   | -               | -                  | -                     | -                   | -                            | -   | -                   |
| 0.75 to <2.50   | -               | -                  | -                     | -                   | -                            | -   | -                   |
| 2.50 to <10.00  | -               | -                  | -                     | -                   | -                            | -   | -                   |
| 10.00 to <100.00  | -               | -                  | -                     | -                   | -                            | -   | -                   |
| 100.00 (Default)  | -               | -                  | -                     | -                   | -                            | -   | -                   |
| Subtotal  | -               | -                  | -                     | -                   | -                            | -   | -                   |

| 30.06.2023<br>in CHF million<br>(unless stated<br>otherwise)        | a               | b                  | c                     | d                   | e                            | f            | g                   |
|---|-----------------|--------------------|-----------------------|---------------------|------------------------------|--------------|---------------------|
|   | EAD<br>post-CRM | Average<br>PD in % | Number<br>of obligors | Average<br>LGD in % | Average<br>maturity in years | RWA          | RWA density<br>in % |
| <b>11 Retail: covered by mortgages by PD range</b>                  |                 |                    |                       |                     |                              |              |                     |
| 0.00 to <0.15   | 10              | 0.0%               | 45                    | 54.3%               | 1.0                          | 1            | 9.6%                |
| 0.15 to <0.25   | 2               | 0.2%               | 12                    | 50.1%               | 2.6                          | 1            | 28.4%               |
| 0.25 to <0.50   | 2               | 0.4%               | 20                    | 56.3%               | 1.0                          | 1            | 53.4%               |
| 0.50 to <0.75   | 0               | 0.7%               | 3                     | 56.3%               | 1.0                          | 0            | 85.9%               |
| 0.75 to <2.50   | 0               | 1.0%               | 3                     | 56.3%               | 4.1                          | 1            | 120.1%              |
| 2.50 to <10.00  | 0               | 2.6%               | 1                     | 56.3%               | 1.0                          | 1            | 218.4%              |
| 10.00 to <100.00  | -               | -                  | -                     | -                   | -                            | -            | -                   |
| 100.00 (Default)  | -               | -                  | -                     | -                   | -                            | -            | -                   |
| Subtotal  | 15              | 0.2%               | 84                    | 54.0%               | 1.4                          | 4            | 26.9%               |
| <b>12 Retail: qualifying revolving exposures (QRRE) by PD range</b> |                 |                    |                       |                     |                              |              |                     |
| 0.00 to <0.15   | -               | -                  | -                     | -                   | -                            | -            | -                   |
| 0.15 to <0.25   | -               | -                  | -                     | -                   | -                            | -            | -                   |
| 0.25 to <0.50   | -               | -                  | -                     | -                   | -                            | -            | -                   |
| 0.50 to <0.75   | -               | -                  | -                     | -                   | -                            | -            | -                   |
| 0.75 to <2.50   | -               | -                  | -                     | -                   | -                            | -            | -                   |
| 2.50 to <10.00  | -               | -                  | -                     | -                   | -                            | -            | -                   |
| 10.00 to <100.00  | -               | -                  | -                     | -                   | -                            | -            | -                   |
| 100.00 (Default)  | -               | -                  | -                     | -                   | -                            | -            | -                   |
| Subtotal  | -               | -                  | -                     | -                   | -                            | -            | -                   |
| <b>13 Other retail exposures by PD range</b>                        |                 |                    |                       |                     |                              |              |                     |
| 0.00 to <0.15   | -               | -                  | -                     | -                   | -                            | -            | -                   |
| 0.15 to <0.25   | -               | -                  | -                     | -                   | -                            | -            | -                   |
| 0.25 to <0.50   | -               | -                  | -                     | -                   | -                            | -            | -                   |
| 0.50 to <0.75   | -               | -                  | -                     | -                   | -                            | -            | -                   |
| 0.75 to <2.50   | -               | -                  | -                     | -                   | -                            | -            | -                   |
| 2.50 to <10.00  | -               | -                  | -                     | -                   | -                            | -            | -                   |
| 10.00 to <100.00  | -               | -                  | -                     | -                   | -                            | -            | -                   |
| 100.00 (Default)  | -               | -                  | -                     | -                   | -                            | -            | -                   |
| Subtotal  | -               | -                  | -                     | -                   | -                            | -            | -                   |
| <b>14 Equity (PD/LGD approach) by PD range</b>                      |                 |                    |                       |                     |                              |              |                     |
| 0.00 to <0.15   | -               | -                  | -                     | -                   | -                            | -            | -                   |
| 0.15 to <0.25   | -               | -                  | -                     | -                   | -                            | -            | -                   |
| 0.25 to <0.50   | -               | -                  | -                     | -                   | -                            | -            | -                   |
| 0.50 to <0.75   | -               | -                  | -                     | -                   | -                            | -            | -                   |
| 0.75 to <2.50   | -               | -                  | -                     | -                   | -                            | -            | -                   |
| 2.50 to <10.00  | -               | -                  | -                     | -                   | -                            | -            | -                   |
| 10.00 to <100.00  | -               | -                  | -                     | -                   | -                            | -            | -                   |
| 100.00 (Default)  | -               | -                  | -                     | -                   | -                            | -            | -                   |
| Subtotal  | -               | -                  | -                     | -                   | -                            | -            | -                   |
| <b>Total all portfolios</b>   | <b>6,050</b>    | <b>0.1%</b>        | <b>693</b>            | <b>46.1%</b>        | <b>1.1</b>                   | <b>1,532</b> | <b>25.3%</b>        |

CCR exposures under the IRB approach did not change materially over the period (+ CHF 193 million). As the average risk weight also did not change materially in the second half of the year, RWA were higher than as at 30 June 2023 (CHF + 146 million).

## 12.6 CCR5: Counterparty credit risk: composition of collateral for CCR exposure

| 31.12.2023<br>in CHF million                | Collateral used in derivative transactions |              |                                 |              | Collateral used in SFTs |                   |
|---|--|--------------|---------------------------------|--------------|-------------------------|-------------------|
|   | Fair value of collateral received          |              | Fair value of posted collateral |              | Fair value of           | Fair value of     |
|   | Segregated                                 | Unsegregated | Segregated                      | Unsegregated | collateral received     | posted collateral |
| Cash – CHF                                  | –  | 2,721        | –                               | 2,795        | 279                     | 15,724            |
| Cash – other currencies                     | –  | 2,163        | –                               | 1,419        | 13,823                  | 10,058            |
| Swiss Confederation sovereign debt          | –  | 168          | –                               | 338          | 6,179                   | 5,992             |
| Other domestic public authority debt        | –  | 163          | –                               | 15           | 514                     | 235               |
| Foreign sovereign and public authority debt | –  | 111          | –                               | 278          | 19,549                  | 18,310            |
| Corporate bonds                             | –  | 890          | –                               | 323          | 22,864                  | 16,386            |
| Equity securities                           | –  | 950          | –                               | 117          | 13,233                  | 10,750            |
| Other collateral                            | –  | –            | –                               | –            | –                       | –                 |
| <b>Total</b>                                | <b>–</b>                                   | <b>7,167</b> | <b>–</b>                        | <b>5,285</b> | <b>76,441</b>           | <b>77,455</b>     |

| 30.06.2023<br>in CHF million                | Collateral used in derivative transactions |              |                                 |              | Collateral used in SFTs |                   |
|---|--|--------------|---------------------------------|--------------|-------------------------|-------------------|
|   | Fair value of collateral received          |              | Fair value of posted collateral |              | Fair value of           | Fair value of     |
|   | Segregated                                 | Unsegregated | Segregated                      | Unsegregated | collateral received     | posted collateral |
| Cash – CHF                                  | –  | 3,635        | –                               | 2,577        | 508                     | 21,685            |
| Cash – other currencies                     | –  | 1,433        | –                               | 1,399        | 12,768                  | 8,459             |
| Swiss Confederation sovereign debt          | –  | 221          | –                               | 547          | 5,529                   | 6,049             |
| Other domestic public authority debt        | –  | 156          | –                               | 5            | 454                     | 141               |
| Foreign sovereign and public authority debt | –  | 10           | –                               | 180          | 20,425                  | 18,320            |
| Corporate bonds                             | –  | 800          | –                               | 190          | 27,546                  | 17,327            |
| Equity securities                           | –  | 957          | –                               | 107          | 13,205                  | 9,427             |
| Other collateral                            | –  | –            | –                               | –            | –                       | –                 |
| <b>Total</b>                                | <b>–</b>                                   | <b>7,213</b> | <b>–</b>                        | <b>5,005</b> | <b>80,435</b>           | <b>81,408</b>     |

During the reporting period, there were no significant changes to the composition of collateral for CCR exposure. The totals for collateral received and posted for derivative transactions remained mainly unchanged; the totals for collateral received and posted for SFTs sank largely in parallel.

## 12.7 CCR6: Counterparty credit risk: credit derivatives exposures

| in CHF million                         | 31.12.2023             |                      | 30.06.2023             |                      |
|--|------------------------|----------------------|------------------------|----------------------|
|  | a<br>Protection bought | b<br>Protection sold | a<br>Protection bought | b<br>Protection sold |
| <b>Notionals</b>                       |                        |                      |                        |                      |
| Single-name CDSs                       | –                      | –                    | 22                     | –                    |
| Index-CDSs                             | 120                    | 50                   | 406                    | 162                  |
| Total return swaps                     | 2                      | –                    | 10                     | –                    |
| Credit options                         | –                      | –                    | –                      | –                    |
| Other credit derivatives               | –                      | –                    | –                      | –                    |
| <b>Total notionals</b>                 | <b>122</b>             | <b>50</b>            | <b>438</b>             | <b>162</b>           |
| <b>Fair values</b>                     |                        |                      |                        |                      |
| Positive replacement value (asset)     | –                      | 1                    | 0                      | 3                    |
| Negative replacement value (liability) | 3                      | –                    | 6                      | –                    |

The nominal amounts of protection bought and sold were considerably lower than as at 30 June 2023 (especially index CDSs). The positive and negative replacement values also fell.

## 12.8 CCR7: Counterparty credit risk: RWA flow statements of CCR exposures under the Internal Model Method (IMM)

Zürcher Kantonalbank does not use the IMM approach.

## 12.9 CCR8: Counterparty credit risk: exposures to central counterparties

| in CHF million   | 31.12.2023     | 31.12.2023 | 30.06.2023     | 30.06.2023 |
|--|----------------|------------|----------------|------------|
|  | a              | b          | a              | b          |
|  | EAD (post-CRM) | RWA        | EAD (post-CRM) | RWA        |
| <b>1 Exposures to QCCPs (total)</b>  |                | <b>101</b> |                | <b>86</b>  |
| 2 Exposures for trades at QCCPs (excluding initial margin and default fund contributions)      | 1,912          | 38         | 1,750          | 35         |
| 3 of which OTC derivatives   | 911            | 18         | 917            | 18         |
| 4 of which exchange-traded derivatives   | 449            | 9          | 394            | 8          |
| 5 of which SFTs  | 553            | 11         | 439            | 9          |
| 6 of which netting sets where cross-product netting has been approved                          | –              | –          | –              | –          |
| 7 Segregated initial margin  | –              | –          | –              | –          |
| 8 Non-segregated initial margin  | 1,554          | 31         | 1,680          | 34         |
| 9 Pre-funded default fund contributions  | 94             | 32         | 71             | 17         |
| 10 Unfunded default fund contributions   | –              | –          | –              | –          |
| <b>11 Exposures to non-QCCPs (total)</b>   |                | <b>–</b>   |                | <b>–</b>   |
| 12 Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions) | –              | –          | –              | –          |
| 13 of which OTC derivatives  | –              | –          | –              | –          |
| 14 of which exchange-traded derivatives  | –              | –          | –              | –          |
| 15 of which SFTs   | –              | –          | –              | –          |
| 16 of which netting sets where cross-product netting has been approved                         | –              | –          | –              | –          |
| 17 Segregated initial margin   | –              | –          | –              | –          |
| 18 Non-segregated initial margin   | –              | –          | –              | –          |
| 19 Pre-funded default fund contributions   | –              | –          | –              | –          |
| 20 Unfunded default fund contributions   | –              | –          | –              | –          |

With the exception of the pre-funded default fund contributions, the risk weight for EAD (post-CRM) with CCPs remains unchanged at 2 percent. Therefore, the change in RWA is linear to the change in the exposures to QCCPs. There continues to be no exposure to non-QCCPs. EAD (post-CRM) for the pre-funded default fund contributions as at 31 December 2023 increased by CHF 23 million. As the average risk weights of the positions delivered to the default fund as at the reporting date are also higher than as at 30 June 2023, RWA have increased by CHF 15 million.

## 13 Securitisations

### 13.1 SECA: Securitisations: qualitative disclosure requirements related to securitisation exposures

Currently, Zürcher Kantonalbank does not have any securitisation positions in the banking book.

The bank holds securitisation positions in the trading book. These are solely positions arising from issuing securitisations for clients, as investments for money raised from issuing structured products and from market making. The maximum volume for total securitisation positions in the trading book is specifically limited. Zürcher Kantonalbank acts only as an investor in such cases. All positions are traditional securitisations where the assets to be securitised are actually sold to the issuing company, the special purpose vehicle (SPV).

The positions are carried in the bank's trading portfolio. As with other trading transactions, they are therefore recognised at fair value. This is defined as the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing and independent parties. This corresponds to the price set on a price-efficient and liquid market or a theoretical price determined on the basis of a valuation model. The conditions for calculating a price in this manner are listed in Table LIA. Where, as an exception, no fair value is ascertainable, valuation and recognition follow the principle of the lower of cost or market value. Valuation differences are recognised in the income statement.

### 13.2 SEC1: Securitisations: exposures in the banking book

Currently, Zürcher Kantonalbank does not have any securitisation positions in the banking book.

### 13.3 SEC2: Securitisations: exposures in the trading book

| 31.12.2023<br>in CHF million      | a<br>Bank acts as originator |                | c         | e<br>Bank acts as sponsor |                | g         | i<br>Banks acts as investor |                | k         |
|-----------------------------------|------------------------------|----------------|-----------|---------------------------|----------------|-----------|-----------------------------|----------------|-----------|
|                                   | Traditional                  | b<br>Synthetic | Sub-total | Traditional               | f<br>Synthetic | Sub-total | Traditional                 | j<br>Synthetic | Sub-total |
|                                   | <b>1 Retail (total)</b>      | -              | -         | -                         | -              | -         | -                           | <b>33</b>      | -         |
| 2 of which residential mortgage   | -                            | -              | -         | -                         | -              | -         | 3                           | -              | 3         |
| 3 of which credit card            | -                            | -              | -         | -                         | -              | -         | 9                           | -              | 9         |
| 4 of which other retail exposures | -                            | -              | -         | -                         | -              | -         | 21                          | -              | 21        |
| 5 of which re-securitisation      | -                            | -              | -         | -                         | -              | -         | -                           | -              | -         |
| <b>6 Wholesale (total)</b>        | -                            | -              | -         | -                         | -              | -         | -                           | -              | -         |

| 30.06.2023<br>in CHF million      | a<br>Bank acts as originator |                | c         | e<br>Bank acts as sponsor |                | g         | i<br>Banks acts as investor |                | k         |
|-----------------------------------|------------------------------|----------------|-----------|---------------------------|----------------|-----------|-----------------------------|----------------|-----------|
|                                   | Traditional                  | b<br>Synthetic | Sub-total | Traditional               | f<br>Synthetic | Sub-total | Traditional                 | j<br>Synthetic | Sub-total |
|                                   | <b>1 Retail (total)</b>      | -              | -         | -                         | -              | -         | -                           | <b>9</b>       | -         |
| 2 of which residential mortgage   | -                            | -              | -         | -                         | -              | -         | -                           | -              | -         |
| 3 of which credit card            | -                            | -              | -         | -                         | -              | -         | 2                           | -              | 2         |
| 4 of which other retail exposures | -                            | -              | -         | -                         | -              | -         | 7                           | -              | 7         |
| 5 of which re-securitisation      | -                            | -              | -         | -                         | -              | -         | -                           | -              | -         |
| <b>6 Wholesale (total)</b>        | -                            | -              | -         | -                         | -              | -         | -                           | -              | -         |

During the reporting period, there were no material changes to the securitisation exposures in the trading book.

