Capital adequacy and liquidity disclosure requirements

Disclosure as at 30 June 2022

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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
eCCB	Extended countercyclical capital buffer
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
TCFD	Task Force on Climate Related Financial Disclosure
T2	Tier 2 capital
UNEP-FI	United Nations Environment Programme Finance Initiative
UN PRI	United Nations Principles for Responsible Investment
VaR	Value at risk
VA and P for EL	Value adjustments (VA) and provisions (P) for expected losses (EL)

About the figures

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

The following rules apply to the tables:

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

2 Introduction and material changes

Zürcher Kantonalbank is providing this information as at 30 June 2022 in accordance with its disclosure obligations. The relevant provisions form part of the Capital Adequacy Ordinance (CAO) and the disclosure requirements set out in FINMA Circular 2016/1 "Disclosure - banks" of 28 October 2015, last revised on 8 December 2021.

About the company

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

The group includes as parent company the largest cantonal bank in Switzerland and the fourth-largest Swiss bank. The broadly diversified consolidated group also includes Swisscanto Holding AG with its subsidiaries and their sub-subsidiaries (Swisscanto Fund Management Company Ltd., Swisscanto Pensions Ltd., Swisscanto Private Equity CH I Ltd, Swisscanto Private Equity CH II Ltd and Swisscanto Asset Management International SA), which are mainly engaged in asset management business. Zürcher Kantonalbank Finance (Guernsey) Ltd., which focuses on issuing structured investment products, ZKB Securities (UK) Ltd., which engages in equity brokerage and research, and Zürcher Kantonalbank Österreich AG, which operates in international private banking, are also part of the group. In addition, there are the representative office Zürcher Kantonalbank Representações Ltda. and ZüriBahn AG. Another subsidiary, Philanthropy Services AG, is managed as a so called remaining majority holding without a unified management.

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. The countercyclical buffer (CCB) under Art. 44 CAO was discontinued as at 27 March 2020. However, the CCB is being reactivated following the Federal Council decision of 26 January 2022, and banks will have to hold additional capital for residential mortgages in the amount of 2.5 percent starting 30 September 2022. In addition, there is the requirement of the extended countercyclical buffer (eCCB) of currently 0.01 percent of RWA. This results in a risk-based total requirement (going concern) of 12.87 percent as at 30 June 2022.

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 2022 is 2.56 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 1.35 percent gross as at 30 June 2022. This results in a total risk-based gone concern requirement of 3.91 percent gross as at 30 June 2022. The total risk-based gone concern requirement is being increased gradually to 7.86 percent by 2026, as already mentioned.

Calculation approaches for unweighted capital adequacy requirements (leverage ratio)

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

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

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

The unweighted total going concern requirement consists of a base requirement and additional requirements, calculated on the basis of market share and total exposure. Under 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 2022 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 2022 is 0.84 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 0.44 percent gross as at 30 June 2022. This results in a total unweighted gone concern requirement of 1.28 percent gross as at 30 June 2022. 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 2022, the capital base of Zürcher Kantonalbank comfortably exceeded the regulatory requirements on both a risk-based and unweighted basis. The liquidity situation of Zürcher Kantonalbank also remains comfortable.

For explanations of the main reasons that led to the changes compared with the previous quarter, we refer to our comments on table KM1 starting on page 10.

Group risk-weighted assets (RWA) as at 30 June 2022 amounted to CHF 75,282 million (31 March 2022: CHF 72,776 million). They were therefore CHF 2'506 million higher than in the previous quarter.

Risk-based capital adequacy requirements on a going concern basis as a systemically important bank stood at CHF 9,689 million on 30 June 2022 (31 March 2022: CHF 9,365 million), compared to eligible capital on a going concern basis in the group of CHF 13,269 million (31 March 2022: CHF 13,256 million). This is equivalent to surplus cover of CHF 3,580 million (31 March 2022: CHF 3,891 million). The surplus cover therefore decreased by CHF 311 million in the second quarter of 2022.

The core capital ratio (going concern) on a group basis as at 30 June 2022 was 17.6 percent (31 March 2022: 18.2 percent). It was thus 4.7 percentage points (31 March 2022: 5.3 percentage points) above the 12.9 percent going concern requirement (31 March 2022: 12.9 percent).

