Capital adequacy and liquidity disclosure requirements

Disclosure as at 30 June 2021

Publication date: 27 August 2021

Contents

1 Key abbreviations in disclosure

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

In case of any deviations resulting from the translation, the German version shall prevail.

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 30 June 2021 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 6 May 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 in Switzerland and the fourth-largest Swiss bank. The broadly diversified consolidated group also includes Swisscanto Holding AG with its subsidiaries and their subsidiaries (Swisscanto Fund Management Company Ltd., Swisscanto Pensions Ltd., Swisscanto Private Equity CH I Ltd 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 is active in equity brokerage and research as well as Zürcher Kantonalbank Österreich AG, which operates in international private banking, are also part of the Group.

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 Article 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. At its meeting on 27 March 2020 the Federal Council approved the SNB request to suspend the countercyclical buffer (CCB) with immediate effect. The total risk-based going concern requirement as at 30 June 2021 is therefore equivalent to the requirement under the CAO (12.86 percent of RWA) for both the group and the parent company.

Under Article 132, para. 2 CAO, the risk-based gone concern requirement is measured based on the total going concern requirement (excluding the CCB) 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 Article 148j CAO, the gross gone concern requirement in 2021 is 1.92 percent 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). 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 gross 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 1.01 percent gross as at 30 June 2021. This results in a total risk-based gone concern requirement of 2.93 percent gross as at 30 June 2021. 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) 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 Article 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 30 June 2021 for both the group and parent company is a total going concern requirement of 4.5 percent.

Under Article 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 Article 148j CAO, the gross gone concern requirement in 2021 is 0.63 percent of total exposure. 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. 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 0.33 percent gross as at 30 June 2021. This results in a total unweighted gone concern requirement of 0.96 percent gross as at 30 June 2021. The total unweighted gone concern requirement is being increased gradually to 2.75 percent gross 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 30 June 2021, 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 on page 10.

Group risk-weighted assets (RWA) as at 30 June 2021 amounted to CHF 71,166 million (31 March 2021: CHF 71,526 million). They were therefore CHF 360 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 9,152 million on 30 June 2021 (31 March 2021: CHF 9,198 million), compared to eligible capital on a going concern basis in the group of CHF 12,722 million (31 March 2021: CHF 12,709 million). This is equivalent to surplus cover of CHF 3,570 million (31 March 2021: CHF 3,511 million). The surplus cover therefore increased by CHF 59 million in the second quarter of 2021.

The core capital ratio (going concern) on a group basis as at 30 June 2021 was 17.9 percent (31 March 2021: 17.8 percent). It was thus 5.0 percentage points (31 March 2021: 4.9 percentage points) above the 12.9 percent going concern requirement (31 March 2021: 12.9 percent).

At CHF 2,869 million (4.0 percent of RWA), the eligible additional loss-absorbing capital exceeded the gone concern requirement by CHF 781 million as at 30 June 2021 (as at 31 March 2021 the surplus cover was CHF 771 million).

The total leverage ratio exposure sank by CHF 5,252 million from 31 March 2021 to CHF 211,135 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 1.5 percentage points as at 30 June 2021 (31 March 2021: 1.4 percentage points), equivalent to CHF 3,221 million (31 March 2021: CHF 2,972 million).

Eligible capital on a gone concern basis for the leverage ratio is also the same as for the risk-based requirements. At CHF 2,869 million (1.4 percent of total exposure), the eligible additional loss-absorbing capital exceeds the gone concern requirement of CHF 2,032 million as at 30 June 2021.

With the current composition of eligible capital and eligible additional loss-absorbing capital, Zürcher Kantonalbank would meet the final rules from 2026 as follows: There is surplus cover of CHF 2,851 million above the risk-based going concern requirement and CHF 213 million above the risk-based gone concern requirement. On an unweighted basis, the surplus cover amounts to CHF 2,502 million above the going concern requirement and the gone concern requirement would be met exactly.

As a systemically important bank, Zürcher Kantonalbank is subject to stricter liquidity requirements: it has to meet a liquidity coverage ratio (LCR) of 135 percent. Zürcher Kantonalbank's ongoing comfortable liquidity situation is reflected in the LCR. On a group basis, the LCR fell slightly from the previous quarter and stood at an average of 147 percent in the second quarter of 2021 (first quarter of 2021: 152 percent).

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 [1]	Disclosure frequency Quarterly	 Semiannual	 Annual
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	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	n/a	n/a	n/a
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		■	
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		■	

[1] Qualitative (QUAL) or quantitative with comments (QC)

Reference	Table name	QUAL or QC [1]	Disclosure frequency Quarterly	Semiannual	Annual
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 (IRRBB) risk management objective and policies	QUAL / QC			■
IRRBBA1	Interest rate risk: quantitative information on exposure structure and repricing	QC			■
IRRBB1	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 3	Disclosure requirements for systemically important banks: risk-based capital requirements based on capital ratios	QC	■		
Annex 3	Disclosure requirements for systemically important banks: unweighted capital requirements based on the leverage ratio	QC	■		

[1] Qualitative (QUAL) or quantitative with comments (QC)

4 Overview total risk

4.1 KM1: Key metrics (group)

Group		a	b	c	d	e
in million CHF (unless stated otherwise)		**30.06.2021**	**31.03.2021**	**31.12.2020**	**30.09.2020**	**30.06.2020**
	Eligible capital					
1	Common equity Tier 1 (CET1)	11,661	11,652	11,903	11,486	11,480
1a	Fully loaded ECL (expected credit loss) accounting model CET1 [1]	-	-	-	-	-
2	Tier 1 capital (T1)	12,722	12,709	12,968	12,236	12,230
2a	Fully loaded ECL (expected credit loss) accounting model T1 [1]	-	-	-	-	-
3	Total capital	13,547	13,529	13,508	12,774	12,761
3a	Fully loaded ECL (expected credit loss) accounting model total capital [1]	-	-	-	-	-
	Risk-weighted assets (RWA)					
4	RWA	71,166	71,526	68,515	69,672	69,750
	Minimum required capital					
4a	Minimum required capital	5,693	5,722	5,481	5,574	5,580
	Risk-based capital ratios (in % of RWA) [2]					
5	CET1 ratio	16.4%	16.3%	17.4%	16.5%	16.5%
5a	Fully loaded ECL (expected credit loss) accounting model CET1 ratio [1]	-	-	-	-	-
6	Tier 1 capital ratio	17.9%	17.8%	18.9%	17.6%	17.5%
6a	Fully loaded ECL (expected credit loss) accounting model Tier 1 ratio [1]	-	-	-	-	-
7	Total capital ratio	19.0%	18.9%	19.7%	18.3%	18.3%
7a	Fully loaded ECL (expected credit loss) accounting model total capital ratio [1]	-	-	-	-	-
	CET1 buffer requirements (in % of RWA)					
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	-	-	-	-	-
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	11.0%	10.9%	11.7%	10.3%	10.3%
	Capital target ratios as per Annex 8 to the CAO (in % of RWA) [3]					
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)	-	-	-	-	-
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	-	-	-	-	-
	Basel III leverage ratio					
13	Total Basel III leverage ratio exposure measure	211,135	216,387	208,326	201,795	198,218
14	Basel III leverage ratio (Tier 1 capital in % of leverage ratio exposure measure)	6.0%	5.9%	6.2%	6.1%	6.2%
14a	Basel III leverage ratio under the fully loaded ECL (expected credit loss) accounting model (Tier 1 capital in % of leverage ratio exposure measure) [1]	-	-	-	-	-
	Liquidity coverage ratio (LCR) [4]					
15	LCR numerator: total high-quality liquid assets (HQLA)	60,206	60,010	53,042	48,374	42,487
16	LCR denominator: total net outflows of funds	41,006	39,581	33,190	33,883	33,433
17	Liquidity coverage ratio (LCR)	147%	152%	160%	143%	127%
	Net stable funding ratio (NSFR) [5]					
18	Available stable refinancing	-	-	-	-	-
19	Required stable refinancing	-	-	-	-	-
20	Net stable funding ratio, (NSFR)	-	-	-	-	-

[1] Zürcher Kantonalbank adopted the rules on value adjustments and provisions for expected losses on 01.01.2021. The initial allocation to value adjustments and provisions for expected losses was made as a lump sum, rather than being built up on a linear basis. Zürcher Kantonalbank is not making use of the transitional rules, which is why these rows are not applicable.

[2] The figures are calculated in accordance with the provisions of the CAO for non-systemically important banks.

[3] 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.

[4] Simple average of the closing values on the business days during the quarter under review.

[5] Rows 18 to 20 do not have to be disclosed until the provisions of the Liquidity Ordinance governing the net stable funding ratio (NSFR) come into effect on 01.07.2021.

Eligible capital scarcely changed in the second quarter of 2021.

Compared with 31 March 2021, RWA did not change significantly, falling by CHF 360 million. As the start of the COVID-19 crisis fell out of the calibration period for value at risk definitively on 30 June 2021, RWA under the model approach for market risk declined (total RWA under the market risk framework fell by CHF 505 million). Conversely, RWA for amounts below the thresholds for deductions (subject to 250% risk weight) increased by CHF 267 million as a result of agreeing to take part in a capital increase carried out by a participation.

The combination of almost unchanged capital and slightly lower RWA as at 30 June 2021 resulted in the ratio rising by 0.1 percentage points from the previous quarter. With unchanged CET1 buffer requirements under the Basel minimum standards, the available CET1 ratio after covering the Basel minimum standard also rose by 0.1 percentage points.

Total Basel III leverage ratio exposure fell by CHF 5,252 million to CHF 211,135 million during the last quarter. On-balance-sheet items in particular declined, by CHF 7,140 million. The fall in total assets was mainly due to liquidity management (cash). Conversely, securities financing transaction exposures rose by CHF 2,597 million. Derivative exposures and off-balance-sheet items did not change significantly. In combination with the scarcely changed Tier 1 capital, this resulted in a leverage ratio 0.1 percentage points higher at 6.0 percent as at 30 June 2021 (31 March 2021: 5.9 percent).

In the second quarter of 2021, the LCR on a group basis was down slightly from the previous quarter and stood at an average of 147 percent (first quarter of 2021: 152 percent). As a systemically important bank, Zürcher Kantonalbank is subject to stricter liquidity requirements: it has to meet a liquidity coverage ratio (LCR) of 135 percent.