### 13.4 SEC3: Securitisations: exposures in the banking book and associated regulatory capital requirements - bank acting as originator or as sponsor

Currently, Zürcher Kantonalbank does not have any securitisation positions in the banking book.

### 13.5 SEC4: Securitisations: exposures in the banking book and associated capital requirements - bank acting as investor

Currently, Zürcher Kantonalbank does not have any securitisation positions in the banking book.

## 14 Market risk

### 14.1 MRA: Market risk: general qualitative disclosure requirements related to market risk

#### Market risks in the trading book

##### Strategy

In the trading business, Zürcher Kantonalbank pursues a strategy focused on client transactions. The individual desks hold trading mandates approved by the Risk Committee of the Executive Board, which set out the basic conditions in terms of the objectives pursued, instruments used for underlying and hedging transactions, the form of risk management, and the holding period.

##### Organisation of the market risk management function

The preventative risk management and risk control functions are separated from risk management at Executive Board level. The responsibilities of the preventative risk management function, which is independent of Trading, and the risk control function downstream of it, include the monitoring of compliance with risk limits and trading mandates, the calculation and analysis of the result from trading activities (P&L) and risk figures, as well as the preventative analysis of potentially high-risk transactions. The risk organisation is also responsible for defining and implementing methods of risk measurement, their independent validation, and internal and external risk reporting.

In addition to the ongoing contact between Trading and the risk management units, there are also regular meetings which provide an institutionalised platform for communications between Trading, Risk and Compliance. In these meetings, the risk profile is scrutinised and trends in the P&L, the breakdown of the P&L and the positioning of Trading are discussed. Monitoring issues are also considered, such as compliance with limits or the checking of valuation parameters.

##### Risk measurement and limitation

Market risks are measured, managed and controlled on the one hand by assigning risk capital in accordance with the capital at risk approach and on the other by using value at risk limits. This is supplemented by the periodic performance of stress tests and by the monitoring of market liquidity risks. The value of trading positions is determined using the fair value method, whereby marking to market or marking to model, which is subject to stricter rules, is applied on a daily basis.

The "trading market risks" capital at risk corresponds to the assigned risk capital for the market risks of trading transactions on a one-year horizon and at a confidence level of 99.9 percent. The modelling is based on a stressed value at risk (stressed VaR). Besides general market risks, the model also takes into account issuer default risks.

Zürcher Kantonalbank calculates value at risk for a 10-day period and at a confidence level of 99 percent using a Monte Carlo simulation. The loss distribution is arrived at from the valuation of the portfolio using a large number of scenarios (full valuation). The necessary parameters for determining the scenarios are estimated on the basis of historical market data, with more recent observations being accorded a higher weighting for the forecasting of volatility than less recent ones. As a result, value at risk responds rapidly to any changes in volatility on the markets. Value at risk is calculated on a daily basis for the entire trading book. The four groups of risk factors - commodities, currencies, interest rates and equities – are calculated and shown both separately and on a combined basis.

The bank uses different types of scenarios for stress testing. A distinction is drawn between scenarios relevant for benchmarks and pure analysis scenarios. Scenarios relevant for benchmarks are historical and hypothetical scenarios used to estimate the loss that could result from extreme but plausible macroeconomic stress events. Each scenario relevant for benchmarks is based on the expected development of market indicators for the corresponding scenario. In this way the bank can identify potential vulnerabilities and risk concentrations, analyse them better and then take action. Unlike the scenarios relevant for the benchmark, the additional analysis scenarios have no limiting function.

They are used solely for risk analysis. Since they focus on individual risk factors (e. g. interest rates), they are helpful for investigating the risk profile from different perspectives.

The bank additionally monitors the market liquidity risk of individual portfolios. For equity derivatives, the potential trading volume resulting from the hedging strategy in the event of a change in the key risk factors is compared with the total market volume. Hypothetical offsetting expenses are calculated for bonds and bond-type products, based on observed bid-ask spreads and taking into account additional price premiums/discounts. If necessary, valuation reserves are recognised, causing a reduction in core capital in the context of capital adequacy.

The bank performs daily back-testing for the purpose of examining the forecast accuracy of the value at risk. Regulatory back-testing is based on a comparison of the value at risk for a holding period of one day with the back-testing result. Breaches of limits are notified immediately to the competent authorities if the number of breaches exceeds expectations. For further information on the back-testing results, please see Table MR4 starting from page 110.

The market risk model is validated annually on the basis of a defined process. Validation comprises both standardised quantitative analyses, such as back-testing, and in-depth investigations in selected focus areas. In addition to the annual review of the model, risks not modelled in the value at risk are periodically analysed in a separate process and monitored with regard to materiality.

### **Reporting**

The CRO report is a quarterly report from the risk organisation, produced independently of the risk managers, informing the Executive Board and Board of Directors of events, the risk profile and market risk monitoring. Information is provided in tables, graphs and commentaries on trends in the individual sub-portfolios and risk factors as well as overall market risk in trading. In addition to management reporting, there are also special reports on selected issues of special relevance and/or topicality. These reports are also seen by FINMA and the external auditor. In addition, every year, the Executive Board and Board of Directors receive reports on the suitability and effectiveness of internal controls in market risk management. When special developments or events occur, the Executive Board and Board of Directors are informed on an ad hoc basis of changes in the risk profile in additional reports and analyses.

Apart from the management reporting, there are also various monitoring reports on the P&L and market risk measurement. These support risk monitoring in the Risk unit and in Trading. Unlike the management reporting, the monitoring reports focus on a limited presentation of specific risks or portfolios. Depending on their subject, these monitoring reports are produced at shorter intervals (in some cases several times a day), as the production of monitoring reports is often more automated than for the management reporting described above.

### **Risk measurement systems**

Details of the systems used are given in Table OVA starting from page 29. For further information on the market risk model approach, please see Table MRB starting from page 108.

### **Market risks in the banking book**

For further information on the market risks in the banking book, please see the IRRBB Tables on page 111.



## 14.2 MR1: Market risk: market risk under SA

|                          |   | 31.12.2023   | 30.06.2023   |
|--------------------------|---|--------------|--------------|
|                          |   | a            | a            |
| in CHF million           |   | RWA          | RWA          |
| <b>Outright products</b> |   |              |              |
| 1                        | Interest rate risk (general and specific) | 1,889        | 2,018        |
| 2                        | Equity risk (general and specific)        | –            | –            |
| 3                        | Foreign exchange risk                     | –            | –            |
| 4                        | Commodity risk                            | –            | –            |
| <b>Options</b>           |   |              |              |
| 5                        | Simplified approach                       | –            | –            |
| 6                        | Delta-plus method                         | –            | –            |
| 7                        | Scenario approach                         | –            | –            |
| 8                        | Securitisation                            | 8            | 2            |
| 9                        | <b>Total</b>                              | <b>1,897</b> | <b>2,020</b> |

Towards the end of the year, interest rate risks decreased due to lower bond holdings. The total RWA for market risk under the standardised approach declined by CHF 123 million to CHF 1,897 million compared with the middle of the year.

## 14.3 MRB: Market risk: qualitative disclosures for banks using the Internal Model Approach (IMA)

Stressed VaR includes commodities, currencies, interest rates and equities as risk factor groups and is calculated for the entire trading book as well as for commodity and currency risk in the banking book. Capital adequacy for specific interest rate risks uses the standard approach, which covers residual interest rate risk and event (especially rating migration) and default risk. Therefore, there is no modelling of residual interest rate risk or calculation of an incremental risk charge (IRC) when calculating capital adequacy requirements under the model approach in VaR or stressed VaR. Thus, the capital adequacy requirement for market risk is the total of the capital adequacy requirement under the standard approach, which covers specific interest rate risk, plus that under the model approach, which covers general market risk. For internal risk management and monitoring the full model is used, which covers both, general market risk and residual interest rate risk.

VaR and stressed VaR are based on the same model across the group. Zürcher Kantonalbank uses a Monte Carlo method to determine VaR and stressed VaR. The distribution of risk factors is parameterised by estimating a covariance matrix. The loss distribution in VaR and stressed VaR is arrived at from the valuation of the portfolio using a large number of manufactured scenarios with full valuation. Both VaR and stressed VaR are calculated directly on a 10-day horizon using a 99 percent confident interval, so no scaling is necessary. The assumption when calculating VaR is that the portfolio remains unchanged during the holding period and does not age, i. e. the residual maturity does not fall.

For VaR, market data used to value the portfolio in the basic scenario is obtained daily. The market data history to re-estimate the covariance matrix is obtained at least weekly.

The covariance matrix is estimated based on a one-year market data history. More recent observations are weighted more heavily than older ones when forecasting volatility.

Absolute risk factor changes are modelled for interbank rate curves and credit spread curves; relative risk factor changes are modelled for equity prices, equity index levels, implied volatility, exchange rates, precious metals prices and commodity prices.

The estimation period for stressed VaR is from 6 March 2008 to 6 March 2009. This was calculated using a delta-normal VaR model and is reviewed regularly.

Stress-testing mainly uses economic stress scenarios across risk factor groups with probabilities that are very low but nevertheless relevant over the long term, plus stress scenarios as a sensitivity analysis. Historically observed stress events are a key element in defining and updating a broad set of stress scenarios, including hypothetical ones. The stress tests use the same positions and risk factors as the VaR.

Back-testing is a central element in controlling value at risk calculated in the model procedure and acts as a quantitative validation of the risk model. Back-testing involves comparing the back-testing VaR on a one-day time horizon against the daily back-testing P&L. The back-testing P&L is calculated as the realised P&L including position changes as a result of intraday transactions, but excluding securities lending fees, commissions and issue proceeds. Unlike the VaR used to calculate capital adequacy requirements, back-testing VaR does not model residual interest rate risk. Therefore, it is consistent with the VaR used for internal risk management and monitoring and its comparator variable, the P&L.

#### 14.4 MR2: Market risk: RWA flow statements of market risk exposures under IMA

| 31.12.2023     |  | a          | b            | c   | d   | e     | f            |
|----------------|--|------------|--------------|-----|-----|-------|--------------|
| in CHF million |  | VaR        | Stressed VaR | IRC | CRM | Other | Total RWA    |
| <b>1</b>       | <b>RWA as at end of previous reporting period (30.06.2023)</b> | <b>543</b> | <b>831</b>   | –   | –   | –     | <b>1,374</b> |
| 2              | Movement in risk levels <sup>1</sup>                           | 128        | 603          | –   | –   | –     | 730          |
| 3              | Model updates / changes  | 17         | 22           | –   | –   | –     | 39           |
| 4              | Methodology and policy changes                                 | –          | –            | –   | –   | –     | –            |
| 5              | Acquisitions and disposals (of entities)                       | –          | –            | –   | –   | –     | –            |
| 6              | Foreign exchange movements <sup>1</sup>                        | –          | –            | –   | –   | –     | –            |
| 7              | Other  | –          | –            | –   | –   | –     | –            |
| <b>8</b>       | <b>RWA as at end of current reporting period</b>               | <b>687</b> | <b>1,456</b> | –   | –   | –     | <b>2,143</b> |

<sup>1</sup> The effect of foreign exchange movements is captured in movement in risk levels, since foreign exchange rate movements are part of the effects of market movements on risk levels.

The total RWA of exposures under the internal model approach (IMA) rose by CHF 769 million to CHF 2,143 million during the reporting period. The increase in RWA was mainly due to an increase in RWA from the stressed VaR. Risk positions that had risen were reduced again towards the end of the year by lightening positions. However, the capital adequacy calculation of stressed VaR is based on the higher of the value on the reporting date and the 60-day average. With VaR, the increased risk assumption was largely offset by falling volatilities.

## 14.5 MR3: Market risk: IMA values for trading portfolios

| in CHF million                                   |   | 31.12.2023 | 30.06.2023 |
|--|---|------------|------------|
|  |   | a          | a          |
| <b>VaR (10 day 99%)</b>                          |   |            |            |
| 1  | Maximum value                           | 20         | 23         |
| 2  | Average value                           | 15         | 11         |
| 3  | Minimum value                           | 10         | 7          |
| <b>4</b>   | <b>Period end</b>                       | <b>17</b>  | <b>10</b>  |
| <b>Stressed VaR (10 day 99%)</b>                 |   |            |            |
| 5  | Maximum value                           | 47         | 32         |
| 6  | Average value                           | 29         | 21         |
| 7  | Minimum value                           | 15         | 12         |
| <b>8</b>   | <b>Period end</b>                       | <b>34</b>  | <b>21</b>  |
| <b>Incremental risk charge (99.9%)</b>           |   |            |            |
| 9  | Maximum value                           | –          | –          |
| 10   | Average value                           | –          | –          |
| 11   | Minimum value                           | –          | –          |
| <b>12</b>  | <b>Period end</b>                       | <b>–</b>   | <b>–</b>   |
| <b>Comprehensive risk capital charge (99.9%)</b> |   |            |            |
| 13   | Maximum value                           | –          | –          |
| 14   | Average value                           | –          | –          |
| 15   | Minimum value                           | –          | –          |
| <b>16</b>  | <b>Period end</b>                       | <b>–</b>   | <b>–</b>   |
| 17   | Floor (standardised measurement method) | –          | –          |

As shown in Table MR2, the increase in risk positions had an impact on the VaR and stressed VaR. This can also be seen in Table MR3, in particular in higher average values for VaR and stressed VaR.

## 14.6 MR4: Market risk: comparison of VaR estimates with gains/losses

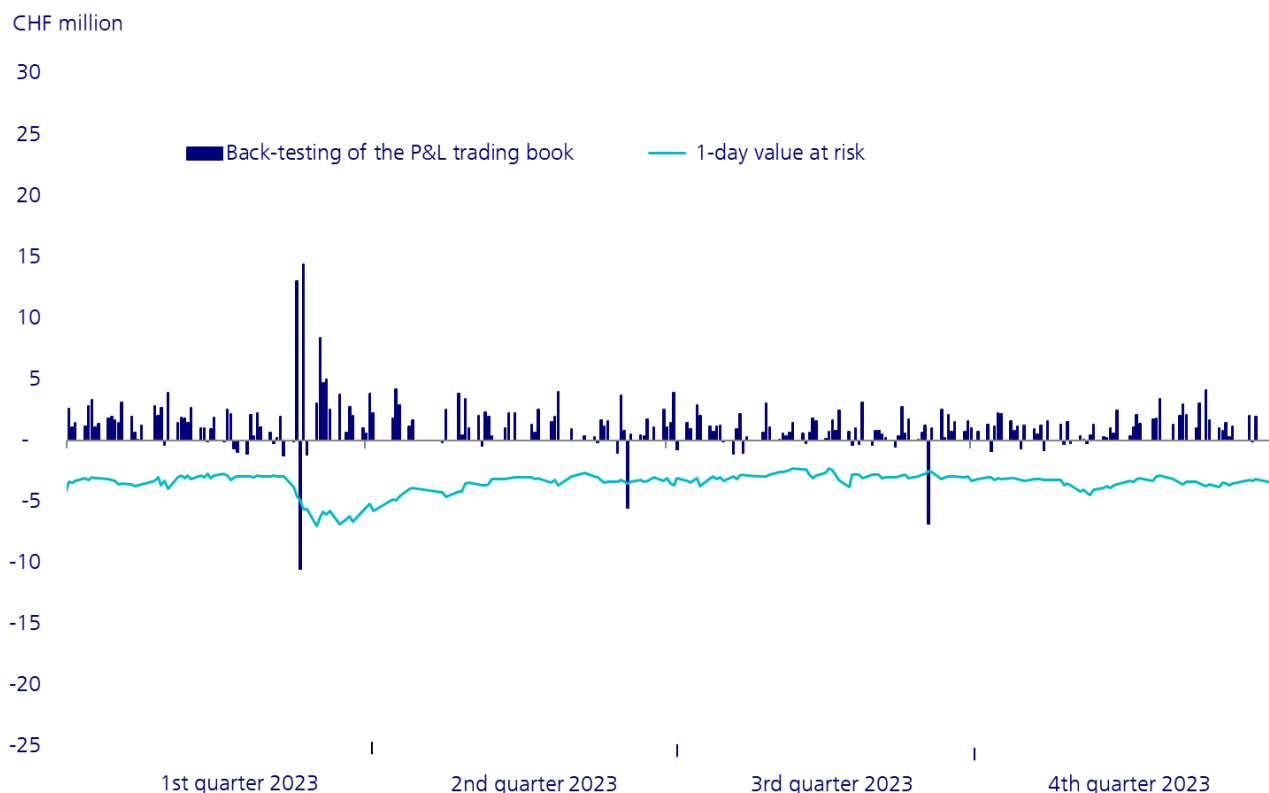
The quality of the value at risk approach used is assessed by comparing the value at risk for a holding period of one day with the daily back-testing result. The back-testing result is based on the result from trading activities, adjusted for commission income. Unlike a hypothetical P&L, the back-testing result includes intraday trading income. In the case of a one-day holding period and 99-percent quantile, the value at risk is expected to be exceeded two to three times each year.