At CHF 3,265 million (4.3 percent of RWA), the eligible additional loss-absorbing capital exceeded the gone concern requirement by CHF 320 million as at 30 June 2022 (as at 31 March 2022 the surplus cover was CHF 388 million).

The total leverage ratio exposure decreased by CHF 276 million from 31 March 2022 to CHF 220,173 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 2022 (31 March 2022: 1.5 percentage points), equivalent to CHF 3,361 million (31 March 2022: CHF 3,336 million).

Eligible capital on a gone concern basis for the leverage ratio is also the same as for the risk-based requirements. At CHF 3,265 million (1.5 percent of total exposure), the eligible additional loss-absorbing capital exceeds the gone concern requirement of CHF 2,826 million as at 30 June 2022.

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 2,756 million above the risk-based going concern requirement and CHF 139 million above the risk-based gone concern requirement. On an unweighted basis, the surplus cover amounts to CHF 2,537 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 higher liquidity coverage ratio (LCR) than non-systemically important banks. Zürcher Kantonalbank's ongoing comfortable liquidity situation is reflected in the LCR. On a group basis, the LCR decreased from the previous quarter and stood at an average of 149 percent in the second quarter of 2022 (first quarter of 2022: 155 percent).

The Liquidity Ordinance on the net stable funding ratio (NSFR) state that the NSFR of Zürcher Kantonalbank must be at least 100 percent. On a group basis, the NSFR amounts to 119 percent as at 30 June 2022 (31 March 2022: 121 percent), which means this liquidity requirement is met comfortably.

3 Publication frequency of the details on capital and liquidity

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

Reference	Table name	QUAL or QC [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		■	
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		■	

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

Reference	Table name	QUAL or QC [1]	Disclosure frequency		
			Quarterly	Semiannual	Annual
CCRA	Counterparty credit risk: qualitative disclosure related to counterparty credit risk	QUAL			■
CCR1	Counterparty credit risk: analysis of counterparty credit risk (CCR) exposure by approach	QC		■	
CCR2	Counterparty credit risk: credit valuation adjustment (CVA) capital charge	QC		■	
CCR3	Counterparty credit risk: standardised approach of CCR exposures by regulatory portfolio and risk weights	QC		■	
CCR4	IRB: CCR exposures by portfolio and PD scale	QC		■	
CCR5	Counterparty credit risk: composition of collateral for CCR exposure	QC		■	
CCR6	Counterparty credit risk: credit derivatives exposures	QC		■	
CCR7	Counterparty credit risk: RWA flow statements of CCR exposures under the Internal Model Method (IMM)	QC		■	
CCR8	Counterparty credit risk: exposures to central counterparties	QC		■	
SECA	Securitisations: qualitative disclosure requirements related to securitisation exposures	QUAL			■
SEC1	Securitisations: exposures in the banking book	QC		■	
SEC2	Securitisations: exposures in the trading book	QC		■	
SEC3	Securitisations: exposures in the banking book and associated regulatory capital requirements – bank acting as originator or as sponsor	QC		■	
SEC4	Securitisations: exposures in the banking book and associated capital requirements – bank acting as investor	QC		■	
MRA	Market risk: general qualitative disclosure requirements related to market risk	QUAL			■
MR1	Market risk: market risk under SA	QC		■	
MRB	Market risk: qualitative disclosures for banks using the Internal Model Approach (IMA)	QUAL			■
MR2	Market risk: RWA flow statements of market risk exposures under IMA	QC		■	
MR3	Market risk: IMA values for trading portfolios	QC		■	
MR4	Market risk: comparison of VaR estimates with gains/losses	QC		■	
IRRBBA	Interest rate risk: interest rate risk in the banking book (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	■		
Annex 4	Corporate Governance	QUAL	■		
Annex 5	Climate-related financial risks	QUAL / QC			■