4.2 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 (see above) and will not be repeated for the following Table.

Parent company		a	b	c	d	e
in million CHF (unless stated otherwise)		**30.06.2021**	**31.03.2021**	**31.12.2020**	**30.09.2020**	**30.06.2020**
	Eligible capital					
1	Common equity Tier 1 (CET1)	11,868	11,867	12,130	11,726	11,729
1a	Fully loaded ECL (expected credit loss) accounting model CET1 [1]	-	-	-	-	-
2	Tier 1 capital (T1)	12,929	12,924	13,195	12,476	12,479
2a	Fully loaded ECL (expected credit loss) accounting model T1 [1]	-	-	-	-	-
3	Total capital	13,752	13,742	13,735	13,015	13,011
3a	Fully loaded ECL (expected credit loss) accounting model total capital [1]	-	-	-	-	-
	Risk-weighted assets (RWA)					
4	RWA	71,938	72,264	69,304	70,418	70,520
	Minimum required capital					
4a	Minimum required capital	5,755	5,781	5,544	5,633	5,642
	Risk-based capital ratios (in % of RWA) [2]					
5	CET1 ratio	16.5%	16.4%	17.5%	16.7%	16.6%
5a	Fully loaded ECL (expected credit loss) accounting model CET1 ratio [1]	-	-	-	-	-
6	Tier 1 capital ratio	18.0%	17.9%	19.0%	17.7%	17.7%
6a	Fully loaded ECL (expected credit loss) accounting model Tier 1 ratio [1]	-	-	-	-	-
7	Total capital ratio	19.1%	19.0%	19.8%	18.5%	18.4%
7a	Fully loaded ECL (expected credit loss) accounting model total capital ratio [1]	-	-	-	-	-
	CET1 buffer requirements (in % of RWA)					
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	-	-	-	-	-
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	11.1%	11.0%	11.8%	10.5%	10.4%
	Capital target ratios as per Annex 8 to the CAO (in % of RWA) [3]					
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)	-	-	-	-	-
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	-	-	-	-	-
	Basel III leverage ratio					
13	Total Basel III leverage ratio exposure measure	211,368	216,607	208,596	201,978	198,344
14	Basel III leverage ratio (Tier 1 capital in % of leverage ratio exposure measure)	6.1%	6.0%	6.3%	6.2%	6.3%
14a	Basel III leverage ratio under the fully loaded ECL (expected credit loss) accounting model (Tier 1 capital in % of leverage ratio exposure measure) [1]	-	-	-	-	-
	Liquidity coverage ratio (LCR) [4]					
15	LCR numerator: total high-quality liquid assets (HQLA)	60,198	60,002	53,028	48,348	42,458
16	LCR denominator: total net outflows of funds	41,228	39,788	33,379	34,022	33,552
17	Liquidity coverage ratio (LCR)	146%	151%	159%	142%	127%
	Net stable funding ratio (NSFR) [5]					
18	Available stable refinancing	-	-	-	-	-
19	Required stable refinancing	-	-	-	-	-
20	Net stable funding ratio, (NSFR)	-	-	-	-	-

[1] Zürcher Kantonalbank adopted the rules on value adjustments and provisions for expected losses on 01.01.2021. The initial allocation to value adjustments and provisions for expected losses was made as a lump sum, rather than being built up on a linear basis. Zürcher Kantonalbank is not making use of the transitional rules, which is why these rows are not applicable.

[2] The figures are calculated in accordance with the provisions of the CAO for non-systemically important banks.

[3] 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.

[4] Simple average of the closing values on the business days during the quarter under review.

[5] Rows 18 to 20 do not have to be disclosed until the provisions of the Liquidity Ordinance governing the net stable funding ratio (NSFR) come into effect on 01.07.2021.

4.3 OV1: Overview of RWA

in CHF million		a RWA 30.06.2021	b RWA 31.12.2020	c Minimum capital requirements 30.06.2021
1	Credit risk (excluding CCR – counterparty credit risk) [1]	50,638	48,674	4,051
2	of which standardised approach (SA) [1]	7,650	6,814	612
3	of which foundation internal ratings-based (F-IRB) approach	26,162	25,750	2,093
4	of which supervisory slotting approach	-	-	-
5	of which advanced internal ratings-based (A-IRB) approach [2]	16,827	16,110	1,346
6	Counterparty credit risk (CCR)	7,685	6,960	615
7	of which standardised approach for counterparty credit risk (SA-CCR)	4,606	3,823	368
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 [3]	3,079	3,137	246
10	Credit valuation adjustment (CVA)	3,135	3,079	251
11	Equity positions under the simple risk weight approach	556	546	44
12	Investments in funds – look-through approach	-	-	-
13	Investments in funds – mandate-based approach	-	-	-
14	Investments in funds – fall-back approach	549	534	44
14a	Investments in funds – simplified approach	-	-	-
15	Settlement risk	1	1	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	2,988	3,438	239
21	of which standardised approach (SA)	1,320	1,284	106
22	of which internal model approaches (IMA)	1,668	2,154	133
23	Capital charge for switch between trading book and banking book	-	-	-
24	Operational risk	4,566	4,501	365
25	Amounts below the thresholds for deduction (subject to 250% risk weight)	1,048	781	84
26	Floor adjustment	-	-	-
27	**Total**	**71,166**	**68,515**	**5,693**

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

[2] 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.

[3] 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 2,651 million overall compared with 31 December 2020. With the exception of RWA for market risk, which decreased by CHF 450 million, as at 30 June 2021, RWA for all risk categories increased. For further information on the reasons for the changes please see the relevant detailed tables.

5 Composition of regulatory capital

5.1 CC1: Presentation of regulatory capital

30.06.2021		a	b
in CHF million		Amounts	References
Common equity (CET1)			
1	Issued and paid-in capital, fully eligible	2,425	J
2	Retained earnings reserves, including reserves for general banking risks / profit (loss) carry forwards and profit (loss) for the period	9,804	
	of which voluntary retained earnings reserve	9,163	
	of which reserves for general banking risks	154	
	of which profit (loss) for the current period [1]	487	
	of which planned dividend	-	
	of which planned retained profit	-	
3	Capital reserves and foreign currency translation reserve (+/-) and other reserves	-6	
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	11,735	
	CET1: regulatory adjustments		
7	Prudential valuation adjustments	-	
8	Goodwill (net of related tax liability)	-58	A, F
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	-10	B, G
10	Deferred tax assets that rely on future profitability	-6	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	-74	
29	**Common Equity Tier 1 capital (net CET1)**	**11,661**	
Additional Tier 1 capital (AT1)			
30	Issued and paid in instruments, fully eligible	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	
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] Profit for the current period is not a component of eligible capital.

30.06.2021		a	b
in CHF million		Amounts	References
	Additional Tier 1 capital: regulatory adjustments		
37	Net long position in own AT1 instruments	-4	
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	-4	
44	Additional Tier 1 capital (net AT1)	1,061	
45	**Tier 1 capital (net Tier 1 = net CET1 + net AT1)**	**12,722**	
Tier 2 capital (T2)			
46	Issued and paid in instruments, fully eligible	548	
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	277	
51	Tier 2 capital before regulatory adjustments	825	
	Tier 2 capital: regulatory adjustments		
52	Net long position in own T2 instruments and other TLAC instruments	-0	
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	-0	
58	**Tier 2 capital (net T2)**	**825**	
59	**Regulatory capital (net T1 + net T2)**	**13,547**	
60	**Total risk-weighted assets**	**71,166**	
Capital ratios [2]			
61	CET1 ratio (item 29, as a percentage of risk-weighted assets)	16.4%	
62	T1 ratio (item 45, as a percentage of risk-weighted assets)	17.9%	
63	Regulatory capital ratio (item 59, as a percentage of risk-weighted assets)	19.0%	
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%	
65	of which capital buffer in accordance with Basel minimum standards (as a percentage of risk-weighted assets)	2.5%	
66	of which countercyclical buffer in accordance with the Basel minimum standards (Art. 44a CAO, as a percentage of risk-weighted assets)	-	
67	of which capital buffer for systemically important institutions in accordance with the Basel minimum standards (as a percent-age of risk-weighted assets)	-	
68	CET1 available after meeting the bank's minimum capital requirements (in %)	11.0%	
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)	-	
Amounts below the thresholds for deduction (before risk-weighting)			
72	Non-qualified participations in the financial sector	611	
73	Other qualified participations in the financial sector (CET1)	421	
74	Mortgage servicing rights	-	
75	Other deferred tax assets	-	

[2] Systemically important banks can disregard Rows 68a – 68g as Annex 8 of the CAO does not apply to them.

30.06.2021	a	b
in CHF million	Amounts	References
Applicable caps on the inclusion of items in T2		
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	-	
Capital instruments with phase out (1.1.2018 – 1.1.2022) according to Art. 141 CAO		
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)	-	

Net CET1 declined by CHF 242 million compared with 31 December 2020, primarily as a result of the net impact of the allocation to value adjustments (VA) and provisions (P) for expected losses (EL), with no income effect. The creation of VA and P for EL of CHF 461 million as at 1 January 2021 was offset by the reversal of the IRB shortfall of provisions to expected losses for the one-year EL, which stood at CHF 197 million on 31 December 2020. The portion of the VA and P for EL that exceeds expected losses calculated under the IRB approach is eligible as Tier 2 capital. As at 30 June 2021, this surplus amounted to CHF 277 million, taking net Tier 2 capital to CHF 825 million. All things considered, regulatory capital was CHF 13,547 million, essentially unchanged from 31 December 2020 (CHF 13,508 million). Combined with higher RWA (see Table OV1 on page 13 for details), this resulted in a reduction in the capital ratios of between 1.0 percentage points (CET1 ratio) and 0.7 percentage points (regulatory capital ratio).