### Back-testing results for the year 2023

A breach of back-testing limits in the Zürcher Kantonalbank market risk model approach occurred, when a daily loss in trading is higher than the model predicts. The number of negative back-testing exceptions over roughly 250 business days rose to a maximum of four in September against the backdrop of increased interest rate volatility in the financial markets; it was still three at the end of the year. The total number of exceptions is therefore higher than the previous year's figure of one, but still within statistical expectations.

The three breaches in 2023 were caused by interest rate movements. The breach in the back-testing VaR on 14 March 2023 by CHF 5.7 million resulted from opposing movements in interest rates in USD and EUR. The breach in the back-testing VaR on 21 June 2023 by CHF 2.0 million resulted from falling short-term Swiss franc interest rates following the interest rate decision taken by the Swiss National Bank (SNB). The breach in the back-testing VaR on 20 September 2023 by CHF 4.3 million resulted from the sharp fall in short-term Swiss franc interest rates following the decision taken by the SNB.

The situation in the last four quarters was as follows:



## 15 Interest rate risk

### 15.1 IRRBBA: Interest rate risk: interest rate risk in the banking book (IRRBB) risk management objective and policies

#### Description of how the bank defines IRRBB for the purposes of managing and measuring risk

Balance sheet interest rate risk is the risk that changes in market interest rates will impact negatively on the financial situation of the banking book. Interest rate risk management takes into account both net present value (change in the economic value of equity -  $\Delta$ EVE) and prospective earnings (change in net interest income -  $\Delta$ NI). In managing interest rate risk in the banking book (IRRBB), Zürcher Kantonalbank pursues a strategy focussed on medium-term optimisation of net interest income. The interest rate risk is managed based on the market interest method. For client deposits and loans with a variable interest rate, the interest rate risk is determined by taking into account the bank's presumed future condition-setting behaviour and client behaviour. Product modelling is subject to an annual review and is approved by the Risk Committee of the Executive Board.

#### Description of the overall strategy of the bank to manage and mitigate IRRBB

Interest rate risk in the banking book is managed in strategic terms by the Board of Directors and in tactical terms by the CFO and Treasury. Treasury has delegated operational management of interest rate and currency risk for periods of less than one year to Money Market Trading, which is therefore also reflected in the banking book. The strategic interest rate risk position is set by the Board of Directors on a periodic basis in the form of an investment strategy for equity (equity benchmark). The CFO and Treasury manage the deviation of the interest rate risk position in the banking book from the equity benchmark within the risk limits set by the Board of Directors. From the net present value perspective (EVE), interest rate risks are managed by allocating risk capital in accordance with the capital at risk approach (risk horizon one year, confidence level 99.9 percent) and by using value at risk limits (holding period 20 trading days, confidence level 99 percent). In addition, stress scenarios are simulated in order to analyse and limit the impact of extraordinary changes in the interest rate environment. Potential stress losses are also limited by the Board of Directors by means of benchmarks.

From the prospective earnings perspective (NII), stress tests provide an indication of the change in the structural contribution from the CFO, Treasury and Money Market Trading position in the event of extraordinary changes in market interest rates with unchanged positioning over a one-year period. Potential losses of earnings are limited by the Executive Board. Besides the structural contribution, margin effects are particularly significant for client deposits with variable interest rates. Special monitoring tools allow such margin effects to be analysed and monitored for different interest rate scenarios over a period of several years.

At the weekly balance sheet meeting, Treasury discusses expected moves in interest rates, assesses the tactical interest rate positioning and sets hedging programmes. For hedging decisions, representatives of the Risk unit are consulted; for interest rate forecasts, the analysts in the internal research team of Zürcher Kantonalbank are consulted.

Risk measurement and monitoring and independent reporting of interest rate risk is the responsibility of the Risk unit, which is organisationally independent of the people managing the risk.

The Treasury Committee is a specialist body of the Risk Committee of the Executive Board, which regularly reviews the quality and appropriateness of asset-liability management. Chaired by the Head of Treasury, the Treasury Committee comprises people managing risk, representatives of sales, product management and controlling and members of the risk organisation.

Model Validation in the Risk unit acts as an independent controller to ensure that models are appropriate and that material model uncertainties are taken into account. The modelling of variable products is subject to an annual review by Treasury as the model owner together with model validation, and approved by the Risk Committee of the Executive Board via the Treasury Committee.

### **Frequency of calculation of the bank's IRRBB metrics and description of the specific metrics the bank uses to estimate its sensitivity to IRRBB**

Value at risk and capital at risk in the CFO and Treasury position are calculated weekly and monthly and compliance with limits is checked. Monthly reports cover compliance with the stress test requirements. Within Money Market Trading, limits and stress test rules are monitored daily. The measure of sensitivity used by Zürcher Kantonalbank is the net present gain or loss for a reduction of one basis point in the interest rate in each maturity band. These key rate sensitivities are calculated for all relevant levels of aggregation, such as the banking book, CFO and Treasury, etc.

### **Description of the interest rate shock and stress scenarios the bank uses to estimate changes in economic value and earnings**

In the net present value perspective, historical and hypothetical scenarios are used to estimate the loss that could result from extreme but plausible macroeconomic stress events. Each scenario is based on the expected performance of market indicators for the scenario in question. In the return perspective, the scenarios are based on historic scenarios observed over a twelve-month period in the past. In addition, the six standardised interest rate shock scenarios in FINMA Circular 2019/2 "Interest rate risk - banks" are used in the net present value perspective and the two parallel standard shock scenarios in the earnings perspective.

### **Differences between the model assumptions used in the bank's internal interest rate risk measurement system and the model assumptions prescribed for disclosure in Table IRRBB1**

No model assumptions used in the bank's internal interest rate risk management to calculate net present value figures ( $\Delta$ EVE) differ significantly from the model assumptions prescribed for disclosure. In terms of positions included, the following differences occur: unlike for the EVE figure for disclosure, the internal interest rate risk system considers all subordinated bonds (Tier 1 bonds and Tier 2 bonds) and not only Tier 2 bonds alone as interest rate-sensitive funding instruments under bonds and central mortgage institution loans.

In the bank's internal risk management, the change in net interest income ( $\Delta$ NII) is equal to the structural contribution excluding margins (internal interest rate perspective). Matured positions are replaced with identical durations, and their interest rate risk is fully hedged at the same time. The  $\Delta$ NII in Table IRBBB1 shows the entire interest income including margins (external interest rate perspective), and matured positions are replaced with the same duration and margin as the original positions. For variable items, the margins in the stress scenarios are determined on the basis of expert estimates for setting conditions.

### Overall description of how the bank hedges its IRRBB and the associated accounting treatment

Contractually agreed client transactions, financial investments and debt financing in the banking book qualify as underlying transactions. Appropriate derivative financial instruments (mainly interest rate swaps) are used to hedge interest rate risk as part of asset-liability management. For each hedging relationship, a review is undertaken to determine whether it meets the conditions for the application of hedge accounting (e. g. the hedging transactions must be concluded with an external counterparty). The gain on effective hedging derivatives is recognised in the balance sheet in the settlement account with no income effect. The net balance of the settlement account is included under Other assets or Other liabilities. In the case of ineffective hedging transactions, the excess portion of the derivative is treated as a trading transaction. Refinancing transactions in EUR are fully swapped into Swiss francs in a micro hedge using EUR/CHF cross currency swaps, so the foreign currency risk is fully eliminated.

### Description of the main modelling and parameter assumptions used to calculate $\Delta$ EVE and $\Delta$ NII in table IRBBB1, with reference to the items and currencies shown in table IRBBBA1

|   |  |   |  |
|---|--|---|--|
| 1 | Change in net present value of capital ( $\Delta$ EVE) | Calculation of cash flows: Recognition of interest rate margins and other components              | Cash flows include principal and interest payments. For all exposures, the main margin payments and credit spread components of the original client transactions are excluded from cash flows, as Zürcher Kantonalbank has implemented a profit-splitting system (internal interest rate perspective) in interest rate management.   |
| 2 |  | Mapping: Description of the cash flow mapping used  | Cash flows are allocated to maturity bands using the interest rate reset date. While the interest rate reset period for fixed interest rate instruments corresponds to the remaining term of the nominal payment flow, the interest rate is reset daily for money market mortgages on the basis of the agreed reference interest rate, which in Swiss francs is based on SARON (the Swiss Average Rate Overnight). Cash flows on variable products match those on the replicating synthetic fixed-rate products. |
| 3 |  | Discount rates: Description of the (product-specific) discount rates or interpolation assumptions | The CHF yield curve is based on SARON swaps plus a periodically fixed spread, to reflect Zürcher Kantonalbank's funding conditions on the money and capital markets. The EUR yield curve corresponds to the EURIBOR swap curve and the USD curve to the SOFR swap curve.   |

|   |   |   |   |
|---|---|---|---|
| 4 | Changes to planned income ( $\Delta$ NII) | Description of the procedure and central assumptions in the model for calculating future income   | As part of the steady-state asset-liability assumptions, transactions maturing in the next twelve months, with the exception of hedges, are renewed at the same term and volume. For customer transactions, the same margin payments and credit spread components are used as in the original transaction. When calculating the original margin, no floor is set for negative market interest rates. For variable exposures, the maturing replication tranches are replaced based on the basic and interest rate scenarios. The margins in the base scenario are based on current or already announced future adjustments to client conditions, while those in the stress scenarios are based on internal bank expert estimates for setting conditions. An internal interest rate forecast is chosen as the bank's basic scenario that corresponds to a constant current yield curve over time. |
| 5 | Variable exposures                        | Description of the procedure and central assumptions and parameters for determining the interest rate reset date and cash flows of variable exposures | Modelling of variable products is based on econometric analyses and expert estimates as regards the setting of conditions and volume trends under interest rate scenarios. As a result, these products, which are not contractually fixed in terms of interest or principal, are replicated by synthetic products with a set fixed term. A key component of this modelling approach is the definition of a "floor", which can be considered a non-interest-rate-sensitive partial volume in terms of capital commitment. Excess volumes above the floor are modelled using a short-term core/volatile approach.   |
| 6 | Exposures with repayment options          | Description of the assumptions and procedures for recognising behaviour-related early repayment options   | Zürcher Kantonalbank currently has no exposures with behaviour-related early repayment options in the banking book.   |
| 7 | Term deposits                             | Description of the assumptions and procedures for recognising behaviour-related early withdrawals   | Zürcher Kantonalbank offers callable investment accounts and money market deposits with no term agreed for various notice periods. The products are treated like fixed deposits based on their first call date, with no behaviour-related modelling.  |
| 8 | Automatic interest rate options           | Description of the assumptions and procedures for recognising automatic, behaviour-independent interest rate options                                  | Zürcher Kantonalbank currently has no automatic, behaviour-independent interest rate options in the banking book.   |
| 9 | Derivative exposures                      | Description of purpose, assumptions and procedure for linear and non-linear interest rate derivatives   | Zürcher Kantonalbank currently has no non-linear interest rate derivatives in the banking book. Payer/receiver interest rate swaps, cross currency swaps, forward rate agreements and FX swaps are currently used to hedge against interest rate risk in the banking book.  |

|    |                   |   |  |
|----|-------------------|---|--|
| 10 | Other assumptions | Description of other assumptions and procedures affecting the calculation of figures in Tables IRRBBA1 and IR-RBB1, e.g. aggregation across currencies and correlation assumptions for interest rates | In table IRRBBA1, volumes are shown aggregated across all currencies, for CHF and aggregated for EUR and USD as material currencies. |
|----|-------------------|---|--|

## 15.2 IRRBBA1: Interest rate risk: quantitative information on exposure structure and repricing

|                                    | Volume (in CHF million)  |                 |   | Average interest rate reset period (in years) |                 | Maximum interest rate reset period for exposures with modeled (not determined) interest rate reset dates (in years) |                 |
|------------------------------------|--|-----------------|---|---|-----------------|---|-----------------|
|                                    | Total  | of which in CHF | of which in other significant currencies <sup>1</sup> | Total   | of which in CHF | Total   | of which in CHF |
| <b>31.12.2023</b>                  |  |                 |   |   |                 |   |                 |
| Defined interest rate reset date   | Amounts due from banks   | 25,031          | 10,245  | 14,762  | 0.05            | 0.04  |                 |
|                                    | Amounts due from customers   | 15,847          | 12,677  | 3,030   | 0.69            | 0.79  |                 |
|                                    | Money market mortgage loans  | 23,257          | 23,257  | –   | 0.01            | 0.01  |                 |
|                                    | Fixed-rate mortgage loans  | 77,299          | 77,224  | 74  | 3.94            | 3.94  |                 |
|                                    | Financial investments  | 4,713           | 4,225   | 488   | 4.12            | 4.53  |                 |
|                                    | Other receivables  | 10              | –   | 10  | 0.01            | –   |                 |
|                                    | Receivables from interest-rate derivatives <sup>2</sup>                          | 54,799          | 35,196  | 17,662  | 1.30            | 1.46  |                 |
|                                    | Amounts due to banks   | -36,793         | -8,470  | -26,554                                       | 0.08            | 0.09  |                 |
|                                    | Amounts due in respect of customer deposits                                      | -29,348         | -20,256   | -8,614  | 0.54            | 0.29  |                 |
|                                    | Cash bonds   | -290            | -290  | –   | 2.46            | 2.46  |                 |
| Undefined interest rate reset date | Bond issues and central mortgage institution loans                               | -21,207         | -19,813   | -1,395  | 4.48            | 4.58  |                 |
|                                    | Other payables   | –               | –   | –   | –               | –   |                 |
|                                    | Payables to interest-rate derivatives <sup>2</sup>                               | -54,521         | -53,343   | -1,176  | 1.30            | 1.32  |                 |
|                                    | Amounts due from banks   | –               | –   | –   | –               | –   |                 |
|                                    | Amounts due from customers   | 448             | 404   | 44  | 0.08            | 0.08  |                 |
|                                    | Mortgage loans with floating rates   | 248             | 248   | –   | 0.08            | 0.08  |                 |
|                                    | Other receivables on demand  | –               | –   | –   | –               | –   |                 |
|                                    | Payables on demand from personal accounts and current accounts                   | -39,669         | -37,619   | -2,050  | 1.90            | 1.95  |                 |
|                                    | Other payables on demand   | –               | –   | –   | –               | –   |                 |
|                                    | Payables arising from client deposits, terminable but not transferable (savings) | -30,854         | -30,854   | –   | 1.92            | 1.92  |                 |
| <b>Total</b>                       | <b>-11,031</b>   | <b>-7,170</b>   | <b>-3,719</b>   | <b>1.78</b>                                   | <b>2.08</b>     | <b>8.00</b>   | <b>8.00</b>     |

<sup>1</sup> Currencies comprising more than 10% of balance sheet assets or liabilities (as at 31.12.2023: EUR and USD).