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

4 Overview total risk

4.1 KM1: Key metrics (group)

	Group in million CHF (unless stated otherwise)	a 30.06.2022	b 31.03.2022	c 31.12.2021	d 30.09.2021	e 30.06.2021
	Eligible capital					
1	Common equity Tier 1 (CET1)	**12,204**	12,196	12,188	11,669	11,661
1a	Fully loaded ECL (expected credit loss) accounting model CET1 [1]	–	–	–	–	–
2	Tier 1 capital (T1)	**13,269**	13,256	13,253	12,734	12,722
2a	Fully loaded ECL (expected credit loss) accounting model T1 [1]	–	–	–	–	–
3	Total capital	**14,061**	14,067	14,063	13,554	13,547
3a	Fully loaded ECL (expected credit loss) accounting model total capital [1]	–	–	–	–	–
	Risk-weighted assets (RWA)					
4	RWA	**75,282**	72,776	71,553	71,140	71,166
	Minimum required capital					
4a	Minimum required capital	**6,023**	5,822	5,724	5,691	5,693
	Risk-based capital ratios (in % of RWA) [2]					
5	CET1 ratio	**16.2%**	16.8%	17.0%	16.4%	16.4%
5a	Fully loaded ECL (expected credit loss) accounting model CET1 ratio [1]	–	–	–	–	–
6	Tier 1 capital ratio	**17.6%**	18.2%	18.5%	17.9%	17.9%
6a	Fully loaded ECL (expected credit loss) accounting model Tier 1 ratio [1]	–	–	–	–	–
7	Total capital ratio	**18.7%**	19.3%	19.7%	19.1%	19.0%
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	**0.0%**	0.0%	0.0%	–	–
10	Additional capital buffer due to international or national system relevance	–	–	–	–	–
11	Total of bank CET1 specific buffer requirements	**2.5%**	2.5%	2.5%	2.5%	2.5%
12	CET1 available after meeting the bank's minimum capital requirements	**10.7%**	11.3%	11.7%	11.1%	11.0%
	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	**220,173**	220,449	212,425	211,641	211,135
14	Basel III leverage ratio (Tier 1 capital in % of leverage ratio exposure measure)	**6.0%**	6.0%	6.2%	6.0%	6.0%
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)	**52,383**	53,165	51,682	50,503	60,206
16	LCR denominator: total net outflows of funds	**35,159**	34,371	32,242	31,908	41,006
17	Liquidity coverage ratio (LCR)	**149%**	155%	160%	158%	147%
	Net stable funding ratio (NSFR) [5]					
18	Available stable refinancing	**110,553**	110,214	108,217	108,552	–
19	Required stable refinancing	**92,955**	91,440	91,486	90,186	–
20	Net stable funding ratio, (NSFR)	**119%**	121%	118%	120%	–

[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 – 20 must be disclosed when the provisions of the Liquidity Ordinance on the net stable funding ratio (NSFR) enter into force on 01.07.2021.

Neither the common equity tier 1 capital (CET1), the tier 1 capital (T1) nor the total capital have changed significantly as of 30 June 2022.

Total RWA rose to CHF 75,282 million, up CHF 2,506 million compared to 31 March 2022. The main factor behind this was higher credit risk and counterparty credit risk exposures as at 30 June 2022. The combination of scarcely changed capital and higher RWA as at 30 June 2022 resulted in a decline of 0.6 percentage points in all three risk-based capital ratios (CET1 ratio, Tier 1 capital ratio and total capital ratio) compared to 31 March 2022.

The requirement of the extended countercyclical buffer (eCCB) under Art. 44a CAO is still 0.01 percent of RWA. Hence the eCCB has no material impact on the CET1 buffer requirements under the Basel minimum standards. The available CET1 ratio after meeting the Basel minimum standard therefore also sank by 0.6 percentage points.

Total leverage ratio exposure has not changed significantly in the past quarter, down CHF 276 million to CHF 220,173 million. In combination with the also scarcely changed Tier 1 capital, this resulted in an unchanged leverage ratio of 6.0 percent as at 30 June 2022 (31 March 2022: 6.0 percent).

The LCR on a group basis decreased compared with the previous quarter and averaged 149 percent in the second quarter of 2022 (first quarter of 2022: 155 percent). As a systemically important bank, Zürcher Kantonalbank is subject to stricter liquidity requirements; it satisfies these comfortably.

The new requirements regarding the structural financing ratio (NSFR) came into force in mid-2021. Zürcher Kantonalbank has met these requirements with a comfortable buffer for some time. The NSFR on a group basis decreased slightly compared with the end of the previous quarter, amounting to 119 percent as at 30 June 2022.