5.2 CC2: Reconciliation of regulatory capital to balance sheet

Balance sheet	a and b	c
30.06.2021 *in CHF million*	As in financial statements / Under regulatory scope of consolidation [1]	References
Assets		
Liquid assets	39,676	
Amounts due from banks	2,789	
Amounts due from securities financing transactions	28,010	
Amounts due from customers	9,703	
Mortgage loans	89,714	
Trading portfolio assets	11,643	
Positive replacement values of derivative financial instruments	1,787	
Other financial instruments at fair value	-	
Financial investments	4,966	
Accrued income and prepaid expenses	513	
Non-consolidated participations	135	
Tangible fixed assets	612	
Intangible assets	68	
of which goodwill	58	A
of which other intangibles, other than mortgage servicing rights	10	B
of which mortgage servicing rights	-	C
Ohter assets	1,291	
of which deferred tax assets that rely on future profitability	6	D
of which deferred tax assets arising from temporary differences	-	E
Capital not paid in	-	
Total assets	**190,907**	

[1] 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.

Balance sheet **30.06.2021** *in CHF million*	a and b As in financial statements / Under regulatory scope of consolidation [1]	c References
Liabilities		
Amounts due to banks	40,275	
Liabilities from securities financing transactions	4,847	
Amounts due in respect of customer deposits	92,132	
Trading portfolio liabilities	1,653	
Negative replacement values of derivative financial instruments	814	
Liabilities from other financial instruments at fair value	4,091	
Cash bonds	147	
Bond issues	20,214	
Central mortgage institution loans	11,179	
Accrued expenses and deferred income	592	
Other liabilities	2,482	
Provisions	258	
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
Total liabilities	**178,684**	
of which subordinated liabilities eligible as Tier 2 capital (T2)	825	
of which subordinated liabilities eligible as Additional Tier 1 capital (AT1)	1,061	
Equity		
Reserves for general banking risks	154	
Bank's capital	2,425	
of which eligible as CET1	2,425	J
of which eligible as AT1	-	K
Statutory reserves / voluntary reserves / profits (losses) carried forward / profit (loss) for the period	9,644	
of which voluntary retained earnings reserve	9,163	
of which foreign currency translation reserve	-6	
of which profit (loss) for the current period [2]	487	
of which planned dividend	-	
of which planned retained profit	-	
(Own shares)	-	
Minority interests	-	
of which eligible as CET1	-	L
of which eligible as AT1	-	M
Total equity	**12,223**	

[1] 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.

[2] 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 and Swisscanto Asset Management International SA). Non-material (from an accounting perspective) majority participations in Zürcher Kantonalbank Representações Ltda., ZüriBahn AG and Philanthropy Services Ltd. are not fully consolidated.

Equity instruments of companies in the financial sector are treated as described in Articles 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.

5.3 CCA: Main features of regulatory capital instruments and of other TLAC-eligible instruments

30.06.2021		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
	Regulatory treatment		
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	Hybrid instrument
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
	Dividend / coupon		
17	Fixed or floating dividend / coupon	Floating	Fixed
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

30.06.2021		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	XS1245290181
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
	Regulatory treatment		
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	Hybrid instrument	Hybrid instrument
8	Amount recognised in regulatory capital (in CHF million)	CHF 311 million	CHF 548 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	15.06.2015
12	Perpetual or dated	Perpetual	Dated
13	Original maturity date	n/a	15.06.2027
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	First possible termination date 15.06.2022. Redemption amount: entire outstanding issue, no partial termination
16	Subsequent call dates, if applicable	Thereafter every five years on 16 April	n/a
	Dividend / coupon		
17	Fixed or floating dividend / coupon	Fixed	Fixed
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 2.625% until 15.06.2022; thereafter reset based on 5-year mid-swap plus 1.85% risk premium
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.	Common equity Tier 1 (CET1) capital ratio falls below 5% 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	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)	Always fully where a trigger event occurs (CET1 ratio below 5%) that persists until the subsequent trigger test date or 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	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

6 Leverage ratio

6.1 LR1: Leverage ratio: summary comparison of accounting assets vs leverage ratio exposure measure

30.06.2021

in CHF million		a
1	Total assets as per published financial statements	190,907
1a	Differences between published financial statements and accounting principles used for the determination of the leverage ratio exposure [1]	-
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)	-74
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)	8,524
5	Adjustment for securities financing transactions (SFTs) (margin nos. 52 – 73 FINMA Circ. 15/3)	1,956
6	Adjustment for off-balance-sheet items (i.e. conversion to credit equivalent amounts) (margin nos. 74 – 76 FINMA Circ. 15/3)	9,822
7	Other adjustments	-
8	**Leverage ratio exposure (sum of Rows 1 – 7)**	**211,135**

[1] Not applicable to Zürcher Kantonalbank, as it does not use an international accounting standard.

6.2 LR2: Leverage ratio: leverage ratio common disclosure template

	a	b
in CHF million	**30.06.2021**	**31.12.2020**
On-balance-sheet exposures		
1 On-balance sheet items (excluding derivatives and SFTs, but including collateral) (margin nos. 14 – 15 FINMA Circ. 15/3)	161,110	169,829
2 Assets that must be deducted in determining the eligible Tier 1 capital (margin nos. 7 and 16 – 17 FINMA Circ. 15/3)	-74	-291
3 Total on-balance sheet exposures within the leverage ratio framework, excluding derivatives and SFTs (sum of rows 1 and 2)	**161,035**	**169,537**
Derivatives		
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	3,091	3,139
5 Add-on amounts for PFE associated with all derivatives transactions (margin nos. 22 and 25 FINMA Circ. 15/3)	7,827	7,196
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)	1,716	2,566
7 Deduction of receivables assets for cash variation margin provided in derivatives transactions, in accordance with margin no. 36 FINMA Circ. 15/3	-1,755	-2,626
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	-572	-585
9 Adjusted effective notional amount of written credit derivatives, after deduction of negative replacement values (margin no. 43 FINMA Circ. 15/3)	117	85
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)	-113	-69
11 Total derivative exposures (sum of rows 4 – 10)	**10,311**	**9,707**
Securities financing transaction exposures		
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)	28,010	16,942
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)	1,956	1,948
15 Agent transaction exposures (margin nos. 70 – 73 FINMA Circ. 15/3)	-	-
16 Total securities financing transaction exposures (sum of rows 12 – 15)	**29,966**	**18,891**
Other off-balance-sheet exposures		
17 Off-balance-sheet exposure at gross notional amounts before application of credit conversion factors	40,078	40,340
18 Adjustments for conversion to credit equivalent amounts (margin nos. 75 – 76 FINMA Circ. 15/3)	-30,256	-30,149
19 Total off-balance-sheet items (sum of rows 17 and 18)	**9,822**	**10,191**
Eligible capital and total exposures		
20 Tier 1 capital (margin no. 5 FINMA Circ. 15/3)	12,722	12,968
21 Total exposures (sum of rows 3, 11, 16 and 19)	211,135	208,326
Leverage ratio		
22 Leverage ratio (margin nos. 3 – 4 FINMA Circ. 15/3) in %	**6.0%**	**6.2%**

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 with 31 December 2020, total on-balance-sheet items (excluding derivatives and SFTs) fell by CHF 8,502 million for volume reasons. The fall in total assets was mainly due to liquidity management (cash). Conversely, securities financing transaction exposures rose by CHF 11,075 million. The changes in derivative exposures (CHF + 604 million) and off-balance-sheet items (CHF - 369 million) were lower. Overall, this led to a rise in total exposures of CHF 2,809 million to CHF 211,135 million. The slightly lower Tier 1 capital combined with the higher total exposure resulted in a slightly lower leverage ratio of 6.0 percent as at 30 June 2021 (31 December 2020: 6.2 percent).

7 Liquidity

7.1 LIQ1: Liquidity: Liquidity coverage ratio (LCR)

		Quarterly averages Q1 21 [1]		Quarterly averages Q2 21 [1]	
	in CHF million	Unweighted values	Weighted values	Unweighted values	Weighted values
A. High-quality liquid assets (HQLA)					
1	**Total high quality liquid assets (HQLA)**		**60,010**		**60,206**
B. Cash outflows					
2	Retail deposits	60,195	6,175	61,114	6,265
3	of which stable deposits	5,988	299	5,988	299
4	of which less stable deposits	54,208	5,875	55,126	5,966
5	Unsecured wholesale funding	47,872	29,470	47,874	28,675
6	of which operational deposits (all counterparties) and deposits in networks of cooperative banks	4,806	1,201	4,867	1,216
7	of which non-operational deposits (all counterparties)	39,888	25,091	40,460	24,913
8	of which unsecured debt	3,177	3,177	2,546	2,546
9	Secured wholesale funding and collateral swaps		5,924		5,721
10	Other outflows	22,755	10,814	23,288	11,673
11	of which outflows related to derivative exposures and other transactions	12,955	8,836	13,486	9,761
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	54	54	82	82
13	of which, outflows related to committed credit and liquidity facilities	9,745	1,923	9,719	1,830
14	Other contractual funding obligations	1,750	1,701	2,138	2,093
15	Other contingent funding obligations	39,398	331	37,140	333
16	**Total cash outflows**		**54,414**		**54,760**
C. Cash inflows					
17	Secured financing operations (e.g. reverse repo transactions)	7,376	5,012	7,484	5,116
18	Inflows from fully performing exposures	3,546	3,164	2,958	2,579
19	Other cash inflows	6,657	6,657	6,058	6,058
20	**Total cash inflows**	**17,580**	**14,833**	**16,500**	**13,754**
Adjusted values					
21	**Total high-quality liquid assets (HQLA)**		**60,010**		**60,206**
22	**Total net cash outflows**		**39,581**		**41,006**
23	**Liquidity coverage ratio in %**		**152%**		**147%**

[1] The average is calculated based on the end of day values from the business days of the reported quarter: Q1 21: 63 days included, Q2 21: 61 days included.

As a systemically important bank, Zürcher Kantonalbank is subject to stricter liquidity requirements: it has to meet a liquidity coverage ratio (LCR) of 135 percent. Zürcher Kantonalbank's ongoing comfortable liquidity situation is reflected in the LCR. On a group basis, the LCR fell slightly from the previous quarter and stood at an average of 147 percent in the second quarter of 2021 (first quarter of 2021: 152 percent).

7.2 LIQ2: Liquidity: Net stable funding ratio (NSFR)

Disclosure will take place when the provisions of the Liquidity Ordinance governing the net stable funding ratio (NSFR) come into effect on 1 July 2021.