<sup>2</sup> In the case of receivables from and payables to interest rate derivatives, derivatives volumes are shown under both receivables and payables for technical reasons.



| 31.12.2022   | Volume (in CHF million)  |                 |   | Average interest rate reset period (in years) | Maximum interest rate reset period for exposures with modeled (not determined) interest rate reset dates (in years) |             |                 |
|--|--|-----------------|---|---|---|-------------|-----------------|
|  | Total  | of which in CHF | of which in other significant currencies <sup>1</sup> | Total   | of which in CHF   |             |                 |
|  |  |                 |   |   |   | Total       | of which in CHF |
| Defined interest rate reset date                   | Amounts due from banks   | 25,499          | 14,140  | 11,359  | 0.06  | 0.03        |                 |
|  | Amounts due from customers   | 14,496          | 11,109  | 3,246   | 0.69  | 0.81        |                 |
|  | Money market mortgage loans  | 17,363          | 17,363  | –   | 0.01  | 0.01        |                 |
|  | Fixed-rate mortgage loans  | 79,227          | 79,068  | 155   | 4.04  | 4.04        |                 |
|  | Financial investments  | 7,119           | 6,601   | 518   | 2.89  | 3.01        |                 |
|  | Other receivables  | 702             | –   | 702   | 0.01  | –           |                 |
|  | Receivables from interest-rate derivatives <sup>2</sup>                          | 40,224          | 30,813  | 8,106   | 1.65  | 1.56        |                 |
|  | Amounts due to banks   | -37,456         | -8,712  | -26,969                                       | 0.09  | 0.09        |                 |
|  | Amounts due in respect of customer deposits                                      | -16,947         | -8,535  | -8,116  | 0.87  | 0.41        |                 |
|  | Cash bonds   | -199            | -199  | –   | 3.55  | 3.55        |                 |
|  | Bond issues and central mortgage institution loans                               | -19,870         | -19,327   | -543  | 5.11  | 5.16        |                 |
| Other payables                                     | –  | –               | –   | –   | –   |             |                 |
| Payables to interest-rate derivatives <sup>2</sup> | -39,986  | -37,964         | -1,378  | 2.06  | 2.14  |             |                 |
| Undefined interest rate reset date                 | Amounts due from banks   | –               | –   | –   | –   | –           |                 |
|  | Amounts due from customers   | 364             | 280   | 84  | 0.08  | 0.08        |                 |
|  | Mortgage loans with floating rates   | 268             | 268   | –   | 0.09  | 0.09        |                 |
|  | Other receivables on demand  | –               | –   | –   | –   | –           |                 |
|  | Payables on demand from personal accounts and current accounts                   | -52,199         | -49,058   | -3,141  | 1.64  | 1.68        |                 |
|  | Other payables on demand   | –               | –   | –   | –   | –           |                 |
|  | Payables arising from client deposits, terminable but not transferable (savings) | -32,417         | -32,417   | –   | 1.83  | 1.83        |                 |
| <b>Total</b>                                       | <b>-13,811</b>   | <b>3,431</b>    | <b>-15,977</b>  | <b>2.02</b>                                   | <b>2.32</b>   | <b>9.00</b> | <b>9.00</b>     |

<sup>1</sup> Currencies comprising more than 10% of balance sheet assets or liabilities (as at 31.12.2022: EUR and USD).

<sup>2</sup> In the case of receivables from and payables to interest rate derivatives, derivatives volumes are shown under both receivables and payables for technical reasons.

### 15.3 IRRBB1: Interest rate risk: quantitative information on IRRBB

| in CHF million         | ΔEVE (change in the economic value of equity) |                   | ΔNII (change in net interest income) |                   |
|------------------------|---|-------------------|--------------------------------------|-------------------|
|                        | 31.12.2023                                    | 31.12.2022        | 31.12.2023                           | 31.12.2022        |
| Parallel up            | -1,239  | -1,046            | 26                                   | 44                |
| Parallel down          | 1,399   | 1,175             | -345                                 | -43               |
| Steepener <sup>1</sup> | -504  | -424              |                                      |                   |
| Flattener <sup>2</sup> | 266   | 220               |                                      |                   |
| Short rate up          | -219  | -182              |                                      |                   |
| Short rate down        | 224   | 183               |                                      |                   |
| Maximum                | -1,239  | -1,046            | -345                                 | -43               |
| <b>Period</b>          | <b>31.12.2023</b>                             | <b>31.12.2022</b> | <b>31.12.2023</b>                    | <b>31.12.2022</b> |
| Tier 1 capital         | 14,942  | 14,005            | 14,942                               | 14,005            |

<sup>1</sup> Decrease of short term interest rates in combination with increase of long term interest rates.

<sup>2</sup> Increase of short term interest rates in combination with decrease of long term interest rates.

As at 31 December 2023, the margin of variable products was determined for the first time in the ΔNII (change in net interest income) in the earnings stress scenarios based on expert estimates. Previously, the margins calculated in the base scenario were kept constant in the stress scenarios. In this case, the ΔNII would not have changed significantly compared to the end of 2022 and would have amounted to + CHF 50 million in the parallel up scenario and - CHF 49 million in the parallel down scenario. Losses of economic value of equity at the end of 2023 were at a higher level compared to the previous reporting period. Towards the end of the year, the shift in customer preference from money market mortgages to fixed-rate mortgages led to higher economic value of equity risks. In the current interest rate environment, income simulations show a slightly higher net interest income value if interest rates rise and a sharp fall if interest rates fall. This is mainly due to the expected margin development, which falls disproportionately with falling interest rates.

Measurement, management, monitoring and controlling of interest rate risk in the banking book is not carried out at group level but at the level of the parent company, including the subsidiary Zürcher Kantonalbank Finance (Guernsey) Ltd. The interest rate risk taken by the other group companies is relatively immaterial. Treasury performs a corresponding materiality check of group companies semi-annually. In accordance with margin no. 3 of FINMA Circular 2019/2 "Interest rate risk - banks", Zürcher Kantonalbank has received approval from the auditor. Group rules are also in place on permitted business activity, risk-taking and limits on interest rate positions.

In accordance with FINMA Circular 2019/2 "Interest rate risk - banks", the above scenarios are used in addition to internal scenarios to estimate changes in economic value and income. They form part of the internal interest rate risk measurement system. There were no material changes compared with 31 December 2022.

## **16 Operational risks**

### **16.1 ORA: Qualitative disclosure requirements related to operational risks**

#### **Strategy**

The objective of Zürcher Kantonalbank's management of operational risk is the risk-oriented protection of people, information, services and assets, and the maintenance and restoration of critical business functions in an operational emergency. The management of operational risk is therefore an essential part, ensuring that the canton, clients, partners, public and regulator have confidence in the bank. The assessment of operational risks takes account of both direct financial losses and the consequences of a loss of client confidence and reputation.

#### **Organisation and processes**

The corresponding risk inventory constitutes the basis for the management of operational risks. Besides periodic and systematic assessments, operational risks are assessed, managed and monitored on an event-driven basis as well. Operational risks are divided into six topics: cyber risks, other external tort risks, internal tort risks, expert and model risks, process risks, and environmental and accident risks.

The risk organisation reviews the management of operational risks in an annual structured process. The principles governing the management of operational risks require, among other things, that operational risks are measured and managed based on uniform, binding objectives, and that they are accepted and controlled sustainably in a reasonable relationship to the bank's risk capacity. The Risk unit specifies the processes and methods, and provides tools for monitoring the internal control system.

The measurement of operational risks is based on an estimate of potential claims and the probability of occurrence. To calculate the operational residual risks, inherent risks are set against existing risk-mitigating measures. If the residual risks exceed the risk tolerance, additional risk-mitigating measures are defined and implemented. The adequacy and effectiveness of the risk-mitigating measures are monitored as part of the bank-wide internal control system (ICS). An appropriate and effective ICS plays an important part in ensuring that losses from operational risks remain low.

In terms of security, the specialist unit in the IT, Operations & Real Estate business unit has group-wide responsibility for setting rules. As the unit for preventive risk management, the specialist unit sets the security rules for individuals, systems and procedures. The greater the risk or risk classification, the more extensive the security rules that have to be implemented. The specialist unit for security supports line managers where required, providing advice on implementing technical security requirements. It also provides training and raises staff awareness of rules of conduct relating to security (security awareness).

#### **Risk profile**

The bank's risk profile for operational risks did not change fundamentally compared with the previous year. The taken and planned measures to manage the operational risk profile are appropriate.

As society and the economy continue to become digitally connected and outsourcing arrangements increase in number and complexity, external and internal process and cyber risks remain high. Cyber and process risks remain the two OpRisk topics with the greatest residual risk for the bank. The management of these risks therefore continues to receive a high degree of attention.

The bank is addressing the challenging environment and dynamics related to cyber risks by taking various risk mitigation measures. The need to implement additional measures is evaluated on an ongoing basis. Their implementation is based on structured planning. This ensures that the bank's security posture takes into account the requirements of increasing interconnectedness and that the relevant dimensions (identification, protection, detection, response and recovery) are managed. Employees are continuously trained to make them aware of cyber risks and thus to establish and promote a cyber risk culture in the bank.

Risk management of process risks is primarily performed by the process owners. In addition, preventative risk management and the Risk unit prepare risk assessments of the process chains in an end-to-end process context. When doing so, special attention is paid to the interfaces in the process flows and operational resilience is taken into account. Where possible and reasonable, execution errors are avoided by using control activities focused on anomaly detection. The plans for resuming normal operations of critical business processes in the event of an operational crisis (business continuity plans) are regularly reviewed and tested during emergency exercises. The critical business processes according to the business impact analysis as well as the business continuity plans are part of Zürcher Kantonalbank's business continuity management (BCM) as implemented in accordance with regulatory requirements.

### **Approach regarding capital adequacy requirements for operational risk**

Zürcher Kantonalbank uses the basic indicator approach to determine the capital requirement for operational risks.

## **17 Corporate Governance**

For disclosures on corporate governance, please see the corporate governance section in our Annual Report 2023 or the corporate governance information on our internet page.

## **18 Climate-related financial risks**

### **18.1 Basic principles**

In risk management, integrated treatment of climate-related financial risks ("climate risks" for short) helps protect clients' assets and those of the bank over the long term. The public service mandate set down in the purpose clause of the Cantonal Bank Act of the Canton of Zurich requires Zürcher Kantonalbank to pursue a sustainable business policy. Conscious management of climate risks is an integral part of sustainability.

As part of the annual reporting, this section of the disclosure explains how Zürcher Kantonalbank deals with climate-related financial risks. The disclosure is made in accordance with the requirements of FINMA Circular 2016/1 "Disclosure – Banks" and follows the recommendations of the Task Force on Climate Related Financial Disclosure (TCFD), which have become the global disclosure standard. The transition to a more climate-friendly economy presents both opportunities and risks for Zürcher Kantonalbank. This disclosure focuses on the risks and is addressed to all interested parties. These include, in particular, the residents of the Canton of Zurich, the clients of Zürcher Kantonalbank, the authorities and supervisory bodies, rating agencies and investors. The disclosure covers all significant activities of the group.

The TCFD distinguishes between two categories of climate-related financial risks: physical risks from climate change and transition risks on the way to a low-carbon economy.

Physical risks from climate change may take the form of extreme weather events (e. g. floods) or chronic climate change (e. g. rising temperatures). Financial impacts on companies result either directly from damage to assets (such as buildings) or indirectly, e. g. from disruption to supply chains. Physical risks in the form of landslides or reduced snowfall in mountain and skiing areas may affect banks' mortgage portfolios and credit risks. Interruptions to the operations of key service providers in exposed regions may cause cross-sector disruption (operational risks). Physical

risks increase as the earth warms up and so are highly dependent on the extent to which effective climate action is taken.

The second type of climate risk is transition risks. These are risks resulting from the transition to a low-carbon economy. Transition risks are further divided into:

- political/legal and regulatory risks from changes in the legal or regulatory framework that have a negative impact on the bank's own business activities or entail high implementation costs,
- technological risks, such as risks from innovations that make previously used climate-related technologies superfluous, resulting in a loss of value for the corresponding investments,
- market risks (or business/strategic risks) from changed client preferences,
- reputational risks from changing stakeholder demands on the company.

There is a link between physical and transition risks: Under favourable scenarios (e. g. net zero 2050) the transition to a low-carbon economy is steady and prompt ("orderly"), so both physical and transition risks are relatively modest. But if climate strategies are implemented in a way that is delayed, abrupt and uncoordinated ("disorderly"), transition risks will be higher, even though climate targets are met and physical risks remain limited. If global efforts prove insufficient to prevent significant climate warming, high physical risks can be expected, along with low transition risks ("hot house world"). The terms in brackets are those used in the scenario framework of the Network for Greening the Financial System (NGFS).

## 18.2 Key features of the governance structure

Zürcher Kantonalbank strongly believes that sustainability is a key factor for success. For Zürcher Kantonalbank, sustainability means making successful economic activity permanently compatible with responsibility for the environment and society. Zürcher Kantonalbank is guided by the United Nations' 17 Sustainable Development Goals (SDGs) and greenhouse gas neutrality by 2050. The bank emphasised this commitment by joining the Net-Zero Banking Alliance in December 2022. Climate and climate risks are part of the environmental aspect of sustainability.

Sustainable business also means systematically integrating risks and opportunities in environmental, social and governance (ESG) fields into our business activities (ESG integration). The disclosure requirements are limited to climate-related financial risks.

### 18.2.1 Legal mandate, strategy and sustainability policy

Zürcher Kantonalbank's broad commitment to the various areas of sustainability, including climate protection, is based on a statutory mandate. In accordance with the purpose paragraph (§ 2) of the Cantonal Banking Act on Zürcher Kantonalbank, the obligation to support sustainable development (§ 2, section 1) and to promote the achievement of greenhouse gas neutrality (§ 2, section 2) applies as of 1 January 2024. Furthermore, it was added that Zürcher Kantonalbank should actively contribute to achieving the cantonal climate targets, in particular regarding energy-efficient building renovation (§ 7, section 4).

The guidelines issued by the Board of Directors on fulfilling the public service mandate of Zürcher Kantonalbank state: "In fulfilling its public service mandate, Zürcher Kantonalbank, as a universal bank, shall observe the principles of sustainability and the recognised rules of risk management." As the core task of Zürcher Kantonalbank's business activities, the public service mandate is reflected in the mission statement, the group strategy and the strategies of the individual business units. These guidelines define governance, in particular the broad anchoring of sustainability in all business units - vertically and horizontally. The Chairperson's Committee is assisted in performing its service mandate by a specialist unit and a specialist committee, the Service Mandate Steering Committee (SALA), whose tasks are described below.

According to the group strategy, Zürcher Kantonalbank aims to "actively shape sustainability topics, lead the way in sustainable offerings and accompany clients on the path to a more sustainable future." Assessing the sustainability and hence also the climate-friendliness of business activities is a major part of the strategic focus of the group and its business areas (e. g. Asset Management).

The sustainability policy implements the sustainability ambitions stipulated in its strategy and sets out the guidelines for all its business activities at group level, in the investment and pension business, in the financing business, in the deposit business, in payment transactions, in its own financial investments, in its operations, its procurement and its commitments. Specifically, requirements and exclusions are defined based on environmental, social and governance (ESG) aspects ([zkb.ch/sustainability](https://zkb.ch/sustainability)). Zürcher Kantonalbank aims to minimise climate risks across its entire business operations and to establish transparency in this regard. It is guided by the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The climate goals are based on the Paris Agreement and on achieving greenhouse gas neutrality by 2050. Zürcher Kantonalbank helps mitigate climate change by promoting energy efficiency and the substitution of fossil fuels with renewable energy sources.