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 in million CHF (unless stated otherwise)	a 30.06.2022	b 31.03.2022	c 31.12.2021	d 30.09.2021	e 30.06.2021
	Eligible capital					
1	Common equity Tier 1 (CET1)	**12,382**	12,381	12,380	11,869	11,868
1a	Fully loaded ECL (expected credit loss) accounting model CET1 [1]	–	–	–	–	–
2	Tier 1 capital (T1)	**13,447**	13,441	13,445	12,934	12,929
2a	Fully loaded ECL (expected credit loss) accounting model T1 [1]	–	–	–	–	–
3	Total capital	**14,237**	14,250	14,253	13,751	13,752
3a	Fully loaded ECL (expected credit loss) accounting model total capital [1]	–	–	–	–	–
	Risk-weighted assets (RWA)					
4	RWA	**75,891**	73,439	72,280	71,875	71,938
	Minimum required capital					
4a	Minimum required capital	**6,071**	5,875	5,782	5,750	5,755
	Risk-based capital ratios (in % of RWA) [2]					
5	CET1 ratio	**16.3%**	16.9%	17.1%	16.5%	16.5%
5a	Fully loaded ECL (expected credit loss) accounting model CET1 ratio [1]	–	–	–	–	–
6	Tier 1 capital ratio	**17.7%**	18.3%	18.6%	18.0%	18.0%
6a	Fully loaded ECL (expected credit loss) accounting model Tier 1 ratio [1]	–	–	–	–	–
7	Total capital ratio	**18.8%**	19.4%	19.7%	19.1%	19.1%
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	**0.0%**	0.0%	0.0%	–	–
10	Additional capital buffer due to international or national system relevance	–	–	–	–	–
11	Total of bank CET1 specific buffer requirements	**2.5%**	2.5%	2.5%	2.5%	2.5%
12	CET1 available after meeting the bank's minimum capital requirements	**10.8%**	11.4%	11.7%	11.1%	11.1%
	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	**220,305**	220,653	212,654	211,880	211,368
14	Basel III leverage ratio (Tier 1 capital in % of leverage ratio exposure measure)	**6.1%**	6.1%	6.3%	6.1%	6.1%
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)	**52,374**	53,157	51,671	50,493	60,198
16	LCR denominator: total net outflows of funds	**35,294**	34,532	32,385	32,057	41,228
17	Liquidity coverage ratio (LCR)	**148%**	154%	160%	158%	146%
	Net stable funding ratio (NSFR) [5]					
18	Available stable refinancing	**110,048**	109,747	107,726	108,054	–
19	Required stable refinancing	**93,041**	91,496	91,520	91,190	–
20	Net stable funding ratio, (NSFR)	**118%**	120%	118%	118%	–

[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 – 20 must be disclosed when the provisions of the Liquidity Ordinance on the net stable funding ratio (NSFR) enter into force on 01.07.2021.

4.3 OV1: Overview of RWA

		a	b	c
		RWA	RWA	Minimum capital requirements
in CHF million		30.06.2022	31.12.2021	30.06.2022
1	Credit risk (excluding CCR – counterparty credit risk) [1]	54,536	51,449	4,363
2	of which standardised approach (SA) [1]	8,376	6,709	670
3	of which foundation internal ratings-based (F-IRB) approach	28,348	27,357	2,268
4	of which supervisory slotting approach	–	–	–
5	of which advanced internal ratings-based (A-IRB) approach [2]	17,812	17,384	1,425
6	Counterparty credit risk (CCR)	7,705	6,865	616
7	of which standardised approach for counterparty credit risk (SA-CCR)	3,930	3,741	314
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]	3,775	3,124	302
10	Credit valuation adjustment (CVA)	2,055	2,859	164
11	Equity positions under the simple risk weight approach	702	586	56
12	Investments in funds – look-through approach	–	–	–
13	Investments in funds – mandate-based approach	–	–	–
14	Investments in funds – fall-back approach	863	543	69
14a	Investments in funds – simplified approach	–	–	–
15	Settlement risk	2	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	3,575	3,537	286
21	of which standardised approach (SA)	1,957	1,554	157
22	of which internal model approaches (IMA)	1,618	1,984	129
23	Capital charge for switch between trading book and banking book	–	–	–
24	Operational risk	4,793	4,660	383
25	Amounts below the thresholds for deduction (subject to 250% risk weight)	1,051	1,051	84
26	Floor adjustment	–	–	–
27	**Total**	**75,282**	**71,553**	**6,023**