8 Credit risk

8.1 CR1: Credit risk: credit quality of assets

30.06.2021 *in CHF million*		a Gross carrying values of defaulted exposures	b Gross carrying values of non-defaulted exposures	c Value adjustments / impairments [1]	d Net values (a + b - c)
1	Loans (excluding debt securities) [2]	557	101,628	629	101,556
2	Debt securities [2]	-	4,680	1	4,679
3	Off-balance-sheet exposures	163	13,729	-	13,892
4	**Total**	**719**	**120,038**	**630**	**120,127**

[1] 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 30.06.2021 are higher than the gross carrying values of defaulted exposures.
[2] 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 42,349 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.

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

30.06.2021 *in CHF million*		a
1	**Defaulted loans and debt securities [1] at end of the previous reporting period (31.12.2020)**	**591**
2	Loans and debt securities that have defaulted since the last reporting period	79
3	Returned to non-defaulted status	75
4	Amounts written off	3
5	Other changes (+/-) [2]	-35
6	**Defaulted loans and debt securities at end of the reporting period (1 + 2 - 3 - 4 + 5)**	**557**

[1] All exposures are presented gross of value adjustments for default risks.
[2] 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 30 June 2021 decreased by CHF 34 million compared to the figure recorded on 31 December 2020.

8.3 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 26 onwards for IRB disclosures.

		a	b1	b	d	f
30.06.2021 *in CHF million*		Unsecured exposures / carrying amount	Secured exposures / carrying amount [1]	of which secured by collateral [2]	of which secured by financial guarantees [2]	of which secured by credit derivatives [2]
1	Loans (excluding debt securities)	9,561	91,995	90,371	1,408	-
2	Debt securities	4,439	240	-	240	-
3	**Total**	**14,000**	**92,235**	**90,371**	**1,648**	**-**
4	of which defaulted	131	211	151	60	-

[1] Fully or partially secured by collateral (incl. secured by financial guarantees and credit derivatives)

[2] 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 396 million compared to 31 December 2020, resulting in a proportion of fully or partially secured exposures (excluding debt securities) of 91 percent as at 30 June 2021 (31 December 2020: 90 percent). Otherwise, during the reporting period, there were no material changes in the extent to which credit risk mitigation techniques were used.

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

30.06.2021		a	b	c	d	e	f
in CHF million (unless stated otherwise)		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	301	-	1,505	-	0	0.0%
2	Banks and securities firms	380	197	375	95	106	22.5%
3	Other public sector entities and multilateral development banks	1,828	3,494	1,911	321	616	27.6%
4	Corporates	2,946	4,766	2,676	1,188	2,900	75.0%
5	Retail	3,736	2,607	2,784	343	2,525	80.7%
6	Equity	-	-	-	-	-	-
7	Other exposures [1]	41,140	429	41,120	90	1,503	3.6%
8	**Total**	**50,330**	**11,494**	**50,370**	**2,037**	**7,650**	**14.6%**

[1] According to FINMA Circ. 16/1, non-counterparty-related exposures are included in other exposures.

Compared to 31 December 2020, total on-balance-sheet amounts before CCF and CRM subject to credit risk under the standardised approach were lower (CHF - 11,579 million). This is mainly due to cash and cash equivalents, which account for the majority of the Other exposures category (CHF - 12,278 million). In contrast, balance sheet items in the Corporates segment (CHF + 591 million) increased. Off-balance-sheet exposures did not change significantly in the first half of 2021. Despite the substantial decrease in balance sheet items compared to 31 December 2020, total RWA increased by CHF 836 million. This is because the decline in cash and cash equivalents with a zero percent risk weight does not impact the RWA, the higher volume in the Corporates segment however results in increased RWA.

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

	30.06.2021 *in CHF million* Exposure class / risk weight	a 0%	b 10%	c 20%	d 35%	e 50%	f 75%	g 100%	h 150%	i Other	j Total credit exposures amount (post-CCF and post-CRM)
1	Central governments and central banks	1,504	-	-	-	-	-	0	-	-	1,505
2	Banks and securities firms	-	-	450	-	12	-	5	3	-	470
3	Other public sector entities and multilateral development banks	513	-	840	17	838	-	23	0	-	2,232
4	Corporates	-	-	684	73	738	6	2,362	1	-	3,864
5	Retail	-	-	-	832	-	278	2,000	17	-	3,127
6	Equity	-	-	-	-	-	-	-	-	-	-
7	Other exposures [1]	39,676	-	-	48	-	-	1,484	1	-	41,210
8	**Total**	**41,694**	**-**	**1,973**	**971**	**1,588**	**284**	**5,875**	**22**	**-**	**52,407**
9	of which, covered by mortgages	-	-	-	971	-	19	1,022	-	-	2,012
10	of which, past-due loans	-	-	-	-	-	-	19	19	-	38

[1] According to FINMA Circ. 16/1, non-counterparty-related exposures are included in other exposures.

The changes in comparison with 31 December 2020 depicted in Table CR4 are also displayed in Table CR5 after CCF and CRM. The fall in liquid assets is mainly responsible for the CHF 12,263 million decrease in Other exposures. The increase in Corporates exposures is mainly evident in the 100 percent risk weight (CHF + 499 million). Otherwise, there were no significant changes in table CR5.

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

30.06.2021 *in million CHF* *(unless stated otherwise)*	a Original on-balance-sheet gross exposure	b Off-balance-sheet exposures pre CCF	c Average CCF in %	d EAD post-CRM and post-CCF	e Average PD in %	f Number of obligors	g Average LGD in %	h Average maturity in years	i RWA	j RWA density in %	k EL	l Provisions
1 Central governments and central banks (F-IRB) by PD range												
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	-	-	-	-	-	-	-	-	-	-	-	-
2 Central governments and central banks (A-IRB) by PD range												
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	-	-	-	-	-	-	-	-	-	-	-	-
3 Banks and securities firms (F-IRB) by PD range												
0.00 to <0.15	1,275	695	54.6%	1,696	0.1%	100	45.0%	1.1	383	22.6%	1	
0.15 to <0.25	451	226	28.8%	432	0.2%	52	45.0%	1.2	155	35.8%	0	
0.25 to <0.50	114	64	24.4%	129	0.3%	66	45.0%	1.0	62	48.1%	0	
0.50 to <0.75	71	46	55.0%	176	0.7%	29	45.0%	1.0	129	73.4%	1	
0.75 to <2.50	813	310	30.2%	692	1.4%	66	45.0%	0.9	720	104.1%	4	
2.50 to <10.00	378	177	32.5%	226	4.5%	69	45.0%	1.1	307	136.1%	5	
10.00 to <100.00	40	69	23.1%	33	20.8%	39	45.0%	0.8	76	229.2%	3	
100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	
Sub-total	3,142	1,587	42.1%	3,385	0.9%	421	45.0%	1.1	1,833	54.1%	14	-

	a	b	c	d	e	f	g	h	i	j	k	l
30.06.2021 *in million CHF* *(unless stated otherwise)*	Original on-balance-sheet gross exposure	Off-balance-sheet exposures pre CCF	Average CCF in %	EAD post-CRM and post-CCF	Average PD in %	Number of obligors	Average LGD in %	Average maturity in years	RWA	RWA density in %	EL	Provisions
4 Banks and securities firms (A-IRB) by PD range												
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	-	-	-	-	-	-	-	-	-	-	-	-
5 Other public sector entities, multilateral development banks (F-IRB) by PD range												
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	-	-	-	-	-	-	-	-	-	-	-	-
6 Other public sector entities, multilateral development banks (A-IRB) by PD range												
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	-	-	-	-	-	-	-	-	-	-	-	-
7 Corporates: specialised lending (F-IRB) by PD range												
0.00 to <0.15	892	1,568	75.0%	2,068	0.1%	21	41.3%	1.5	427	20.6%	1	
0.15 to <0.25	2,852	2,323	75.0%	4,594	0.2%	96	42.1%	2.0	1,539	33.5%	3	
0.25 to <0.50	10,773	4,928	74.8%	14,457	0.3%	652	39.2%	2.4	7,065	48.9%	18	
0.50 to <0.75	2,238	654	75.0%	2,728	0.6%	412	40.0%	2.5	1,982	72.7%	7	
0.75 to <2.50	2,210	472	74.9%	2,562	1.1%	541	40.4%	2.6	2,381	92.9%	12	
2.50 to <10.00	220	26	74.7%	239	2.9%	105	42.3%	2.9	314	131.3%	3	
10.00 to <100.00	-	-	-	-	-	-	-	-	-	-	-	
100.00 (Default)	61	1	75.0%	48	-	8	-	-	51	106.0%	-	
Sub-total	19,245	9,972	74.9%	26,696	0.4%	1,835	40.0%	2.3	13,758	51.5%	43	14

30.06.2021 *in million CHF (unless stated otherwise)*	a Original on-balance-sheet gross exposure	b Off-balance-sheet exposures pre CCF	c Average CCF in %	d EAD post-CRM and post-CCF	e Average PD in %	f Number of obligors	g Average LGD in %	h Average maturity in years	i RWA	j RWA density in %	k EL	l Provisions
8 Corporates: specialised lending (A-IRB) by PD range												
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	-	-	-	-	-	-	-	-	-	-	-	-
9 Corporates: other lending (F-IRB) by PD range												
0.00 to <0.15	687	3,040	74.9%	2,965	0.1%	81	44.7%	1.5	619	20.9%	1	
0.15 to <0.25	777	1,441	72.9%	1,828	0.2%	80	40.6%	1.9	630	34.4%	1	
0.25 to <0.50	2,249	3,571	74.0%	4,763	0.4%	923	40.3%	1.9	2,357	49.5%	7	
0.50 to <0.75	1,270	1,499	71.9%	2,326	0.7%	899	40.9%	1.8	1,570	67.5%	7	
0.75 to <2.50	3,106	2,025	72.7%	4,470	1.5%	1,931	41.2%	1.9	3,958	88.6%	27	
2.50 to <10.00	822	321	71.4%	965	4.0%	1,140	40.0%	2.3	1,089	112.8%	15	
10.00 to <100.00	43	9	74.0%	41	15.4%	78	40.0%	1.7	71	173.8%	3	
100.00 (Default)	237	245	69.5%	262	-	187	-	-	277	106.0%	-	
Sub-total	9,192	12,152	73.5%	17,620	0.9%	5,319	40.7%	1.8	10,570	60.0%	61	105
10 Corporates: other lending (A-IRB) by PD range												
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	-	-	-	-	-	-	-	-	-	-	-	-
11 Retail: covered by mortgages by PD range												
0.00 to <0.15	18,366	1,111	75.0%	19,198	0.1%	37,700	19.1%	3.0	1,143	6.0%	3	
0.15 to <0.25	10,141	617	75.0%	10,604	0.2%	12,362	21.5%	3.0	1,387	13.1%	4	
0.25 to <0.50	19,148	1,310	75.0%	20,130	0.4%	21,642	24.5%	3.1	4,761	23.7%	17	
0.50 to <0.75	8,482	731	75.0%	9,029	0.6%	7,140	26.8%	3.0	3,453	38.2%	15	
0.75 to <2.50	6,695	629	75.0%	7,167	1.2%	6,285	28.0%	3.1	4,484	62.6%	24	
2.50 to <10.00	1,048	111	75.0%	1,131	3.6%	1,462	27.6%	3.0	1,340	118.5%	11	
10.00 to <100.00	49	5	75.0%	53	13.1%	52	30.6%	2.3	124	236.4%	2	
100.00 (Default)	137	2	75.0%	127	-	152	-	-	134	106.0%	-	
Sub-total	64,066	4,516	75.0%	67,439	0.4%	86,795	23.2%	3.0	16,827	25.0%	77	12