In its financing business, Zürcher Kantonalbank specifically promotes sustainable developments in the areas of energy, mobility and buildings. When it comes to financing in the energy sector, Zürcher Kantonalbank demonstrates a commitment to further increasing the efficiency of the facilities and the gradual shift to renewable energy sources. Zürcher Kantonalbank advocates sustainable mobility concepts and supports innovative projects. Biofuels are only supported if they are produced from agricultural and forestry by-products and organic waste, and provided that they do not compete with food production. Zürcher Kantonalbank creates incentives for its clients to build, modernise and manage their properties and infrastructure in the most environmentally friendly and energy-efficient way possible, and we are constantly expanding our range of products and services in this area.

Zürcher Kantonalbank explicitly rules out directly financing the following types of business:

- Fossil fuels: Coal mining, oil and gas extraction: As a bank which is strongly rooted in its local area, we have never financed the mining of coal and the extraction of oil or natural gas and, accordingly, are not involved in controversial oil and gas extraction processes.
- Fossil fuel power plants: We do not finance power plants fuelled by coal or oil.
- Commodity trading: We explicitly exclude coal used for electricity production (thermal coal) as well as crude and heavy oil.
- Nuclear power: New financing for the development and construction of nuclear power plants as well as their modernisation, where it is not for the purpose of maintaining safety levels, and entities whose predominant business activity is the production, trade and marketing of nuclear energy and/or the reprocessing of nuclear fuel and uranium enrichment plants are excluded. The financing of uranium mining is also excluded.

In the investment business, Zürcher Kantonalbank is guided by the United Nations' six Principles for Responsible Investment (UN PRI). ESG risks and opportunities are systematically integrated into investment solutions and, and when it comes to direct investments in our self-managed funds we focus on dialogue with the companies in which we are invested with a view to achieving the SDGs as well as greenhouse gas neutrality by 2050.

In standardised wealth management, dialogue with the companies in which we are invested, participation in investor initiatives and the exercise of voting rights take place indirectly through the choice of external asset managers.

We systematically ask our clients about their sustainability preferences in standardised wealth management and when providing investment advice. We provide our clients with comprehensive and transparent information about the ESG criteria of investment solutions.

In our active asset management investment solutions with traditional investments and direct real estate investments we take CO<sub>2</sub>e emissions at portfolio level into account and are guided by the Paris Agreement (exceptions possible), with the result being that the CO<sub>2</sub>e intensity of portfolios will be reduced by at least four per cent per year as standard with a quantitatively binding reduction path (base year 2019).

In the capital markets business, Zürcher Kantonalbank supports its clients when issuing green bonds. It also issues its own green bonds to refinance environmental loans and to refinance projects with energy-related objectives for the office buildings used by Zürcher Kantonalbank itself.

As part of its corporate environmental programme, Zürcher Kantonalbank has set itself targets for reducing CO<sub>2</sub>e emissions in its own operations. Target achievement is reviewed annually. 100 percent of remaining unavoidable CO<sub>2</sub>e emissions have been offset since 2009, preferably nationally with projects in the Greater Zurich Area.

Zürcher Kantonalbank uses specific sponsorship commitments, to promote renewable energies, energy efficiency and sustainable mobility.

#### 18.2.2 Board of Directors, Risk Committee and Audit Committee

The Board of Directors, in its capacity as the bank's governing body, defines the group mission statement, the group strategy as well as the sustainability ambition in the group strategy. The Board of Directors and the Executive Board are informed quarterly about the risk and financial situation and on matters relating to the public service mandate and sustainability. The Board of Directors defines the strategic metrics for the public service mandate with the three submandates of service, support and sustainability, including the further development of these sub-mandates.

The Risk Committee of the Board of Directors assists the Board of Directors in monitoring the bank's risk management and compliance with regulatory requirements regarding the management of risk. In particular, it carries out an annual structured assessment of the appropriateness of risk management (risk organisation, guidelines, processes) and initiates any necessary adjustments. The assessment covers all types of risk. In the third quarter of 2023, the Risk Committee of the Board of Directors also dealt with the risk categorisation of physical climate risks and transition risks for the individual business areas, based on the analysis of the Risk Committee of the Executive Board.

The Audit Committee supports the Board of Directors for the group and the parent company in monitoring the internal and external audit and the internal control system and in reviewing the annual financial statements, and it prepares its decisions in this regard. It also assists the Board of Directors in reviewing the report on non-financial matters (sustainability report) and the climate report.

#### 18.2.3 Executive Board

The Executive Board (EB) ensures the fulfilment of the public service mandate within the scope of its responsibilities and powers, if necessary together with the Chairperson's Committee and the Board of Directors. The EB is responsible for defining the various business policies. The sustainability policy specifies the sustainability ambition set out in the group strategy and formulates guidelines on how sustainability is to be put into practice as an integrating business principle in all business activities in dealings with all stakeholders. The sustainability policy also explicitly addresses the topic of climate and defines exclusions for business activities, in particular for the lending business (lending policy), which are specified in internal guidelines. The internal guidelines for investment and asset management are also anchored in the sustainability policy. The Executive Board is likewise responsible for the control and monitoring of the environmental management system. The CEO of Zürcher Kantonalbank has a special monitoring and control function as the environmental officer of the Executive Board.

The Public Service Mandate specialist unit is responsible for planning, implementing, developing, monitoring and communicating the public service mandate, which comprises the service obligation, sustainability mandate and support mandate. As a permanent member of the Public Service Mandate Steering Committee (SALA), the Head of the Public Service Mandate specialist unit is responsible for planning, controlling and coordinating the SALA meetings in close consultation with the Chairperson of the SALA.



#### 18.2.4 Boards and committees at the level of the Executive Board

**Service Mandate Steering Committee (SALA):** The Chairperson's Committee is assisted in performing its duties by a specialist committee consisting of representatives of all business units. This specialist committee advises and supports the Chairperson's Committee, the Board of Directors and the Executive Board in all matters relating to the public service mandate. The CEO is the Chairperson of the Service Mandate Steering Committee the CEO's deputy is the CFO. The Chairperson is in close contact with the management of the Public Service Mandate unit. The Public Service Mandate unit plans and coordinates the meetings in consultation with the Chairperson of the Service Mandate Steering Committee. The other representatives on the Service Mandate Steering Committee are managers from all the business units.

The Risk Committee of the Executive Board helps the Executive Board set up the bank's risk management processes, in particular to define the procedures for identifying, assessing, controlling, managing and monitoring credit, market, liquidity and operational risks as well as reputational and compliance risks. The Committee makes decisions within the scope of the responsibilities delegated by the Executive Board and carries out the comprehensive annual assessment of climate risks that is prepared by the risk organisation. The 2023 assessment is explained section 18.3.

The Conflicts Committee helps the Executive Board handle transactions that entail particular business policy risks, conflicts of interest or particular effects on Zürcher Kantonalbank's reputation.

#### 18.2.5 Significance of group companies for climate-related financial risks

Both the balance sheet and the income statement of the Zürcher Kantonalbank group are dominated by the parent company. The business areas of the fully consolidated subsidiaries are either those that are also operated to a significantly greater extent by the parent company (e. g. private banking) or are complementary activities such as fund management by Swisscanto or the issue of structured products by Zürcher Kantonalbank Finance (Guernsey) Ltd. Consequently, the companies outside the parent company have very little influence on the risk assessment of climate-related financial risks at group level. As a result, disclosure in this regard focuses strongly on the activities of the parent company and is supplemented by elements from the subsidiaries if these are significant.

- Swisscanto: The Swisscanto Group includes Swisscanto Holding, the two fund management companies in Zurich and Luxembourg, as well as Swisscanto Pensions Ltd. Swisscanto is one of the leading Swiss providers of sustainable investment solutions. The assessment of the various aspects of climate risks contained in this climate report also covers the activities of the Swisscanto companies.
- Zürcher Kantonalbank Österreich AG: Zürcher Kantonalbank Österreich AG focuses on investment and asset management in Austria. Zürcher Kantonalbank Österreich AG has defined its strategy for dealing with sustainability risks and published it in accordance with local regulations. Information on the product manufacturer's sustainability risks is provided and explained to clients during the advisory consultation. Zürcher Kantonalbank Österreich AG has no material influence on the assessment of the group's climate-related finance risks.
- Zürcher Kantonalbank Finance (Guernsey) Ltd. and ZKB Securities (UK) Ltd.: The business activities of Zürcher Kantonalbank Finance (Guernsey) Ltd. are limited to the issue of structured investment products. The business activities of ZKB Securities (UK) Ltd. comprises equity brokerage and research services for professional clients. It gives our Swiss capital market clients direct access to an international investor base. The local operations in Guernsey and London do not give rise to any climate-related financial risks that significantly increase or reduce the group's risk profile. The business activities of the two companies were taken into account in the assessment of the parent company's trading business.

### 18.3 Description of short, medium and long-term climate-related financial risks

#### 18.3.1 Principles of risk description

Assessing climate-related financial risks ("climate risks" in short) is challenging for a number of reasons. Firstly, the procedures for identifying and measuring climate risks are not as established as, for example, the procedures for managing credit or market risks. Secondly, a very long-term view is necessary: Climate change as a risk factor moves

relatively slowly in one direction or the other. After all, over a long period, not only will the climate change but Zürcher Kantonalbank will too. For these reasons, assessing climate risks is fraught with uncertainty, and a qualitative assessment of risks is essential to gain a meaningful picture of the risk profile.

Uncertainty in assessing climate-related financial risks increases with the observation horizon. No risks have been identified that behave in the opposite way, i. e. that are smaller in the long term than in the medium term. The long-term nature of climate change also means that no particular material physical risks can be expected in the short run for banking operations or the financing business, so the assessment here runs from the medium term onwards. The assessments of transition risks are summarised for the medium and long term.

### 18.3.2 Summary

Climate protection is a central theme in Zürcher Kantonalbank’s sustainability mission. Climate-related financial risks influence the risk profile of Zürcher Kantonalbank, but are not among the top risks.

The key drivers of transition risks for the bank are climate legislation, changing client preferences and public perception and climate change itself. Areas that are potentially heavily affected by this include:

- the investment and asset management business with its offering of products with CO<sub>2</sub>e reduction targets.
- the lending business, where future changes in legislation may impact the valuation of collateral (properties in the mortgage portfolio) and financing of companies in climate-exposed sectors.

Physical climate risks are significantly less important for the risk profile of Zürcher Kantonalbank than transition risks. Areas that are potentially affected by physical climate risks include:

- the mortgage portfolio: the value of individual properties in the mortgage portfolio could be reduced, for example, as a result of flooding or landslides.
- banking operations: the accumulation of extreme weather events could impact bank operations in a very adverse flooding scenario.

The following chart summarises the 2023 risk assessment of climate-related financial risks, as carried out by the Risk Committee of the Executive Board following in-depth discussions. The assessment is based on the traditional risk categories, whereby compliance risks from the investment business are subsumed under business risks. The assessment is guided by a baseline scenario in which the Paris climate targets are largely complied with and the transition to a low-carbon economy occurs in an orderly fashion.

### Overview of risk assessment 2023

| Area   | Physical risks      | Transition risks |                     |
|--|---------------------|------------------|---------------------|
|  | medium to long term | short term       | medium to long term |
| Operational risks: Banking operations                    | ■□□□                | ■□□□             | ■□□□                |
| Credit risks: Financing business                         | ■□□□                | ■□□□             | ■□□□                |
| Market risks: Trading and Treasury                       | ■□□□                | ■□□□             | ■□□□                |
| Business risks: Investment and Asset Management business | ■□□□                | ■□□□             | ■□□□                |

□□□□ = no risk, ■■■■■ = high risk  
short term = time horizon up to 5 years, medium to long term = 6 to 30 years

The risk assessment is generally low for all business areas. Strategic adjustment options need to be considered, particularly in the long term. Only the transition risks in the financing business and in investment and asset management are rated slightly higher in the medium to long term. The focus here is on reputation risks from lending (possible allegations against the bank due to financing provided to companies from climate-sensitive industries) or from greenwashing allegations, which could in particular impact income from the investment business.

The risk description and categorisation summarised above and detailed in the following sections are based on the following methodological principles: The first step was an analytical segmentation of the relevant business areas



along the established risk categories. For example, the mortgage business, commercial financing and CTF (commodity trade finance) were assessed separately under the “credit risk” risk category. The risk factors and transfer mechanisms described by TCFD, among others, were then examined along these business areas to assess whether and to what extent the business area could be affected by them. The assessment of risk or materiality for the risk profile of Zürcher Kantonalbank is based on the economic significance of the respective business area for the bank on the one hand, and on a qualitative estimate of possible losses or loss of earnings on the other.

The risk assessment is implicitly based on scenario considerations and is guided by the NGFS (“Network for Greening the Financial System”) scenario framework. The focus here is on unfavourable scenarios, meaning that transition risks are typically assessed based on a disorderly transition to a low-carbon economy (“disorderly transformation”) and physical risks based on a hot-house-world scenario (see section 18.1). The impacts for Switzerland analysed by the Federal Office for the Environment in an extreme scenario (without climate protection measures, RCP8.5) serve as a benchmark (FOEN, Climate change in Switzerland, 2020). The risk analysis has shown that the greatest damage potential attributable to physical risks could arise as a result of a flood event in the residential sub-portfolio. The bank already carried out corresponding simulation calculations in 2021 to estimate the potential extent of damage; these revealed that even a very large event would not lead to a significant loss ratio (see section 18.5.2).

The following sections explain in detail the identified risks and the qualitative assessment along the risk categories and business areas summarised above.

### 18.3.3 Operational risk: Banking operations

We consider the climate-related financial risks from banking operations to be low in the short to long term, both in terms of physical risks and transition risks.

With respect to physical risks, extreme weather events could impact bank operations in a very adverse scenario. The probability of the bank’s operations being adversely impacted by environmental factors, which would primarily include flooding, is considered to be very low. Most of the bank premises are located in the Canton of Zurich, while the buildings critical to operations are located in the city of Zurich. For systems that are critical to operations, there are fallback solutions that are regularly tested as part of business continuity management. Environmental and accident risks are an integral part of operational risk management.

Transition risks from banking operations are considered to be low. Compared to other sectors, the operational business of a bank (operation of buildings and other infrastructure) causes direct CO<sub>2</sub>e emissions that are clearly lower than average. As a bank with primarily local operations, travelling also plays a subordinate role at Zürcher Kantonalbank. Zürcher Kantonalbank is continuously reducing its CO<sub>2</sub>e emissions from banking operations as part of its environmental programme. Target achievement is reviewed annually. 100 percent of the remaining CO<sub>2</sub> emissions have been offset since 2009. The goal is net zero by 2030.

### 18.3.4 Credit risks: Financing business

We consider the climate-related financial risks to be low in terms of physical risks, while the transition risks are also low in the short term but slightly higher in the medium and long term.

Physical risks can arise, for example, from the negative impact of climate change on the value of collateral for collateralised loans. Our mortgage business is central. The properties could be damaged by extreme weather events and lose value as a result (see also section 18.5.2). The mortgage business is extremely important to Zürcher Kantonalbank. It is strongly focussed on the Greater Zurich area, while the mortgage portfolio is very highly diversified within the economic area. The financed properties are located in Switzerland. Here too, the most serious natural disasters are flooding, although the impact of flooding is generally limited to small areas due to geographical conditions. Additionally, in the event of damage caused by natural hazards, a mortgage loan is only at risk of default if the damage is not adequately covered by the building insurance and the uncovered damage exceeds the unencumbered

portion of the value of the property. In the short term, the risk of material credit losses due to climate risks is therefore very low. It can be assumed that extreme weather events will become more frequent due to ongoing global warming. At the same time, however, it can be assumed that preventive measures to protect against damage caused by natural hazards will also improve. In the long term, physical risks in the mortgage business will therefore remain at a low level.

In the remaining lending business, physical risks are relevant for unsecured commercial financing to the extent that the borrowing companies themselves may be affected by physical climate risks. The portfolio is focussed on Switzerland and well diversified. The financed companies may have production facilities in regions that are more exposed to physical risks. The increase in extreme weather events could lead to greater price fluctuations for production resources or temporarily have a negative impact on supply chains. In addition, climatic conditions will become even more important when choosing a location for production capacities. The significance of physical risks varies greatly depending on the sector and industry. In view of the credit portfolio's broad diversification in terms of sectors and the adaptability of the financed companies, physical risks do exist, but are low overall.