[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 3,729 million to CHF 75,282 million overall compared with 31 December 2021. In particular, the RWA for credit risk (CHF + 3,087 million) and for counterparty credit risk (CHF + 840 million) increased. By contrast, the RWA for the credit valuation adjustment (CVA) for derivatives were CHF 804 million lower as at 30 June 2022. RWA for other risk categories saw smaller changes. 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

30.06.2022 in CHF million		a Amounts	b 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	10,369	
	of which voluntary retained earnings reserve	9,674	
	of which reserves for general banking risks	154	
	of which profit (loss) for the current period [1]	541	
	of which planned dividend	–	
	of which planned retained profit	–	
3	Capital reserves and foreign currency translation reserve (+/-) and other reserves	-12	
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	12,242	
	CET1: regulatory adjustments		
7	Prudential valuation adjustments	–	
8	Goodwill (net of related tax liability)	-25	A, F
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	-7	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	-38	
29	**Common Equity Tier 1 capital (net CET1)**	**12,204**	
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.

30.06.2022 in CHF million		a Amounts	b References
	Additional Tier 1 capital: regulatory adjustments		
37	Net long position in own AT1 instruments	–	
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	–	
44	Additional Tier 1 capital (net AT1)	1,065	
45	**Tier 1 capital (net Tier 1 = net CET1 + net AT1)**	**13,269**	
Tier 2 capital (T2)			
46	Issued and paid in instruments, fully eligible	500	
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	292	
51	Tier 2 capital before regulatory adjustments	792	
	Tier 2 capital: regulatory adjustments		
52	Net long position in own T2 instruments and other TLAC instruments	–	
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	–	
58	**Tier 2 capital (net T2)**	**792**	
59	**Regulatory capital (net T1 + net T2)**	**14,061**	
60	**Total risk-weighted assets**	**75,282**	
Capital ratios [2]			
61	CET1 ratio (item 29, as a percentage of risk-weighted assets)	16.2%	
62	T1 ratio (item 45, as a percentage of risk-weighted assets)	17.6%	
63	Regulatory capital ratio (item 59, as a percentage of risk-weighted assets)	18.7%	
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)	0.0%	
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 %)	10.7%	
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)	–	

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

30.06.2022 in CHF million		a Amounts	b References
Amounts below the thresholds for deduction (before risk-weighting)			
72	Non-qualified participations in the financial sector	914	
73	Other qualified participations in the financial sector (CET1)	422	
74	Mortgage servicing rights	–	
75	Other deferred tax assets	–	
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)	–	

Regulatory capital scarcely changed compared to 31 December 2021. Combined with increased RWA (see Table OV1 on page 13 for details), this resulted in a decline in capital ratios of 0.8 percentage points (CET1 ratio), 0.9 percentage points (Tier 1 capital ratio) and 1.0 percentage points (total capital ratio).

5.2 CC2: Reconciliation of regulatory capital to balance sheet

Balance sheet 30.06.2022 in CHF million	a and b As in financial statements / Under regulatory scope of consolidation [1]	c References
Assets		
Liquid assets	42,027	
Amounts due from banks	3,667	
Amounts due from securities financing transactions	24,093	
Amounts due from customers	12,007	
Mortgage loans	94,130	
Trading portfolio assets	12,688	
Positive replacement values of derivative financial instruments	1,225	
Other financial instruments at fair value	–	
Financial investments	5,014	
Accrued income and prepaid expenses	342	
Non-consolidated participations	155	
Tangible fixed assets	582	
Intangible assets	32	
of which goodwill	25	A
of which other intangibles, other than mortgage servicing rights	7	B
of which mortgage servicing rights	–	C
Ohter assets	2,008	
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	**197,969**	

[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 30.06.2022 in CHF million	a and b As in financial statements / Under regulatory scope of consolidation [1]	c References
Liabilities		
Amounts due to banks	40,835	
Liabilities from securities financing transactions	3,294	
Amounts due in respect of customer deposits	97,057	
Trading portfolio liabilities	3,492	
Negative replacement values of derivative financial instruments	2,681	
Liabilities from other financial instruments at fair value	3,752	
Cash bonds	173	
Certificate of Deposits	8,598	
Bond issues	9,342	
Central mortgage institution loans	11,899	
Accrued expenses and deferred income	673	
Other liabilities	3,181	
Provisions	210	
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	**185,186**	
of which subordinated liabilities eligible as Tier 2 capital (T2)	792	
of which subordinated liabilities eligible as Additional Tier 1 capital (AT1)	1,065	
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	10,204	
of which voluntary retained earnings reserve	9,674	
of which foreign currency translation reserve	-12	
of which profit (loss) for the current period [2]	541	
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	**12,783**	