	a	b	c	d	e	f	g	h	i	j	k	l
30.06.2021 *in million CHF* *(unless stated otherwise)*	Original on-balance-sheet gross exposure	Off-balance-sheet exposures pre CCF	Average CCF in %	EAD post-CRM and post-CCF	Average PD in %	Number of obligors	Average LGD in %	Average maturity in years	RWA	RWA density in %	EL	Provisions
12 Retail: qualifying revolving exposures (QRRE) by PD range												
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	-	-	-	-	-	-	-	-	-	-	-	-
13 Other retail exposures by PD range												
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	-	-	-	-	-	-	-	-	-	-	-	-
14 Equity (PD / LGD approach) by PD range												
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	-	-	-	-	-	-	-	-	-	-	-	-
Total (all portfolios)	**95,646**	**28,228**	**72.4%**	**115,140**	**0.5%**	**94,370**	**24.6%**	**2.6**	**42,989**	**37.3%**	**196**	**131**

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.

8.7 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.

8.8 CR8: IRB: RWA flow statements of credit risk exposures under IRB

30.06.2021		a
in CHF million		RWA amounts
1	**RWA as at end of previous reporting period (31.12.2020)**	**41,860**
2	Asset size changes	553
3	Asset quality changes	496
4	Model updates	-
5	Methodology and policy changes	-
6	Acquisions and disposals (of entities)	-
7	Foreign exchange movements	79
8	Other	-
9	**RWA as at end of current reporting period**	**42,989**

RWA of credit risk positions under the IRB approach increased by CHF 1,129 million in the first half of 2021. Roughly half of the rise (CHF 553 million) came from an increase in asset volumes, especially mortgage loans. Approximately the remaining half (CHF 496 million) was the result of lower credit quality compared with 31 December 2020. The changes in exchange rates in the first half of 2021 were minor.

8.9 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					
30.06.2021 *in CHF million (unless stated otherwise)*	On-balance-sheet amount	Off-balance-sheet amount	Risk weight in %	Exposure amount	RWA
Exchange-traded equity exposures	9	-	300%	9	28
Private equity exposures	123	-	400%	123	522
Other equity exposures	2	0	400%	2	6
Total	**133**	**0**		**133**	**556**

There were no material changes in equities under the simple risk weight method compared to 31 December 2020.

9 Counterparty credit risk

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

		a	b	c	d	e	f
30.06.2021 *in CHF million* *(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)	1,728	4,266		1.4	8,391	4,544
2	IMM (for derivatives and SFTs)			-	-	-	-
3	Simple approach for risk mitigation (for SFTs)					-	-
4	Comprehensive approach for risk mitigation (for SFTs)					5,594	3,020
5	VaR for SFTs					-	-
6	**Total**						**7,564**

Both replacement cost and potential future exposure for derivatives rose compared to 31 December 2020. As a result, EAD post-CRM for derivatives was CHF 799 million higher. With an average risk weight of counterparties for derivative transactions of 54 percent as at 30 June 2021 (31 December 2020: 50 percent), this resulted in RWA of CHF 4,544 million (CHF + 779 million compared to 31 December 2020). EAD post-CRM for SFTs, by contrast, sank by CHF 196 million. The average risk weight for SFTs increased from 53 percent to 54 percent. These changes resulted in decreased RWA for SFT (CHF - 49 million) as at 30 June 2021.

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

30.06.2021		a	b
in CHF million		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	8,391	3,135
4	**Total subject to the standardised CVA capital charge**	**8,391**	**3,135**

The changes shown in Table CCR1 are also displayed in Table CCR2. For the CVA, the CHF 799 million increase in EAD post-CRM for derivatives resulted in an increase of CHF 56 million in RWA to CHF 3,135 million.

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

30.06.2021										
in million CHF		a	b	c	d	e	f	g	h	i
	Exposure category / risk weight [1]	0%	10%	20%	50%	75%	100%	150%	Other	Total credit exposure
1	Central governments and central banks	71	-	-	-	-	320	-	-	390
2	Banks and securities firms	-	-	1,428	322	-	-	-	-	1,750
3	Other public sector entities and multilateral development banks	303	-	154	76	-	582	-	-	1,115
4	Corporates	-	-	240	516	-	2,849	-	-	3,604
5	Retail	-	-	-	-	-	264	-	-	264
6	Equity	-	-	-	-	-	-	-	-	-
7	Other exposures	-	-	-	-	-	623	-	-	623
8 [2]		-	-	-	-	-	-	-	-	-
9	**Total**	**374**	**-**	**1,822**	**914**	**-**	**4,636**	**-**	**-**	**7,746**

[1] 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.

[2] 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 rose by CHF 566 million compared with 31 December 2020. Exposures in the Corporates segment in particular were higher than at the end of 2020 (CHF + 463 million).

9.4 CCR4: IRB: CCR exposures by portfolio and PD scale

30.06.2021	a	b	c	d	e	f	g
in Mio. CHF (wo nicht anders vermerkt)	Positionen nach CRM	Durchschnittliche Ausfallwahrschein-lichkeit in %	Anzahl Schuldner	Durchschnittlicher Ausfall in %	Durchschnittliche Restlaufzeit in Jahren	RWA	RWA-Dichte in %
1 Zentralregierungen und Zentralbanken (F-IRB) nach Ausfallwahrscheinlichkeiten							
0.00 bis <0.15	-	-	-	-	-	-	-
0.15 bis <0.25	-	-	-	-	-	-	-
0.25 bis <0.50	-	-	-	-	-	-	-
0.50 bis <0.75	-	-	-	-	-	-	-
0.75 bis <2.50	-	-	-	-	-	-	-
2.50 bis <10.00	-	-	-	-	-	-	-
10.00 bis <100.00	-	-	-	-	-	-	-
100.00 (Default)	-	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-	-
2 Zentralregierungen und Zentralbanken (A-IRB) nach Ausfallwahrscheinlichkeiten							
0.00 bis <0.15	-	-	-	-	-	-	-
0.15 bis <0.25	-	-	-	-	-	-	-
0.25 bis <0.50	-	-	-	-	-	-	-
0.50 bis <0.75	-	-	-	-	-	-	-
0.75 bis <2.50	-	-	-	-	-	-	-
2.50 bis <10.00	-	-	-	-	-	-	-
10.00 bis <100.00	-	-	-	-	-	-	-
100.00 (Default)	-	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-	-
3 Banken und Wertpapierhäuser (F-IRB) nach Ausfallwahrscheinlichkeiten							
0.00 bis <0.15	3,370	0.1%	93	45.0%	1.2	736	21.9%
0.15 bis <0.25	989	0.2%	51	45.0%	1.0	325	32.9%
0.25 bis <0.50	327	0.3%	55	45.0%	1.2	164	50.0%
0.50 bis <0.75	44	0.7%	40	45.0%	1.3	31	70.0%
0.75 bis <2.50	41	1.1%	33	45.0%	1.0	37	89.9%
2.50 bis <10.00	40	5.2%	35	45.0%	1.0	57	141.9%
10.00 bis <100.00	5	12.2%	14	45.0%	1.0	10	202.2%
100.00 (Default)	-	-	-	-	-	-	-
Subtotal	4,816	0.2%	321	45.0%	1.2	1,360	28.2%
4 Banken und Wertpapierhäuser (A-IRB) nach Ausfallwahrscheinlichkeiten							
0.00 bis <0.15	-	-	-	-	-	-	-
0.15 bis <0.25	-	-	-	-	-	-	-
0.25 bis <0.50	-	-	-	-	-	-	-
0.50 bis <0.75	-	-	-	-	-	-	-
0.75 bis <2.50	-	-	-	-	-	-	-
2.50 bis <10.00	-	-	-	-	-	-	-
10.00 bis <100.00	-	-	-	-	-	-	-
100.00 (Default)	-	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-	-
5 Öffentlich-rechtliche Körperschaften und multilaterale Entwicklungsbanken (F-IRB) nach Ausfallwahrscheinlichkeiten							
0.00 bis <0.15	-	-	-	-	-	-	-
0.15 bis <0.25	-	-	-	-	-	-	-
0.25 bis <0.50	-	-	-	-	-	-	-
0.50 bis <0.75	-	-	-	-	-	-	-
0.75 bis <2.50	-	-	-	-	-	-	-
2.50 bis <10.00	-	-	-	-	-	-	-
10.00 bis <100.00	-	-	-	-	-	-	-
100.00 (Default)	-	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-	-