Transition risks stemming from the process of adapting to the shift to a low-carbon economy play a greater role for the financing business of Zürcher Kantonalbank than physical risks. Lending by the bank, borrowers' creditworthiness and the value of collateral can all be affected by transition risks: Firstly, as a result of changes in legislation (amended regulations for heating and cooling systems, higher taxes, etc.); secondly, as a result of technological innovations in the area of climate technology that limit the value of existing products or production processes; thirdly, as a result of client preferences shifting toward sustainable products and services; and fourthly, as a result of changes in the demands of the various stakeholders regarding how Zürcher Kantonalbank deals with the climate-related topics (reputational risks).

In the area of mortgage loans, amendments to the law can have a negative impact on property values. By virtue of the political processes in Switzerland and the fact that everyone is directly or indirectly affected by the changes, sudden legislative amendments without extended transition periods and with strong, negative impacts on the value of residential property are rather unlikely. Properties' heating and cooling systems are among the major sources of CO<sub>2</sub>, making it obvious that legal regulations governing these systems will change. In addition to risks, however, the bank also has opportunities here in that it can provide advice on switching to more climate-friendly heating and cooling systems and finance the corresponding investments. In the area of investment properties, it is likely that investor preferences will shift towards "green" properties in the medium to long term and that pressure on the prices of properties with a poor carbon footprint will increase in the medium to long term.

In the area of corporate financing, the impact of climate-related transition risks on borrowers' creditworthiness will increase. Not only the risks arising as a result of changes in the legal framework (taxes, bans, etc.), but also risks related to technological breakthroughs must be taken into account. Innovations in the field of climate technology offer great opportunities, but they can also endanger existing business models. In the long term, some companies and sectors will have to adapt their products and services. Reputational risks are another aspect of transition risks in corporate financing. Different stakeholders have different expectations as to how climate issues should be factored into the bank's lending policy are diverse and sometimes even contradictory. Stakeholders' expectations of climate-compliant lending have changed and will also continue to change in the future. As a result, the reputational risk that arises for the bank if it fails to adequately adjust its sustainability and lending policies increases over time. The fact that contractual obligations in the lending business can extend over several years harbours the risk of long-term contracts that no longer meet current requirements. Lending in carbon-intensive sectors where transition is not possible or difficult is particularly important in terms of transition risks. For this reason, Zürcher Kantonalbank's lending policy excludes, for example, direct financing of coal mining, oil and gas extraction, fossil fuel-fired power plants or commodity trade financing with coal for electricity production (thermal coal) or with crude and heavy oil.

### 18.3.5 Market risks: Trading business and financial investments

We consider the climate-related financial risks from the trading business to be low in the short to long term, both in terms of physical risks and transition risks.

In case of physical risks, there is only a very low probability of financially significant losses from extreme weather events on the trading positions. The ongoing management of the trading portfolio leads to a low risk of stranded assets in both the short and long term.

In terms of transition risks, it cannot be ruled out that legislation, client preferences or public pressure could restrict the universe of tradeable financial instruments in the medium to long term. The majority of trading transactions have short terms and hedging options are generally available. This makes it possible to adjust the exposure and therefore the risk profile quite quickly. The trading business of Zürcher Kantonalbank focuses on client trading and the trading book is highly diversified at issuer level, which also has a risk-reducing effect. Zürcher Kantonalbank does not trade in emission certificates. Due to the dynamic nature of the trading business, there is a fairly high level of uncertainty involved when assessing risks in the long-term perspective.

The financial investments in the liquidity portfolio, a portfolio of high-quality bonds, are intended to be held until maturity. The factor of primary relevance with respect to climate-related financial risks is the selection of issuers. There are diversification requirements for the portfolio. Securities of issuers from sectors with a particularly high carbon risk exposure are excluded from the investment universe, which reduces the risk of transition risks. Stricter legal or regulatory criteria could further restrict the investment universe in the medium to long term. The probability of defaults due to physical risks is classified as low.

### 18.3.6 Business risks: Investment and asset management

We consider the climate-related financial risks to be low in terms of physical risks, while the transition risks are also low in the short term but slightly higher in the medium and long term.

Investment and asset management form part of Zürcher Kantonalbank's core business and is enormously important for the success of the commission business and services. On the one hand, this relates to investment advice and wealth management services and, on the other, to the bank as a producer of investment products (e. g. Swisscanto investment funds). The bank's fiduciary responsibility in investment and asset management gives rise to fiduciary risks. A fiduciary risk may arise if Zürcher Kantonalbank does not act in the client's best interests when providing advice or managing client assets. Fiduciary risks are made up of business and strategic risks, operational risks and compliance risks, all of which are also influenced by climate risks and other factors. The systematic investment process with integrated risk management in the Investment Solutions organisational unit ensures that investment decisions are made within the risk ranges defined during investor profiling. The client is informed in advance of the investment risks corresponding to the risk ranges. In Asset Management, our sustainability strategy is an integral part of the active investment process and risk management. The systematic integration of climate-related aspects makes it possible to recognise risks at an early stage. An understanding of ESG data and a robust information platform integrated into the portfolio management system are key elements of our implementation.

**Physical climate risks:** Defaults or sharp decreases in the value of individual issuers' securities as a result of extreme weather events cannot be ruled out. However, diversification in the investment portfolios and ongoing adjustments to asset allocation reduce the risk of major losses from individual events. We therefore consider the physical risks to be very low overall in the short term and low in the long term.

**Transition risks:** In the context of investment advisory and wealth management, changes in ESG preferences or ESG investment solutions that do not meet requirements can lead to a loss of income. There is also a risk of greenwashing, meaning that clients are consciously or unconsciously misled about the sustainable characteristics of financial

products or services. According to the guidelines<sup>1</sup> of the Swiss Bankers Association, three levels are relevant with regard to greenwashing: financial service provider, financial service and financial instrument. Zürcher Kantonalbank reduces these risks as follows:

- a) at financial service provider level through careful, comprehensive training of the employees concerned in accordance with their specific function and a structured, digitally supported advisory process,
- b) at financial service level through the systematic consideration of ESG preferences in the advisory and investment process as well as transparent information,
- c) at financial instrument level, through both a consistent sustainability-based approach in the area of CIO investment solutions as well as through the sustainable product lines - "Responsible" and "Sustainable" - of Swisscanto investment funds and pension products, the criteria of which are transparently disclosed to investors (refer to section 18.4.4).

### 18.3.7 Implications for Zürcher Kantonalbank strategy

Climate change and the contribution that Zürcher Kantonalbank can make to achieving internationally agreed climate goals are influencing strategy development. The risk of financial losses due to climate-related changes is one of many sub-issues. Our focus on climate targets centres around business policy decisions, such as the range of sustainable products and services, investment decisions and the choice of business areas. Assessing the sustainability, and hence also the climate-friendliness, of business activities is a major part of the strategic focus of the group and its business areas (e. g. Asset Management). To date, however, analysing the risks from climate change has not led to any material changes to group strategy. This is because of the limited significance of climate risks for the bank.

The group's strategic principles state that Zürcher Kantonalbank is guided by its statutory public service mandate, which includes the dimensions of service, support and sustainability. In fulfilling its public service mandate, Zürcher Kantonalbank, as a universal bank, observes the principles of sustainability and the recognised rules of risk management.

For Zürcher Kantonalbank, sustainability means making successful economic activity permanently compatible with responsibility for the environment and society. Zürcher Kantonalbank sets itself the following ambition and is guided by the 17 Sustainable Development Goals (SDGs) of the United Nations: Sustainable Development Goals, SDG:

- We actively shape sustainability issues
- We are a leader in sustainable offerings
- We support our clients on the way to a more sustainable future

The opportunities and risks from climate change are part of the annual assessment of strategic risks. The business policy positioning on the topic of "climate" is a central component of the sustainability policy (see section 18.2.1).

## 18.4 Risk management structures and processes

The management of climate risks as part of the sustainability risks forms an integral part of Zürcher Kantonalbank's risk management processes. Sustainability aspects are taken into account in the identification and assessment of the respective risk categories and, where material, in their control, management, monitoring and reporting.

### Risk management process

Zürcher Kantonalbank breaks the risk management process down into the following process steps:



<sup>1</sup> Guidelines for the financial service providers on the integration of ESG-preferences and ESG-risks into investment advice and portfolio management, Swiss Bankers Association, June 2022.

#### 18.4.1 Operational risks: Banking operations

|  |   |
|--|---|
| <b>Identification &amp; Assessment</b> | <p>When identifying and assessing climate-related financial risks from banking operations, the focus is on the OpRisk assessment of not only environmental and accident risks, but also the greenhouse gas emissions of Zürcher Kantonalbank (referred to as operational emissions). Using measurement data and its own analyses of the carbon footprint, the bank identifies the processes that account for the majority of emissions and where the greatest reduction potential exists. A specialised survey tool is used for this purpose. As a member of the “Energy Model Zurich” network, representatives of Zürcher Kantonalbank also regularly meet with experts from other large companies in the region to discuss issues and opportunities related to improved energy efficiency.</p>  |
| <b>Steering &amp; Management</b>       | <p>Risk management for the direct physical risks of banking operations (e. g. flooding) is carried out in Business Continuity Management (BCM). BCM focuses on the prevention and management of serious crises that threaten the company’s existence. The scenarios include not only the failure of important company buildings as a result of extreme weather events, but also the loss of critical suppliers and partners. Regardless of the event that could lead to their failure or absence, business continuity plans are in place for critical business processes. The emergency organisation set up specifically for this purpose is responsible for managing the situation in the event of an operational crisis.</p> <p>As a risk-controlling element in the environmental aspect of banking operations, Zürcher Kantonalbank has an environmental programme in place at the parent company that sets out the environmental targets for operational ecology. The targets set in the bank’s environmental programme relate to CO<sub>2</sub>e emissions, CO<sub>2</sub>e offsetting (also CO<sub>2</sub>e offsetting with negative emissions technologies in future) and energy consumption. 100 percent of unavoidable CO<sub>2</sub>e emissions have been offset since 2009.</p> <p>The targets are set on a medium-term horizon and approved by the Executive Board. These targets focus on making ongoing reductions to CO<sub>2</sub>e emissions and boosting environmental performance. Zürcher Kantonalbank promotes sustainability in the bank’s operations as a central component of its environmental management system.</p> |
| <b>Monitoring &amp; Reporting</b>      | <p>Business continuity tests are carried out on a regular basis to review the business recovery options implemented, the business continuity plans, the emergency response and operational crisis management. Among other things, emergency drills are organised to test the ability to react to specific crisis events.</p> <p>Target achievement of the environmental programme is reviewed annually. The environmental management system at Zürcher Kantonalbank has been certified to ISO 14001 since 2002 and is audited annually. The internal Public Service Mandate specialist unit prepares an annual report, which is published on the bank’s website. This annual report contains information on the reduction in CO<sub>2</sub>e emissions from banking operations already achieved. For internal purposes, the Sustainability specialist unit of the IT, Operations and Real Estate business unit prepares a separate annual report on its activities, targets and target achievement.</p>   |

#### 18.4.2 Credit risks: Financing business

|  |   |
|--|---|
| <b>Identification &amp; Assessment</b> | <p>At line item level, risk identification and assessment in the financing business look at the applicant’s creditworthiness and credit standing and also assess the collateral (mortgage, readily marketable collateral, etc.), depending on the type of credit. Whether the financing complies with the lending rules, including the sustainability requirements, is checked during the loan application process. For example, when assessing creditworthiness in the commercial financing business, the regulations require that the potential impact of changing factors, including ESG requirements, be included in the assessment.</p> <p>At portfolio level, analyses of climate-related financial risks are carried out as required to identify and assess risks. Examples of this are the analyses of the mortgage portfolio or the corporate credit portfolio, as shown in section 18.5 of this disclosure.</p> |
|--|---|

|                                   |   |
|-----------------------------------|---|
| <b>Steering &amp; Management</b>  | <p>With respect to the financing business, risk management takes the form of regulations in the sustainability and lending policy that are issued by the Executive Board. These regulations are specified in the internal credit risk regulations with detailed specifications on excluded, undesirable transactions and transactions with special risks. They also explicitly relate to financing with a focus on climate and energy.</p> <p>ESG aspects are taken into account in the lending process, thereby giving preference to sustainable and future-oriented business models. In its financing business, Zürcher Kantonalbank also promotes offers that help reduce greenhouse gas emissions. Examples of this from the mortgage business include advice on replacing heating systems in properties or discounts for environmentally friendly construction.</p>  |
| <b>Monitoring &amp; Reporting</b> | <p>The management of climate-related financial risks for the credit portfolio focuses both on the exclusion of certain sectors as well as on supplementary offers for clients in the bank's financing business. The controls for monitoring compliance with the lending rules also include the requirements of the lending policy.</p> <p>The internal monitoring report on the credit portfolio contains information on exposures in climate-sensitive sectors (see also section 18.5 and Annual Report 2023, Risk Report chapter), but does not yet include any elements such as the specific CO<sub>2</sub>e emissions of companies in the credit portfolio. The availability of public, quality-assured data on greenhouse gas emissions – especially for unlisted companies – is expected to continue to improve over the next few years, enabling meaningful reports that can, support risk management in turn.</p> |

#### 18.4.3 Market risks: Financial investments

|  |   |
|--|---|
| <b>Identification &amp; Assessment</b> | <p>The CO<sub>2</sub>e intensity of the financial investments for which the Treasury department is responsible, consisting of a very good quality bond portfolio, is periodically determined on the basis of publicly available information and compared with a benchmark from the investment universe available for regulatory purposes. When Treasury purchases financial assets, it also checks that the issuer does not belong to an industry that excludes the sustainability policy for financing.</p>  |
| <b>Steering &amp; Management</b>       | <p>Financial assets within the remit of the Treasury department have been subject to requirements on limiting climate-related financial risks since the start of 2022: Firstly, issuers are excluded if they come from sectors that are excluded under the bank's sustainability policy in the financing business as well, and secondly, the requirements state that the average revenue-weighted CO<sub>2</sub>e emissions of the portfolio must be at least 35 percent lower than in the reference portfolio of the investment universe limited by the internal investment rules.</p> |
| <b>Monitoring &amp; Reporting</b>      | <p>Compliance with the requirements for limiting the CO<sub>2</sub>e intensity of the financial investment portfolio is monitored and reported on by Treasury Controlling.</p>  |



|   |  |
|---|--|
| <p><b>Identification &amp; Assessment</b></p> | <p>Risk identification and assessment in investment advisory and wealth management focuses on the financial risks in the investment products and in the investment portfolios of clients who receive investment advice services or have commissioned the bank with wealth management. In the portfolio consulting mandates and wealth management activities of Investment Solutions, the integration of sustainability criteria into the investment process enables a view of the opportunities and risks of investment decisions that is broadened to include sustainability-related aspects. To assess sustainability, Zürcher Kantonalbank relies on data from external data providers. As part of the risk analysis, CO<sub>2</sub>e intensities (Scope 1 and 2), key figures for identifying assets particularly affected by climate risks (also known as “stranded assets”) and ESG criteria from the financial services provider MSCI are used. Additionally, one of the aims of the engagement with external managers regarding these criteria (the stewardship approach) is to improve the sustainability profile (including climate aspects).</p> <p>Asset Management: Under the “Swisscanto by Zürcher Kantonalbank” brand, Zürcher Kantonalbank utilises graduated combinations of sustainability approaches for its investment fund and pension products, depending on the product line. Asset Management uses the following criteria (approaches) to assess sustainability: stewardship, avoidance of controversies, ESG integration and climate integration. The product approval process ensures that the contractually stipulated sustainability aspects of the products comply with legal requirements and compliance can be subsequently monitored by the investment controlling function. Product authorisation, risk management function and investment controlling are important elements for reducing greenwashing risks.</p> |
| <p><b>Steering &amp; Management</b></p>       | <p>Portfolio management mandates are implemented in accordance with the ESG integration approach. They must have a minimum rating of ‘A’ at portfolio level, using ESG ratings from MSCI. In addition, further-reaching sustainability criteria for the active sustainable investment solutions – such as the systematic avoidance of controversies, the reduction of pollutants that are harmful to the climate and the pursuit of a stewardship approach – apply to the investment instruments used in the portfolios. These are assessed by the ESG Board, an internal advisory committee of the Investment Solutions organisational unit, and approved for use in the mandates. In the case of portfolio consulting mandates, the reference portfolios used must meet the same conditions as portfolio management mandates. However, as clients make the investment decisions for portfolio consulting mandates and determine the composition of the advisory portfolio as a result, this could result in deviations in the advisory portfolios.</p> <p>Asset Management: The Paris Agreement is taken into account in most of Swisscanto’s traditional, active investment funds. In addition, companies are encouraged through active dialogue to formulate and implement effective greenhouse gas (CO<sub>2</sub>e) reduction targets, among other things. Capital allocation is used to reduce investments in CO<sub>2</sub>e-intensive companies and countries that do not have a strategy for reducing their CO<sub>2</sub>e emissions in favour of CO<sub>2</sub>e-efficient companies and countries and those that pursue CO<sub>2</sub>e reduction targets.</p>  |
| <p><b>Monitoring &amp; Reporting</b></p>      | <p>Investment advice and wealth management: Compliance with the requirements mentioned under “Control &amp; management” is monitored daily as part of the risk management process. The audit results form an integral part of internal risk management reporting and the internal risk dialogue between the risk manager and risk management. Zürcher Kantonalbank transparently discloses the ESG criteria of the client portfolios in discussions with clients. Asset Management: For transactions in the fund assets of Swisscanto funds, compliance with exclusion criteria (“Sustainable” and “Responsible” criteria) is checked before the transaction is concluded and compliance is monitored daily by the fund management company’s investment controlling department, independently of the respective fund manager. The degree of CO<sub>2</sub>e reduction target achievement is monitored by the risk management unit and the fund management company’s investment controlling department. The degree of CO<sub>2</sub>e target achievement and the Swisscanto Sustainability Rating are also components of the publicly available sustainability reporting for investors. In addition, the Risk Management unit uses sustainability stress tests in its measurement, monitoring and reporting of risks.</p>   |