[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, Swisscanto Private Equity CH II Ltd and Swisscanto Asset Management International SA). Non-material (from an accounting perspective) majority participations in Zürcher Kantonalbank Representações Ltda., ZüriBahn AG and Philanthropy Services AG 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

30.06.2022		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

30.06.2022		Tier 1 bond	EUR Tier 2 bond
1	Issuer	Zürcher Kantonalbank	Zürcher Kantonalbank
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg ID for private placement)	CH0536893321	CH1170565753
3	Governing law of the instrument	Swiss law	Swiss law
3a	Manner in which the enforceability criterion under section 13 of the TLAC Term Sheet is met (for other eligible TLAC instruments under foreign law)	n/a	n/a
	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 315 million	CHF 500 million
9	Par value of instrument	CHF 315 million	EUR 500 million
10	Accounting classification	Liability - notional	Liability - notional
11	Original date of issuance	16.10.2020	13.04.2022
12	Perpetual or dated	Perpetual	Dated
13	Original maturity date	n/a	13.04.2028
14	Issuer call option (subject to prior supervisory authority approval)	Yes	Yes
15	Optional call date / contingent call dates (tax and / or regulatory event) / redemption amount	First possible termination date 16.04.2027. Redemption amount: entire outstanding issue, no partial termination	First possible termination date 13.04.2027. Redemption amount: entire outstanding issue, no partial termination
16	Subsequent call dates, if applicable	Thereafter every five years on 16 April	n/a
	Dividend / coupon		
17	Fixed or floating dividend / coupon	Fixed	Fixed to floating
18	Coupon rate and related index, if applicable	Fixed at 1.75% until 16.04.2027; thereafter reset every five years based on 5-year SARON-mid-swap (minimum 0%) plus 1.75% risk premium	Fixed at 2.02% until 13.04.2027; thereafter reset based on 3-month Euribor plus 0.90% risk premium (minimum 0%)
19	Existence of a dividend stopper (non-payment of dividend on the instrument prohibits the payment of dividends on common shares)	Yes	No
20	Coupon / Dividend payment fully discretionary, partially discretionary or mandatory	Fully discretionary	Mandatory
21	Existence of step up or other incentive to redeem	No	No
22	Non-cumulative or cumulative	Non-cumulative	n/a
23	Convertible / non-convertible	Non-convertible	Non-convertible
24	If convertible: conversion trigger	n/a	n/a
25	If convertible: fully or partially	n/a	n/a
26	If convertible: conversion rate	n/a	n/a
27	If convertible: mandatory or optional conversion	n/a	n/a
28	If convertible: specify instrument type convertible into	n/a	n/a
29	If convertible: specify issuer of instrument it converts into	n/a	n/a
30	Write-down feature	Yes	Yes
31	If write-down feature: write-down trigger(s)	Common equity Tier 1 (CET1) capital ratio falls below 7% and / or FINMA declares PONV (point-of-non-viability). Write-down triggered by FINMA on a contractual basis.	FINMA declares PONV (point-of-non-viability). Write-down triggered by FINMA on a contractual basis.
32	If write-down feature: fully or partially	Always partially where a trigger event occurs (CET1 ratio below 7%) that persists until the subsequent trigger test date; always fully where a trigger event occurs (CET1 ratio below 7%) that persists until the subsequent trigger test date, if in the opinion of FINMA a partial write-down would be inadequate or if a point of non-viability (PONV) has been reached.	Always fully if a point of non-viability (PONV) has been reached.
33	If write-down feature: permanent or temporary	Permanent	Permanent
34	If temporary write-down: description of write-up mechanism	n/a	n/a
34a	Type of subordination	Contractual	Contractual
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Tier 2 bond	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 Macroprudential supervisory measures

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

30.06.2022 in CHF million (unless stated otherwise) Country	a Countercyclical capital buffer rate (in %)	c Risk-weighted assets (RWA) in the computation of the extended counter-cyclical	d Bank-specific countercyclical capital buffer rate (in %)	e Countercyclical buffer amount
Hong Kong	1.00%	9		
Luxembourg	0.50%	1,123		
Subtotal	**–**	**1,132**		
Other countries		57,147		
Total RWA of credit exposures used in the countercyclical capital buffer [1]		**58,279**		
Total RWA [2]		**75,282**	**0.01%**	**7**

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

[2] For the calculation of the countercyclical buffer amount, the total RWA of Zürcher Kantonalbank are relevant.