30.06.2021	a	b	c	d	e	f	g
in Mio. CHF (wo nicht anders vermerkt)	Positionen nach CRM	Durchschnittliche Ausfallwahrschein-lichkeit in %	Anzahl Schuldner	Durchschnittlicher Ausfall in %	Durchschnittliche Restlaufzeit in Jahren	RWA	RWA-Dichte in %
6 Öffentlich-rechtliche Körperschaften und multilaterale Entwicklungsbanken (A-IRB) nach Ausfallwahrscheinlichkeiten							
0.00 bis <0.15	-	-	-	-	-	-	-
0.15 bis <0.25	-	-	-	-	-	-	-
0.25 bis <0.50	-	-	-	-	-	-	-
0.50 bis <0.75	-	-	-	-	-	-	-
0.75 bis <2.50	-	-	-	-	-	-	-
2.50 bis <10.00	-	-	-	-	-	-	-
10.00 bis <100.00	-	-	-	-	-	-	-
100.00 (Default)	-	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-	-
7 Unternehmen: Spezialfinanzierungen (F-IRB) nach Ausfallwahrscheinlichkeiten							
0.00 bis <0.15	15	0.1%	6	45.0%	1.0	2	15.1%
0.15 bis <0.25	31	0.2%	4	45.0%	2.2	12	38.3%
0.25 bis <0.50	376	0.3%	34	45.0%	4.9	306	81.4%
0.50 bis <0.75	16	0.6%	8	45.0%	4.9	18	112.8%
0.75 bis <2.50	11	1.0%	2	45.0%	5.0	14	132.3%
2.50 bis <10.00	-	-	-	-	-	-	-
10.00 bis <100.00	-	-	-	-	-	-	-
100.00 (Default)	-	-	-	-	-	-	-
Subtotal	449	0.3%	54	45.0%	4.6	353	78.5%
8 Unternehmen: Spezialfinanzierungen (A-IRB) nach Ausfallwahrscheinlichkeiten							
0.00 bis <0.15	-	-	-	-	-	-	-
0.15 bis <0.25	-	-	-	-	-	-	-
0.25 bis <0.50	-	-	-	-	-	-	-
0.50 bis <0.75	-	-	-	-	-	-	-
0.75 bis <2.50	-	-	-	-	-	-	-
2.50 bis <10.00	-	-	-	-	-	-	-
10.00 bis <100.00	-	-	-	-	-	-	-
100.00 (Default)	-	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-	-
9 Unternehmen: übrige Finanzierungen (F-IRB) nach Ausfallwahrscheinlichkeiten							
0.00 bis <0.15	539	0.1%	32	45.0%	2.5	138	25.5%
0.15 bis <0.25	183	0.2%	23	45.0%	2.5	80	43.5%
0.25 bis <0.50	141	0.3%	78	45.0%	2.2	80	57.1%
0.50 bis <0.75	59	0.7%	30	45.0%	2.0	47	81.0%
0.75 bis <2.50	39	1.7%	49	45.0%	1.7	40	102.3%
2.50 bis <10.00	1	3.8%	12	45.0%	1.0	1	109.7%
10.00 bis <100.00	0	11.8%	1	45.0%	1.0	0	198.9%
100.00 (Default)	2	-	5	-	-	3	106.0%
Subtotal	964	0.2%	230	44.9%	2.4	388	40.3%
10 Unternehmen: übrige Finanzierungen (A-IRB) nach Ausfallwahrscheinlichkeiten							
0.00 bis <0.15	-	-	-	-	-	-	-
0.15 bis <0.25	-	-	-	-	-	-	-
0.25 bis <0.50	-	-	-	-	-	-	-
0.50 bis <0.75	-	-	-	-	-	-	-
0.75 bis <2.50	-	-	-	-	-	-	-
2.50 bis <10.00	-	-	-	-	-	-	-
10.00 bis <100.00	-	-	-	-	-	-	-
100.00 (Default)	-	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-	-
11 Retail: grundpfandgesicherte Positionen nach Ausfallwahrscheinlichkeiten							
0.00 bis <0.15	6	0.1%	44	53.0%	1.0	1	20.2%
0.15 bis <0.25	1	0.2%	7	42.7%	4.6	0	28.4%
0.25 bis <0.50	1	0.4%	18	56.2%	1.2	1	57.2%
0.50 bis <0.75	0	0.5%	3	54.6%	1.0	0	72.0%
0.75 bis <2.50	2	1.1%	9	56.2%	4.2	3	122.2%
2.50 bis <10.00	0	4.4%	1	56.3%	1.0	1	276.7%
10.00 bis <100.00	-	-	-	-	-	-	-
100.00 (Default)	-	-	-	-	-	-	-
Subtotal	11	0.5%	82	53.5%	1.9	6	55.2%

30.06.2021	a	b	c	d	e	f	g
in Mio. CHF (wo nicht anders vermerkt)	Positionen nach CRM	Durchschnittliche Ausfallwahrschein-lichkeit in %	Anzahl Schuldner	Durchschnittlicher Ausfall in %	Durchschnittliche Restlaufzeit in Jahren	RWA	RWA-Dichte in %
12 Retail: qualifizierte revolvierende Positionen nach Ausfallwahrscheinlichkeiten							
0.00 bis <0.15	-	-	-	-	-	-	-
0.15 bis <0.25	-	-	-	-	-	-	-
0.25 bis <0.50	-	-	-	-	-	-	-
0.50 bis <0.75	-	-	-	-	-	-	-
0.75 bis <2.50	-	-	-	-	-	-	-
2.50 bis <10.00	-	-	-	-	-	-	-
10.00 bis <100.00	-	-	-	-	-	-	-
100.00 (Default)	-	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-	-
13 Retail: übrige Positionen nach Ausfallwahrscheinlichkeiten							
0.00 bis <0.15	-	-	-	-	-	-	-
0.15 bis <0.25	-	-	-	-	-	-	-
0.25 bis <0.50	-	-	-	-	-	-	-
0.50 bis <0.75	-	-	-	-	-	-	-
0.75 bis <2.50	-	-	-	-	-	-	-
2.50 bis <10.00	-	-	-	-	-	-	-
10.00 bis <100.00	-	-	-	-	-	-	-
100.00 (Default)	-	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-	-
14 Beteiligungstitel (PD/LGD-Ansatz) nach Ausfallwahrscheinlichkeiten							
0.00 bis <0.15	-	-	-	-	-	-	-
0.15 bis <0.25	-	-	-	-	-	-	-
0.25 bis <0.50	-	-	-	-	-	-	-
0.50 bis <0.75	-	-	-	-	-	-	-
0.75 bis <2.50	-	-	-	-	-	-	-
2.50 bis <10.00	-	-	-	-	-	-	-
10.00 bis <100.00	-	-	-	-	-	-	-
100.00 (Default)	-	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-	-
Total alle Portfolios	**6,240**	**0.2%**	**687**	**46.0%**	**1.6**	**2,106**	**33.8%**

There was no material change in either counterparty credit risk exposures under the IRB approach (CHF + 38 million) or the corresponding RWA (CHF + 62 million) at 30 June 2021 compared with 31 December 2020.

9.5 CCR5: Counterparty credit risk: composition of collateral for CCR exposure

	a	b	c	d	e	f
	Collateral used in derivative transactions				Collateral used in SFTs	
30.06.2021	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
in CHF million	Segregated	Unsegregated	Segregated	Unsegregated		
Cash – CHF	-	1,213	-	1,061	15	14,467
Cash – other currencies	-	1,090	-	1,293	4,879	13,558
Swiss Confederation sovereign debt	-	67	-	465	4,044	3,217
Other domestic public authority debt	-	216	-	29	1,024	180
Foreign sovereign and public authority debt	-	24	-	98	13,041	11,879
Corporate bonds	-	940	-	426	22,823	9,046
Equity securities	-	1,096	-	217	10,727	4,394
Other collateral	-	-	-	-	-	-
Total	**-**	**4,646**	**-**	**3,588**	**56,553**	**56,741**

During the reporting period, there were no significant changes to the composition of collateral for CCR exposure. The totals for received and for posted collateral for derivative transactions decreased. The ratios of collateral received to collateral posted for SFTs essentially moved in parallel with total amounts being higher than on the previous reporting date.

9.6 CCR6: Counterparty credit risk: credit derivatives exposures

30.06.2021	a	b
in CHF million	Protection bought	Protection sold
Notionals		
Single-name CDSs	117	-
Index-CDSs	204	117
Total return swaps	34	-
Credit options	-	-
Other credit derivatives	-	-
Total notionals	**355**	**117**
Fair values		
Positive replacement value (asset)	0	4
Negative replacement value (liability)	7	-

The notional amounts of hedging bought and sold essentially rose in parallel over the reporting period. Within categories, there was a shift from single-name CDSs to index-CDSs.

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

Zürcher Kantonalbank does not use the IMM approach.

9.8 CCR8: Counterparty credit risk: exposures to central counterparties

30.06.2021		a	b
in CHF million		EAD (post-CRM)	RWA
1	**Exposures to QCCPs (total)**		**121**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions)	2,233	45
3	of which OTC derivatives	1,001	20
4	of which exchange-traded derivatives	522	10
5	of which SFTs	710	14
6	of which netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	-	
8	Non-segregated initial margin	1,580	32
9	Pre-funded default fund contributions	162	45
10	Unfunded default fund contributions	-	-
11	**Exposures to non-QCCPs (total)**		**-**
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 30 June 2021 increased by CHF 91 million. As the average risk weights of the positions delivered to the default fund as at the reporting date are significantly lower than as at 31 December 2020, RWA have decreased by CHF 12 million despite higher EAD (after CRM).

10 Securitisations

10.1 SEC1: Securitisations: exposures in the banking book

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

10.2 SEC2: Securitisations: exposures in the trading book

	a	b	c	e	f	g	i	j	k
30.06.2021	Bank acts as originator			Bank acts as sponsor			Banks acts as investor		
in CHF million	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total
1 Retail (total)	**-**	**-**	**-**	**-**	**-**	**-**	**4**	**-**	**4**
2 of which residential mortgage	-	-	-	-	-	-	-	-	-
3 of which credit card	-	-	-	-	-	-	4	-	4
4 of which other retail exposures	-	-	-	-	-	-	1	-	1
5 of which re-securitisation	-	-	-	-	-	-	-	-	-
6 Wholesale (total)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

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

10.3 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.

10.4 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.

11 Market risk
11.1 MR1: Market risk: market risk under SA

30.06.2021		a
in CHF million		RWA
	Outright products	
1	Interest rate risk (general and specific)	1,319
2	Equity risk (general and specific)	-
3	Foreign exchange risk	-
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus method	-
7	Scenario approach	-
8	Securitisation	1
9	**Total**	**1,320**

During the reporting period, there were no material changes in the market risk exposures under SA.