## 18.5 Quantitative information (key figures and targets)

### 18.5.1 Key figures and targets for the financing business

#### Joined Net-Zero Banking Alliance (NZBA)

Zürcher Kantonalbank joined the Net-Zero Banking Alliance in December 2022 and within 18 months has committed to setting sector-specific, emissions-based climate targets that are in line with the latest findings of climate science. As part of this commitment, Zürcher Kantonalbank has defined the first CO<sub>2</sub> reduction pathway for the residential mortgage business. By joining, we are responding to the call of the Swiss Bankers Association and contributing to efforts to make Switzerland a leading financial centre. The [Net-Zero Banking Alliance](#) convened by the UN brings together over 143 banks from more than 44 countries, which currently accounts for around 41 percent of global banking assets.

#### Climate target of the Canton of Zurich

In May 2022, Zurich voters decided to include the climate protection article in the cantonal constitution with 67 percent in favour. The new article defines the target of greenhouse gas neutrality, or “net zero” for short. It gives the canton and the municipalities a binding mandate to work towards limiting climate change and its effects. The target of greenhouse gas neutrality by 2040, or 2050 at the latest, is enshrined as part of the [canton’s long-term climate strategy](#). To this end, it is focusing on two strategic areas of action in the buildings sector: replacing fossil fuel heating systems with heat pumps and refurbishing buildings to make them more energy efficient. The stricter [Energy Act](#), which came into force on 1 September 2022, sets the regulatory framework. This stipulates that oil and gas heating systems must be replaced with environmentally friendly heating solutions at the end of their service life.

#### 18.5.1.1 Residential mortgage business

| Area                                       | Targets  | Base year | Methodology                          | Scenario   |
|--|--|-----------|--------------------------------------|--|
| Residential mortgage business <sup>2</sup> | 2030: 8.7 kg CO <sub>2</sub> /m <sup>2</sup> ERA<br>(44 % reduction) | 2022      | PACTA <sup>3</sup> / own methodology | Energy Perspectives<br>2050+ (EP 2050+), Zero basis scenario |
|  | 2040: 0.9 kg CO <sub>2</sub> /m <sup>2</sup> ERA<br>(94 % reduction) |           | Metrics: intensity (scope 1)         | residential property;<br>1.5°C compatible                    |

#### Objective

Our sector prioritisation is based on the environmental relevance of the relevant sectors and the financial exposure on our balance sheet. In Switzerland, the building sector is responsible for almost 40 percent of energy consumption and around a quarter of CO<sub>2</sub> emissions, with fossil fuel heating systems being the primary cause of CO<sub>2</sub> emissions. At the same time, our mortgage business is the largest item on the assets side of our balance sheet, totalling CHF 100.9 billion. Of this amount, around CHF 83 billion relate to mortgages for residential property. We therefore consider the decarbonisation of our mortgage business to be a key area of impact for our bank.

The reduction pathway was determined according to the modelling described below. The due dates for refurbishments and heating system replacements were extrapolated for the future according to the assumed service life of the components, taking into account the estimated proportions of fossil fuel heating systems being replaced by climate-friendly systems as shown in the table below.

Our target is based on Switzerland’s long-term climate target of net-zero greenhouse gas emissions by 2050. This target is intended to help the global community limit the temperature increase to 1.5°C. The plan for achieving net zero is being worked out by the Federal Council as part of the [long-term climate strategy](#). The [Energy Perspectives](#)

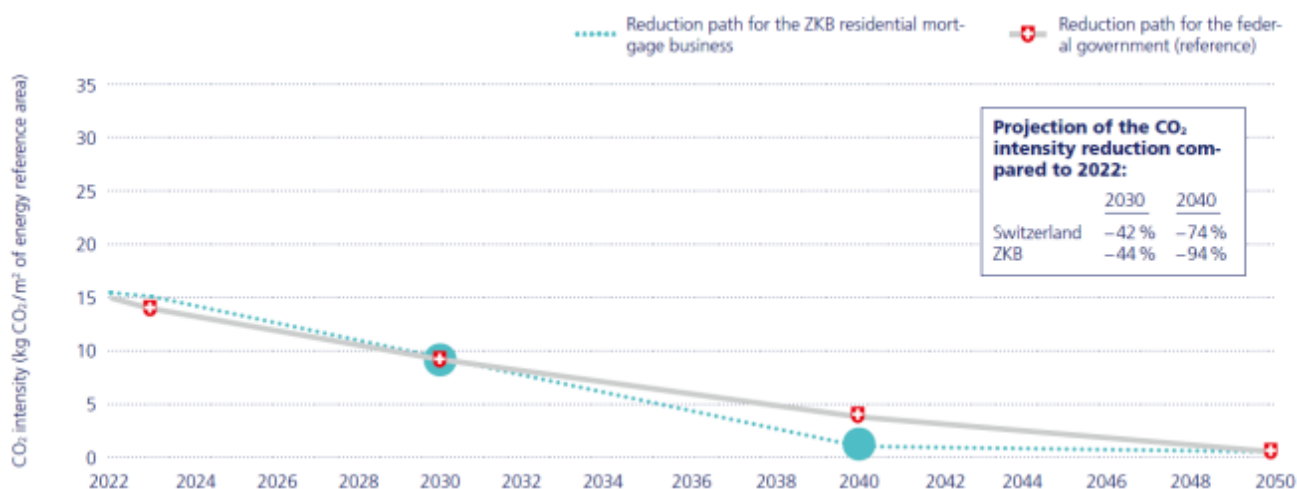
<sup>2</sup> Includes only residential properties (single-family homes, multi-family homes and condominiums)

<sup>3</sup> Paris Agreement Capital Transition Assessment



2050+ (EP 2050+) form an important basis for this. The Swiss Federal Office of Energy has modelled the development of the energy system in the net zero scenario of EP 2050+. This can be used to calculate the development of CO<sub>2</sub> emissions per energy reference area for residential properties up to 2050.

### Reduction pathway for residential property



As a starting point for the target, a value of 15.4 kg CO<sub>2</sub>/m<sup>2</sup> ERA is assumed. Zürcher Kantonalbank's reduction pathway is based on the reduction pathway of the federal government, which the bank aspires to exceed from 2030 onwards.

### Methodology and data

The target calculation for the Zürcher Kantonalbank residential reduction pathway included all mortgage financing for single-family homes (SFH), multi-family homes (MFH) and condominiums for which the heating data required for the calculation was sourced from the Register of Buildings and Dwellings (RBD, 93 percent of the financed properties) or from data from the Minergie association (7 percent of the financed properties). This corresponds to 96 percent of the financing volume, i. e. 96 percent of the CHF 80,171 million are covered in the target calculation. Because it has more up-to-date information, priority was given to the heating information provided by the Minergie association. Data on the energy efficiency of the financed buildings, i. e. on the refurbishment of façades, windows, roofs and basement ceilings, is still unavailable. Excluding refurbishments (worst-case scenario), the CO<sub>2</sub> intensity of the residential financing portfolio is 34.3 kg CO<sub>2</sub> / ERA.<sup>4</sup> This value was calculated using the PACTA calculator as at the reporting date of 31 December 2022. Zürcher Kantonalbank participated in the Paris Agreement Capital Transition Assessment (PACTA) conducted by the federal government in 2022.

### Target for residential mortgage business

| NZBA sector                   | Financial exposure as at 31.12.2022 | Coverage target | Emission scope | Zürcher Kantonalbank baseline 2022          | Reduction by 2030 (%) |
|-------------------------------|-------------------------------------|-----------------|----------------|---|-----------------------|
| Residential mortgage business | CHF 80,171 million <sup>5</sup>     | 96 %            | 1              | 15.4 kg CO <sub>2</sub> /m <sup>2</sup> ERA | 44 %                  |

<sup>4</sup> As the CO<sub>2</sub> intensity of the building also applies equally to each individual apartment in the building, the CO<sub>2</sub> intensity was also calculated for condominium financing (CNDO) at building level. The CO<sub>2</sub> intensity of the overall portfolio was determined based on the area-weighted individual intensities of the financing, with condominiums being included in the overall intensity based on the proportion of the area of the financed apartments.

<sup>5</sup> This corresponds to 83 percent of the entire mortgage business.

To arrive at an estimate of the CO<sub>2</sub> intensity with more practical relevance, Zürcher Kantonalbank assumes that the refurbishments were carried out after the end of the average service life of the building components (façade 40 years, windows 35 years, roof 50 years, basement ceiling 50 years). This assumption results in a value of 17.8 kg CO<sub>2</sub> / ERA. According to [documents provided by the federal government](#), the information on heating systems in the RBD is still subject to major uncertainties. At the time of calculation, almost 60 percent of the heating system data in the Canton of Zurich still came from the 2000 census. As an oil or gas heating system only has an average service life of around 20 years, many homeowners are likely to have already replaced their fossil fuel heating system with a climate-friendly one. Finally, the new Energy Act of the Canton of Zurich, which came into force on 1 September 2022, requires fossil fuel heating systems to be replaced with climate-friendly heating systems (see the section “Climate target of the Canton of Zurich”). Exceptions are only possible in cases of financial hardship and exceptional circumstances. This strict regulation has been in the pipeline for several years. According to the [Fachvereinigung Wärmepumpen Schweiz \(Swiss Heat Pump Association\)](#), sales of heat pumps in Switzerland increased significantly from 2017 onwards. When determining the status quo and the future reduction pathway, we therefore assume that a certain percentage of financing which, according to the RBD, has a fossil fuel heating system that has been due for replacement since 2017 (based on an assumed service life of 20 years), has actually already been or will be replaced by climate-friendly heating systems. Assuming that the building components have been refurbished and that a portion of the heating systems were replaced at the end of their service life, the starting point for the reduction pathway is an intensity of 15.4 kg CO<sub>2</sub> / ERA.

Estimated proportion and number of fossil fuel heating systems substituted by climate-friendly ones by year in which the heating system is due to be replaced

| Year  | 2017 | 2018 | 2019  | 2020  | 2021  | 2022 -<br>2029 | 2030 -<br>2034 | 2035 -<br>2039 | 2040 -<br>2050 |
|---|------|------|-------|-------|-------|----------------|----------------|----------------|----------------|
| Proportion of climate-friendly substitution | 10 % | 20 % | 40 %  | 60 %  | 80 %  | 94 %           | 96 %           | 98 %           | 99 %           |
| Number of climate-friendly substitutions    | 298  | 691  | 1,226 | 2,433 | 1,986 | 20,811         | 16,111         | 12,069         | 3,525          |

#### 18.5.1.2 Commercial financing business

Zürcher Kantonalbank is guided by the internationally established UNEP-FI or TCFD recommendations on the disclosure of transition risks from credit exposure to climate-sensitive and, as a subset thereof, carbon-related industries. TCFD defines carbon-related as industries associated with the energy and utilities sectors, according to the Global Industry Classification Standard, excluding water supply and renewable power generation. Zürcher Kantonalbank more comprehensively describes as climate-sensitive those industries that are exposed to higher transition risks due to their greenhouse gas emissions. Zürcher Kantonalbank bases its delimitation on emission statistics and uses the Swiss or European industry classification. The commodity trade finance (CTF) sub-portfolio is reported separately, irrespective of the industry, and is subject to the following restrictions under the bank’s sustainability policy. The following figure shows the unsecured loans and advances in the companies client portfolio in line with this classification.

In terms of the total balance sheet exposure in this portfolio, at the end of the year, climate-sensitive sectors accounted for around 7.8 percent or CHF 2.8 billion (2022: 7.4 percent or CHF 2.5 billion). This includes the entire energy sector, which, however, consists almost exclusively of financing for sustainable energy sources. In addition to components manufacturing and repair, the automotive sector also includes, in particular, the selling and financing of vehicles. The transport sector mainly includes passenger transport in the tourist sector and local transport as well as freight transport by road. In accordance with the aforementioned exclusion criteria in the sustainability policy, Zürcher Kantonalbank does not provide direct financing in the “coking and petroleum refining” industry, which TCFD designates as carbon-related.

In the financing business, Zürcher Kantonalbank is guided in particular by the objectives of both the federal government and the Canton of Zurich with a view to Agenda 2030 and achieving greenhouse gas neutrality by 2050. It therefore does not provide direct financing for coal mining, oil / natural gas production or fossil fuel-fired power plants. Commodities that are explicitly excluded in commodity trade finance (CTF) include: coal for electricity production (thermal coal), crude and heavy oil, bitumen / asphalt, asbestos, uranium, precious woods, live goods, diamonds, rare earth metals, perishable goods and non-certified palm oil. In the case of commodity trading clients, the bank systematically reviews sector-specific ESG risks and opportunities during onboarding as part of due diligence and on an annual basis. This review is based on reported data or data collected through the bank's own questionnaires.