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

30.06.2021		a	b	c	d	e	f
in CHF million		VaR	Stressed VaR	IRC	CRM	Other	Total RWA
1	**RWA as at end of previous reporting period (31.12.2020)**	**592**	**1,562**	**-**	**-**	**-**	**2,154**
2	Movement in risk levels [1]	-320	-148	-	-	-	-468
3	Model updates / changes	18	-37	-	-	-	-19
4	Methodology and policy changes	-	-	-	-	-	-
5	Acquisitions and disposals (of entities)	-	-	-	-	-	-
6	Foreign exchange movements [1]	-	-	-	-	-	-
7	Other	-	-	-	-	-	-
8	**RWA as at end of current reporting period**	**290**	**1,377**	**-**	**-**	**-**	**1,668**

[1] 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) decreased by CHF 486 million to CHF 1,668 million during the reporting period. The fall in RWA reflects the lower volatility on the financial markets.

11.3 MR3: Market risk: IMA values for trading portfolios

30.06.2021

in CHF million		a
VaR (10 day 99%)		
1	Maximum value	18
2	Average value	10
3	Minimum value	6
4	**Period end**	**6**
Stressed VaR (10 day 99%)		
5	Maximum value	44
6	Average value	35
7	Minimum value	25
8	**Period end**	**36**
Incremental risk charge (99.9%)		
9	Maximum value	-
10	Average value	-
11	Minimum value	-
12	**Period end**	**-**
Comprehensive risk capital charge (99.9%)		
13	Maximum value	-
14	Average value	-
15	Minimum value	-
16	**Period end**	**-**
17	Floor (standardised measurement method)	-

VaR and stressed VaR were at lower levels during the reporting period than in the second half of 2020. The strong decline in the VaR distribution over this period reflects the low volatility in the financial markets, which is at a multi-year low.

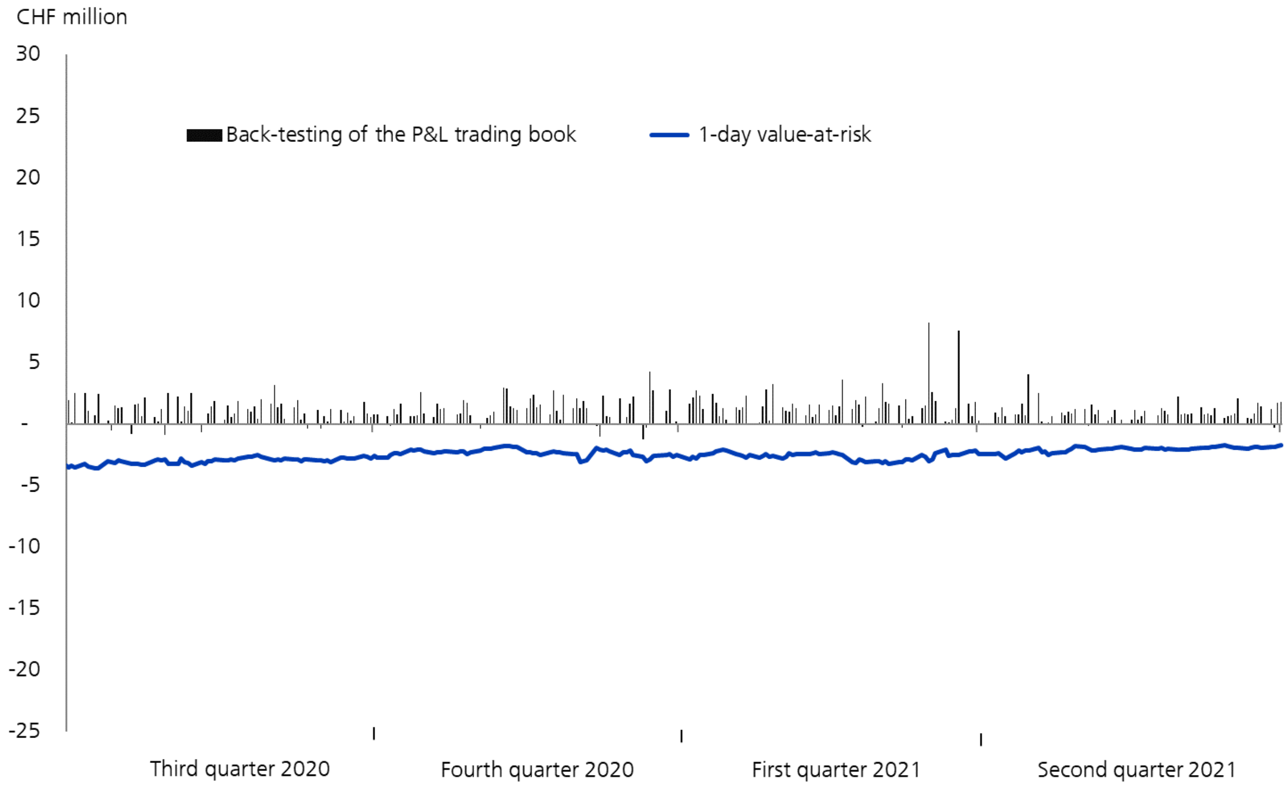
11.4 MR4: Market risk: comparison of VaR estimates with gains/losses

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 realised 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.

Backtesting results for the second half of 2020 and the first half of 2021

The value at risk was not exceeded in the second half of 2020 or in the first half of 2021.

The situation in the last four quarters was as follows:



12 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.

12.1 Annex 3: Risk-based capital requirements based on capital ratios (group and parent company)

30.06.2021				**Group**
in CHF million and in % RWA	Transitional rules		Definitive rules from 2026	
Basis of assessment	*CHF million*		*CHF million*	
Risk-weighted assets (RWA)	**71,166**		**71,166**	
Risk-based capital requirements (going concern) based on capital ratios	*CHF million*	*in % RWA*	*CHF million*	*in % RWA*
Total [1]	**9,152**	**12.9%**	**9,152**	**12.9%**
of which CET1: minimum capital	3,202	4.5%	3,202	4.5%
of which CET1: buffer capital	2,889	4.1%	2,889	4.1%
of which CET1: countercyclical buffer	-	-	-	-
of which Additional Tier 1: minimum capital	2,491	3.5%	2,491	3.5%
of which Additional Tier 1: buffer capital	569	0.8%	569	0.8%
Eligible capital (going concern)	*CHF million*	*in % RWA*	*CHF million*	*in % RWA*
Core capital	**12,722**	**17.9%**	**12,003**	**16.9%**
of which CET1	9,555	13.4%	8,836	12.4%
of which CET1 to cover additional Tier 1 requirements	2,106	3.0%	2,825	4.0%
of which additional Tier 1 high-trigger CoCos	1,061	1.5%	342	0.5%
of which additional Tier 1 low-trigger CoCos	-	-	-	-
of which Tier 2 high-trigger CoCos [2]				
of which Tier 2 low-trigger CoCos [2]				
Risk-based requirements for additional loss-absorbing capital (gone concern) based on capital ratios	*CHF million*	*in % RWA*	*CHF million*	*in % RWA*
Total according to size and market share (mirroring going concern requirements) incl. additional requirement FINMA [3, 4]	2,088	2.9%	5,594	7.9%
Reduction based on rebates as per Art. 133 CAO	-	-	-	-
Reduction based on holdings in additional capital in the form of CET1 or contingent capital as per Art. 132 para. 4 CAO	-	-	-360	-0.5%
Total (net)	**2,088**	**2.9%**	**5,234**	**7.4%**
Eligible additional loss-absorbing capital (gone concern)	*CHF million*	*in % RWA*	*CHF million*	*in % RWA*
Total	**2,869**	**4.0%**	**5,447**	**7.7%**
of which CET1 used to meet gone concern requirements	-	-	-	-
of which additional Tier 1 used to meet gone concern requirements	-	-	719	1.0%
of which Tier 2 high-trigger CoCos	-	-	-	-
of which Tier 2 low-trigger CoCos [2]	548	0.8%	548	0.8%
of which non-Basel III compliant Tier 1	-	-	-	-
of which non-Basel III compliant Tier 2	-	-	-	-
of which bail-in bonds	-	-	-	-
of which other eligible additional loss-absorbing capital [5]	1,000	1.4%	1,000	1.4%
of which surplus value adjustments under the IRB approach [6]	277	0.4%	277	0.4%
of which state guarantee or similar mechanism	1,044	1.5%	2,904	4.1%

[1] The risk-based capital requirements on a going concern basis are calculated as a percentage of risk-weighted exposures. Under Article 129 CAO, the total requirement for Zürcher Kantonalbank is 12.86%. Since 27.03.2020 the countercyclical buffer (CCB) has been 0.00%. The risk-based total requirement (going concern) as at 30.06.2021 is therefore equivalent to the requirement under CAO (12.86%).

[2] With effect from 01.01.2020, Tier 2 capital with a low trigger only qualifies as eligible additional loss-absorbing capital (gone concern).

[3] 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 2021 is 1.92% 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).

[4] 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 (mirroring the going concern requirement). Under the transitional provisions in Art. 148j CAO, this is equivalent to an additional risk-based requirement of 1.01% gross as at 30.06.2021. This results in a total risk-based gone concern requirement of 2.93% gross as at 30.06.2021. The total risk-based gone concern requirement is being increased gradually to 7.86% by 2026, as already mentioned.

[5] On 02.11.2020 the cantonal parliament decided to increase the approved and as yet uncalled endowment capital (endowment capital reserve) from CHF 575 million to CHF 1,000 million. By resolution of the cantonal parliament, the endowment capital reserve 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.

[6] 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).

30.06.2021				**Parent company**
in CHF million and in % RWA	Transitional rules		Definitive rules from 2026	
Basis of assessment	*CHF million*		*CHF million*	
Risk-weighted assets (RWA)	**71,938**		**71,938**	
Risk-based capital requirements (going concern) based on capital ratios	*CHF million*	*in % RWA*	*CHF million*	*in % RWA*
Total [1]	**9,251**	**12.9%**	**9,251**	**12.9%**
of which CET1: minimum capital	3,237	4.5%	3,237	4.5%
of which CET1: buffer capital	2,921	4.1%	2,921	4.1%
of which CET1: countercyclical buffer	-	-	-	-
of which Additional Tier 1: minimum capital	2,518	3.5%	2,518	3.5%
of which Additional Tier 1: buffer capital	576	0.8%	576	0.8%
Eligible capital (going concern)	*CHF million*	*in % RWA*	*CHF million*	*in % RWA*
Core capital	**12,929**	**18.0%**	**12,206**	**17.0%**
of which CET1	9,758	13.6%	9,036	12.6%
of which CET1 to cover additional Tier 1 requirements	2,110	2.9%	2,832	3.9%
of which additional Tier 1 high-trigger CoCos	1,061	1.5%	338	0.5%
of which additional Tier 1 low-trigger CoCos	-	-	-	-
of which Tier 2 high-trigger CoCos [2]				
of which Tier 2 low-trigger CoCos [2]				
Risk-based requirements for additional loss-absorbing capital (gone concern) based on capital ratios	*CHF million*	*in % RWA*	*CHF million*	*in % RWA*
Total according to size and market share (mirroring going concern requirements) incl. additional requirement FINMA [3, 4]	2,110	2.9%	5,654	7.9%
Reduction based on rebates as per Art. 133 CAO	-	-	-	-
Reduction based on holdings in additional capital in the form of CET1 or contingent capital as per Art. 132 para. 4 CAO	-	-	-361	-0.5%
Total (net)	**2,110**	**2.9%**	**5,293**	**7.4%**
Eligible additional loss-absorbing capital (gone concern)	*CHF million*	*in % RWA*	*CHF million*	*in % RWA*
Total	**2,878**	**4.0%**	**5,452**	**7.6%**
of which CET1 used to meet gone concern requirements	-	-	-	-
of which additional Tier 1 used to meet gone concern requirements	-	-	723	1.0%
of which Tier 2 high-trigger CoCos	-	-	-	-
of which Tier 2 low-trigger CoCos [2]	548	0.8%	548	0.8%
of which non-Basel III compliant Tier 1	-	-	-	-
of which non-Basel III compliant Tier 2	-	-	-	-
of which bail-in bonds	-	-	-	-
of which other eligible additional loss-absorbing capital [5]	1,000	1.4%	1,000	1.4%
of which surplus value adjustments under the IRB approach [6]	275	0.4%	275	0.4%
of which state guarantee or similar mechanism	1,055	1.5%	2,907	4.0%

[1] The risk-based capital requirements on a going concern basis are calculated as a percentage of risk-weighted exposures. Under Article 129 CAO, the total requirement for Zürcher Kantonalbank is 12.86%. Since 27.03.2020 the countercyclical buffer (CCB) has been 0.00%. The risk-based total requirement (going concern) as at 30.06.2021 is therefore equivalent to the requirement under CAO (12.86%).

[2] With effect from 01.01.2020, Tier 2 capital with a low trigger only qualifies as eligible additional loss-absorbing capital (gone concern).

[3] 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 2021 is 1.92% 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).

[4] 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 (mirroring the going concern requirement). Under the transitional provisions in Art. 148j CAO, this is equivalent to an additional risk-based requirement of 1.01% gross as at 30.06.2021. This results in a total risk-based gone concern requirement of 2.93% gross as at 30.06.2021. The total risk-based gone concern requirement is being increased gradually to 7.86% by 2026, as already mentioned.

[5] On 02.11.2020 the cantonal parliament decided to increase the approved and as yet uncalled endowment capital (endowment capital reserve) from CHF 575 million to CHF 1,000 million. By resolution of the cantonal parliament, the endowment capital reserve 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.

[6] 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).

12.2 Annex 3: Unweighted capital requirements based on the leverage ratio (group and parent company)

30.06.2021				**Group**
in CHF million and in % LRD	Transitional rules		Definitive rules from 2026	
Basis of assessment	*CHF million*		*CHF million*	
Leverage ratio exposure measure (leverage ratio denominator, LRD)	**211,135**		**211,135**	
Unweighted capital requirements (going concern) based on the leverage ratio	*CHF million*	*in % LRD*	*CHF million*	*in % LRD*
Total [1]	**9,501**	**4.5%**	**9,501**	**4.5%**
of which CET1: minimum capital	3,167	1.5%	3,167	1.5%
of which CET1: buffer capital	3,167	1.5%	3,167	1.5%
of which Additional Tier 1: minimum capital	3,167	1.5%	3,167	1.5%
Eligible capital (going concern)	*CHF million*	*in % LRD*	*CHF million*	*in % LRD*
Core capital	**12,722**	**6.0%**	**12,003**	**5.7%**
of which CET1	9,555	4.5%	8,836	4.2%
of which CET1 to cover additional Tier 1 requirements	2,106	1.0%	2,825	1.3%
of which additional Tier 1 high-trigger CoCos	1,061	0.5%	342	0.2%
of which additional Tier 1 low-trigger CoCos	-	-	-	-
of which Tier 2 high-trigger CoCos [2]				
of which Tier 2 low-trigger CoCos [2]				
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 (mirroring going concern requirements) incl. additional requirement FINMA [3, 4]	2,032	1.0%	5,807	2.8%
Reduction based on rebates as per Art. 133 CAO	-	-	-	-
Reduction based on holdings in additional capital in the form of CET1 or contingent capital as per Art. 132 para. 4 CAO	-	-	-360	-0.2%
Total (net)	**2,032**	**1.0%**	**5,447**	**2.6%**
Eligible additional loss-absorbing capital (gone concern)	*CHF million*	*in % LRD*	*CHF million*	*in % LRD*
Total	**2,869**	**1.4%**	**5,447**	**2.6%**
of which CET1 used to meet gone concern requirements	-	-	-	-
of which additional Tier 1 used to meet gone concern requirements	-	-	719	0.3%
of which Tier 2 high-trigger CoCos	-	-	-	-
of which Tier 2 low-trigger CoCos [2]	548	0.3%	548	0.3%
of which non-Basel III compliant Tier 1	-	-	-	-
of which non-Basel III compliant Tier 2	-	-	-	-
of which bail-in bonds	-	-	-	-
of which other eligible additional loss-absorbing capital [5]	1,000	0.5%	1,000	0.5%
of which surplus value adjustments under the IRB approach [6]	277	0.1%	277	0.1%
of which state guarantee or similar mechanism	1,044	0.5%	2,904	1.4%

[1] 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%.

[2] With effect from 01.01.2020, Tier 2 capital with a low trigger only qualifies as eligible additional loss-absorbing capital (gone concern).

[3] 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 2021 is 0.63% 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.

[4] 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 0.33% gross as at 30.06.2021. This results in a total unweighted gone concern requirement of 0.96% gross as at 30.06.2021. The total unweighted gone concern requirement is being increased gradually to 2.75% gross by 2026.

[5] On 02.11.2020 the cantonal parliament decided to increase the approved and as yet uncalled endowment capital (endowment capital reserve) from CHF 575 million to CHF 1,000 million. By resolution of the cantonal parliament, the endowment capital reserve 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.

[6] 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).

30.06.2021				**Parent company**
in CHF million and in % LRD	Transitional rules		Definitive rules from 2026	
Basis of assessment	*CHF million*		*CHF million*	
Leverage ratio exposure measure (leverage ratio denominator, LRD)	**211,368**		**211,368**	
Unweighted capital requirements (going concern) based on the leverage ratio	*CHF million*	*in % LRD*	*CHF million*	*in % LRD*
Total [1]	**9,512**	**4.5%**	**9,512**	**4.5%**
of which CET1: minimum capital	3,171	1.5%	3,171	1.5%
of which CET1: buffer capital	3,171	1.5%	3,171	1.5%
of which Additional Tier 1: minimum capital	3,171	1.5%	3,171	1.5%
Eligible capital (going concern)	*CHF million*	*in % LRD*	*CHF million*	*in % LRD*
Core capital	**12,929**	**6.1%**	**12,206**	**5.8%**
of which CET1	9,758	4.6%	9,036	4.3%
of which CET1 to cover additional Tier 1 requirements	2,110	1.0%	2,832	1.3%
of which additional Tier 1 high-trigger CoCos	1,061	0.5%	338	0.2%
of which additional Tier 1 low-trigger CoCos	-	-	-	-
of which Tier 2 high-trigger CoCos [2]				
of which Tier 2 low-trigger CoCos [2]				
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 (mirroring going concern requirements) incl. additional requirement FINMA [3, 4]	2,035	1.0%	5,813	2.8%
Reduction based on rebates as per Art. 133 CAO	-	-	-	-
Reduction based on holdings in additional capital in the form of CET1 or contingent capital as per Art. 132 para. 4 CAO	-	-	-361	-0.2%
Total (net)	**2,035**	**1.0%**	**5,452**	**2.6%**
Eligible additional loss-absorbing capital (gone concern)	*CHF million*	*in % LRD*	*CHF million*	*in % LRD*
Total	**2,878**	**1.4%**	**5,452**	**2.6%**
of which CET1 used to meet gone concern requirements	-	-	-	-
of which additional Tier 1 used to meet gone concern requirements	-	-	723	0.3%
of which Tier 2 high-trigger CoCos	-	-	-	-
of which Tier 2 low-trigger CoCos [2]	548	0.3%	548	0.3%
of which non-Basel III compliant Tier 1	-	-	-	-
of which non-Basel III compliant Tier 2	-	-	-	-
of which bail-in bonds	-	-	-	-
of which other eligible additional loss-absorbing capital [5]	1,000	0.5%	1,000	0.5%
of which surplus value adjustments under the IRB approach [6]	275	0.1%	275	0.1%
of which state guarantee or similar mechanism	1,055	0.5%	2,907	1.4%

[1] 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%.

[2] With effect from 01.01.2020, Tier 2 capital with a low trigger only qualifies as eligible additional loss-absorbing capital (gone concern).

[3] 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 2021 is 0.63% 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.

[4] 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 0.33% gross as at 30.06.2021. This results in a total unweighted gone concern requirement of 0.96% gross as at 30.06.2021. The total unweighted gone concern requirement is being increased gradually to 2.75% gross by 2026.

[5] On 02.11.2020 the cantonal parliament decided to increase the approved and as yet uncalled endowment capital (endowment capital reserve) from CHF 575 million to CHF 1,000 million. By resolution of the cantonal parliament, the endowment capital reserve 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.

[6] 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).

13 Corporate Governance

In comparison with 31 December 2020, there were no material changes in the corporate governance. For disclosures on corporate governance, please see the corporate governance section of our Annual Report 2020 as well as the information on corporate governance on our website.