#### Unsecured loans and advances in the corporate client portfolio (climate-sensitive and other industries)

| in CHF million<br>Industry designation   | 31.12.2023             |                            | 31.12.2022                     |                                |
|--|------------------------|----------------------------|--------------------------------|--------------------------------|
|  | Balance sheet exposure | as % of unsecured exposure | as % of balance sheet exposure | as % of balance sheet exposure |
| Mining / crushed rock and earth  | 3                      | 0.0%                       | 0.0%                           | 0.0%                           |
| Metal production / processing  | 6                      | 0.1%                       | 0.0%                           | 0.0%                           |
| Sewage and waste disposal and elimination of environmental pollution                         | 59                     | 0.9%                       | 0.2%                           | 0.2%                           |
| Agriculture, hunting and related activities  | 93                     | 1.5%                       | 0.3%                           | 0.3%                           |
| Glass / ceramics / cement  | 130                    | 2.0%                       | 0.4%                           | 0.4%                           |
| Transport (incl. mountain railways, but excluding rail passenger transport and goods trains) | 223                    | 3.5%                       | 0.6%                           | 0.6%                           |
| Chemical products  | 341                    | 5.3%                       | 0.9%                           | 0.9%                           |
| Energy supply  | 441                    | 6.9%                       | 1.2%                           | 2.0%                           |
| Automotive   | 916                    | 14.3%                      | 2.5%                           | 1.2%                           |
| CTF (commodity trade finance)  | 620                    | 9.7%                       | 1.7%                           | 1.8%                           |
| <b>Total climate-sensitive sectors</b>   | <b>2,833</b>           | <b>44.2%</b>               | <b>7.8%</b>                    | <b>7.4%</b>                    |
| <b>Total other sectors</b>   | <b>3,573</b>           | <b>55.8%</b>               | <b>9.9%</b>                    | <b>9.9%</b>                    |
| Total corporate clients portfolio unsecured  | 6,405                  | 100.0%                     | 17.7%                          | 17.3%                          |
| Real estate financing  | 28,732                 |                            | 79.3%                          | 79.4%                          |
| Other products   | 1,110                  |                            | 3.1%                           | 3.3%                           |
| <b>Total balance sheet exposure companies</b>  | <b>36,247</b>          |                            | <b>100.0%</b>                  | <b>100.0%</b>                  |

#### 18.5.2 Key figures and targets for the investment business

As part of our sustainability standard for active investment solutions<sup>6</sup>, we pursue a quantitative climate reduction pathway for investments in traditional asset classes and reduce the CO<sub>2</sub>e intensities by at least 4 percent per year. As part of the Net Zero Asset Managers Initiative, Asset Management is pursuing the even more ambitious 1.5°C climate target for some of its assets under management.

#### Net Zero Asset Managers Initiative

Swisscanto by Zürcher Kantonalbank joined the Net Zero Asset Managers Initiative in July 2021. By joining the Net Zero Asset Managers Initiative, Zürcher Kantonalbank's Asset Management division commits to the goal of reducing greenhouse gas emissions to net zero by 2050 (or earlier) in order to help limit global warming to 1.5°C. As part of this initiative, Zürcher Kantonalbank's Asset Management division disclosed its climate targets for the first time in November 2022: [netzeroassetmanagers.org/signatories/swisscanto-invest/](https://netzeroassetmanagers.org/signatories/swisscanto-invest/)

#### Paris Agreement

The goal of limiting man-made global warming to "well below 2°C", if possible to below 1.5°C, was adopted at the United Nations Climate Change Conference in Paris in 2015.

<sup>6</sup> Definition of "active investment solutions": relates to portfolio management mandates and investment funds, with the exception of indexed, individualised and third-party managed investment solutions and investment funds in the area of alternative investments.

### 18.5.2.1 Key figures and targets for Asset Management

| Area   | Targets   | Base year | Methodology  | Scenario                              |
|--|---|-----------|--|---------------------------------------|
| 20 % of AuM of Asset Management                                      | Reduction of at least 4 % CO <sub>2</sub> e intensity per year <sup>7</sup>   | 2019      | Own methodology<br><br>Metrics: intensity (scope 1, 2) | IPCC “well below 2°C” scenario (67 %) |
| 25 % of AuM of Asset Management (Net Zero Asset Managers Initiative) | Reduction of at least 7.5 % CO <sub>2</sub> e intensity per year <sup>7</sup><br><br>Interim targets <sup>8</sup> :<br>2025: 32 % reduction of CO <sub>2</sub> e<br>2030: 54 % reduction of CO <sub>2</sub> e<br>2040: 79 % reduction of CO <sub>2</sub> e<br>2050: 90 % reduction of CO <sub>2</sub> e | 2019      | Own methodology<br><br>Metrics: intensity (scope 1, 2) | IPCC 1.5°C scenario (50 %)            |

#### Objective

Around 25 percent of assets in Asset Management are pursuing the 1.5°C climate target, while a further 20 percent of assets are pursuing the “well below 2°C” climate target, which corresponds to an annual reduction in CO<sub>2</sub>e of at least 4 percent. The remaining 55 percent of our assets in Asset Management represent passively managed funds, where the asset owner has only limited, indirect influence over the choice of investment strategy. We plan to align the coverage of assets orientated towards the “well below 2°C” climate target to the 1.5°C climate target.

In 2020, Swisscanto set itself the goal of reducing the CO<sub>2</sub>e emissions of actively managed assets from traditional asset classes, with a few exceptions, by at least 4 percent per year compared to the investment universe at the end of 2019. That will enable the reduction of at least 70 percent demanded by the scientific community to be achieved by 2050. This goal was validated by the external Sustainability Advisory Board of the investment and pension business.

The sustainable funds (with the exception of the two thematic funds Water and Climate) are pursuing the more ambitious 1.5°C climate target: this requires a reduction in CO<sub>2</sub>e intensity of at least 7.5 percent per year, plus economic growth. The “Sustainable” products therefore fulfil the requirements of the Net Zero Asset Managers Initiative, which was signed by Zürcher Kantonalbank’s Asset Management division in July 2021.

#### Methodology and data (“Responsible” / “Sustainable” active)

The private sector must make its contribution to achieving the Paris Agreement’s targets for greenhouse gas neutrality by 2050. According to the IPCC (UN Intergovernmental Panel on Climate Change), the earth’s temperature in the period 2010 - 2020 was around 1.1°C above pre-industrial levels (1850 - 1900)<sup>9</sup>. Swisscanto uses the scientific climate scenarios of the Intergovernmental Panel on Climate Change (IPCC) as the basis for setting its targets. The IPCC 1.5°C (50 percent) scenario is used as the calculation basis for 1.5°C-aligned portfolios and the IPCC “well below 2°C” scenario (67 percent) for 2°C-aligned portfolios. The IPCC estimates the carbon budget from 1 January 2020 at 1,090 Gt CO<sub>2</sub>e for a 67 percent chance of limiting the temperature rise to well below 2°C and a budget of 465 Gt CO<sub>2</sub>e for the more ambitious 1.5°C target. In order to achieve the climate target, an annual reduction in greenhouse gas emissions of 4 percent per year is required for the “well below 2°C” target and 7.5 percent per year for the 1.5°C target.

Greenhouse gases with a global warming effect are included in the portfolio construction in accordance with the international Greenhouse Gas Protocol (GHG Protocol) standard (measured in CO<sub>2</sub>e). The CO<sub>2</sub>e intensities are defined for companies as CO<sub>2</sub>e emissions in relation to revenue (tonnes of CO<sub>2</sub>e per million US dollars of revenue) and

<sup>7</sup> Plus economic growth

<sup>8</sup> Interim targets according to NZAM are published at <https://www.netzeroassetmanagers.org/signatories/swisscanto-invest/>

<sup>9</sup> IPCC AR6 WGI Summary for Policymakers: [https://www.ipcc.ch/report/ar6/wg1/downloads/outreach/IPCC\\_AR6\\_WGI\\_SummaryForAll.pdf](https://www.ipcc.ch/report/ar6/wg1/downloads/outreach/IPCC_AR6_WGI_SummaryForAll.pdf)

for government securities as CO<sub>2</sub>e emissions in relation to economic value added (tonnes of CO<sub>2</sub>e per million US dollars of gross domestic product). Data from independent third parties is used to determine the CO<sub>2</sub>e intensities. The benchmark for the average CO<sub>2</sub>e intensity of the sub-fund's assets is calculated by discounting the CO<sub>2</sub>e intensity of the investment universe at the end of 2019 annually by the target value (4 percent or 7.5 percent) and by global economic growth. Because the reduction is realised with economic CO<sub>2</sub>e intensities (Scope 1 and 2 emissions per revenue), additional compensation for economic growth is required.

#### Special case of direct property investments

The target for direct property investments is part of the 20 percent of AuM by Asset Management that is aligned with the "well below 2°C" target.

| Area                        | Targets  | Base year | Methodology                     | Scenario                              |
|-----------------------------|--|-----------|---------------------------------|---------------------------------------|
| Direct property investments | 2030: 8.0 kg CO <sub>2</sub> e/m <sup>2</sup> ERA (48 % reduction) | 2020      | REIDA <sup>10</sup>             | IPCC "well below 2°C" scenario (67 %) |
|                             | 2040: 3.9 kg CO <sub>2</sub> e/m <sup>2</sup> ERA (75 % reduction) |           | Metrics: intensity (scope 1, 2) |                                       |
|                             | 2050: 1.0 kg CO <sub>2</sub> e/m <sup>2</sup> ERA (94 % reduction) |           |                                 |                                       |

#### Objective

Our CO<sub>2</sub>e reduction target is based on target values that are compatible with the Paris Agreement (IPCC "well below 2°C" scenario (67 percent)). To achieve these targets, CO<sub>2</sub>e reduction pathways are created for the property portfolios, which are periodically adjusted to current circumstances (e. g. due to refurbishments, new acquisitions or disposals).

With the "Swisscanto (CH) Real Estate Fund Responsible Switzerland indirect", the "Swisscanto (CH) IPF II Real Estate Fund Responsible International indirect" and the "Swisscanto (CH) Real Estate Fund Responsible Switzerland indirect (I)", ZKB Asset Management focuses its investment activities on the reduction of CO<sub>2</sub>e emissions with the aim of making a significant contribution to climate protection.

#### Methodology

In order to reduce the CO<sub>2</sub>e intensity of the investments, the energy consumption and greenhouse gas emissions of the existing properties are measured on an ongoing basis. All greenhouse gases with a global warming effect are included in accordance with the international standard of the GHG Protocol (measured in CO<sub>2</sub>e). Greenhouse gas emissions are calculated in accordance with the methodology of the Real Estate Investment Data Association (REIDA) recommended as best practice by the Asset Management Association Switzerland (AMAS) as CO<sub>2</sub>e based on the energy consumption values.

#### Implementation for direct property investments

The specific measures for achieving the reduction pathway follow a three-pronged strategic approach consisting of OPEX, CAPEX<sup>11</sup> and new builds. OPEX measures include, for example, systematic operational optimisation in the properties and CAPEX measures include the replacement of fossil fuels with renewable resources. Furthermore, CO<sub>2</sub>e intensive properties are also managed through targeted transaction activity. The remaining greenhouse gas emissions can be offset by purchasing emission reduction certificates (ERCs).

<sup>10</sup> Real Estate Investment Data Association

<sup>11</sup> OPEX = Operational Expenditures (operating expenses, i. e. costs for raw materials and supplies, personnel costs, energy costs and costs for sales and administration), CAPEX = Capital Expenditures (investment expenditure for longer-term assets)

### 18.5.2.2 Implementation in the investment business

Below we describe the measures that are being taken with regard to the individual products and services and which processes they will follow in order to achieve the defined climate targets:

- Zürcher Kantonalbank systematically integrates ESG criteria in the management of actively managed asset management mandates from the Asset Management division of Zürcher Kantonalbank and standardised wealth management from the Investment Solutions division of Zürcher Kantonalbank as well as in the collective capital investments of the “Responsible” or “Sustainable” product lines of Swisscanto (product brand for collective capital investments of the Zürcher Kantonalbank group).
- The voting behaviour of our Asset Management is published at [swisscanto-fondsleitungen.com/en/investmentstewardship.html](https://www.swisscanto-fondsleitungen.com/en/investmentstewardship.html). In addition, our Asset Management division conducts a direct dialogue with companies in which our funds are invested and is involved via the UN PRI collaboration platform and investor initiatives. With respect to the standardised wealth management services provided by the Investment Solutions division, dialogue with companies in which our clients are invested, participation in investor initiatives and the exercise of voting rights take place indirectly via the selection of external asset managers.
- When it comes to the investment activities of the actively managed “Responsible” asset management mandates of Asset Management at Zürcher Kantonalbank and the actively managed collective capital investments of Swisscanto in the traditional asset classes with a “Responsible” approach and the standardised wealth management with the “Basic” designation, we are guided by the Paris Agreement and generally aim to reduce the CO<sub>2</sub>e intensity by at least 4 percent per year.

The sustainable collective investment schemes of Swisscanto’s “Sustainable” product line and the standardised wealth management of the “Sustainable (ESG)” designation go one step further. These aim to achieve a CO<sub>2</sub>e reduction of at least 7.5 percent per year and are based on the 1.5°C climate target set out in the Paris Agreement. The thematic Swisscanto funds in Asset Management (Water & Climate) are an exception to this.

### 18.5.3 Key figures and targets for own operations

The following figures and information relate to the commercial properties of Zürcher Kantonalbank in Switzerland. These comprise the parent company and Swisscanto Holding AG. CO<sub>2</sub> emissions of Zürcher Kantonalbank Österreich AG, Zürcher Kantonalbank Finance (Guernsey) Ltd., ZKB Securities (UK) Ltd. and the representative offices are not available at group level.

The corporate environmental programme defines the climate targets related to our operations. The aim of the environmental programme is to continuously reduce CO<sub>2</sub>e emissions. As part of this programme, since 2010 we have been able to reduce the carbon footprint by 68 percent, from 7,040 CO<sub>2</sub>e tonnes to 2,263 CO<sub>2</sub>e tonnes for 2023, and we want to reduce this to 1,800 CO<sub>2</sub>e tonnes by 2030.

| Area                          | Targets   | Base year | Methodology  | Scenario |
|-------------------------------|---|-----------|--|----------|
| Own operations<br>investments | 2030: Reduction to 1,800 tonnes<br>of CO <sub>2</sub> e <sup>12</sup><br><br>Neutralizing of the remaining<br>emissions through NET | 2022      | VfU (German Association for Environmental<br>Management) key figures<br>calculation tool<br><br>Metrics: absolute<br>(scope 1, 2, 3) <sup>13</sup> | -        |

<sup>12</sup> We have already reduced our operational emissions by 68 percent since 2010

<sup>13</sup> The following categories of the GHG Protocol are relevant within scope 3: paper (category 1), fuel and energy-related emissions (not included in scope 1 or 2) (category 3), waste (category 5) and business travel (category 6). NB: We are currently evaluating how we can expand the coverage of the operational emissions of Scope 3 categories.

## Objective

The goal of our new 2023 - 2030 environmental programme is to reach net zero by 2030. To this end, we set a reduction target for all relevant VfU indicators (see table). We have already achieved a significant reduction since 2017. All emissions that we are unable to reduce completely will be offset with qualitative negative emission technologies (NET) by 2030 at the latest in order to achieve the net-zero target in operations.

| Operational targets by 2030: VfU indicators (in tonnes of CO <sub>2</sub> e) | Actual value<br>2023 | Reference year<br>2017 | % change in actual<br>value compared to<br>the reference year | Target<br>2030 |
|--|----------------------|------------------------|---|----------------|
| <b>Total emissions (t CO<sub>2</sub>e)</b>                                   | <b>2,263</b>         | <b>3,987</b>           | (↓ 43)  | <b>1,800</b>   |
| Building electricity consumption (t CO <sub>2</sub> e)                       | 63                   | 180                    | (↓ 65)  |                |
| Building heat consumption (t CO <sub>2</sub> e)                              | 811                  | 1,602                  | (↓ 49)  |                |
| Water consumption (t CO <sub>2</sub> e)                                      | 31                   | 56                     | (↓ 45)  |                |
| Cooling and extinguishing agents (t CO <sub>2</sub> e)                       | 214                  | 184                    | (↑ 16)  |                |
| Waste (t CO <sub>2</sub> e)  | 104                  | 124                    | (↓ 16)  |                |
| Business travel (t CO <sub>2</sub> e)  | 629                  | 881                    | (↓ 29)  |                |
| Paper (t CO <sub>2</sub> e)  | 410                  | 960                    | (↓ 57)  |                |

## Methodology and data

We use the [VfU key figures calculation tool](#) to calculate operational greenhouse gas emissions and key figures. The “VfU key figures” and the associated calculation tool are recognised as the globally accepted standard for accounting for environmental indicators at financial institutions. The key figures and the calculation tool are revised at regular intervals to take account of international initiatives such as GRI or the GHG Protocol.