The extended countercyclical buffer (eCCB) under Art. 44a CAO saw no material change compared to 31 December 2021.

7 Leverage Ratio

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

30.06.2022 in CHF million		a
1	Total assets as per published financial statements	197,969
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)	-38
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)	9,069
5	Adjustment for securities financing transactions (SFTs) (margin nos. 52 – 73 FINMA Circ. 15/3)	1,891
6	Adjustment for off-balance-sheet items (i.e. conversion to credit equivalent amounts) (margin nos. 74 – 76 FINMA Circ. 15/3)	11,283
7	Other adjustments	–
8	**Leverage ratio exposure (sum of Rows 1 – 7)**	**220,173**

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

7.2 LR2: Leverage ratio: leverage ratio common disclosure template

in CHF million		a 30.06.2022	b 31.12.2021
On-balance-sheet exposures			
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral) (margin nos. 14 – 15 FINMA Circ. 15/3)	172,651	164,545
2	Assets that must be deducted in determining the eligible Tier 1 capital (margin nos. 7 and 16 – 17 FINMA Circ. 15/3)	-38	-56
3	**Total on-balance sheet exposures within the leverage ratio framework, excluding derivatives and SFTs (sum of rows 1 and 2)**	**172,613**	**164,488**
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	2,137	2,255
5	Add-on amounts for PFE associated with all derivatives transactions (margin nos. 22 and 25 FINMA Circ. 15/3)	8,107	7,469
6	Gross up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework (margin no. 27 FINMA Circ. 15/3)	3,543	1,962
7	Deduction of receivables assets for cash variation margin provided in derivatives transactions, in accordance with margin no. 36 FINMA Circ. 15/3	-2,598	-2,022
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	-922	-582
9	Adjusted effective notional amount of written credit derivatives, after deduction of negative replacement values (margin no. 43 FINMA Circ. 15/3)	465	309
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)	-439	-234
11	**Total derivative exposures (sum of rows 4 – 10)**	**10,294**	**9,159**
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)	24,093	26,289
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)	1,891	1,890
15	Agent transaction exposures (margin nos. 70 – 73 FINMA Circ. 15/3)	–	–
16	**Total securities financing transaction exposures (sum of rows 12 – 15)**	**25,984**	**28,179**
Other off-balance-sheet exposures			
17	Off-balance-sheet exposure at gross notional amounts before application of credit conversion factors	44,192	41,773
18	Adjustments for conversion to credit equivalent amounts (margin nos. 75 – 76 FINMA Circ. 15/3)	-32,910	-31,175
19	**Total off-balance-sheet items (sum of rows 17 and 18)**	**11,283**	**10,598**
Eligible capital and total exposures			
20	Tier 1 capital (margin no. 5 FINMA Circ. 15/3)	13,269	13,253
21	Total exposures (sum of rows 3, 11, 16 and 19)	220,173	212,425
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 to 31 December 2021, total on-balance-sheet exposures (excluding derivatives and securities financing transactions) rose by CHF 8,125 million. The exposures from securities financing transactions (CHF - 2,195 million) moved in the opposite direction. The changes in exposures from derivatives (CHF + 1,135 million) and off-balance-sheet items (CHF + 685 million) were smaller. The combination of the increased total exposure with the mainly unchanged Tier 1 capital resulted in a leverage ratio of 6.0 percent, which is 0.2 percentage points lower than as at 31 December 2021 (6.2 percent).

8 Liquidity

8.1 LIQ1: Liquidity: Liquidity coverage ratio (LCR)

		Quarterly averages Q1 22 [1]		Quarterly averages Q2 22 [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)**		**53,165**		**52,383**
B. Cash outflows					
2	Retail deposits	62,743	6,453	63,938	6,591
3	of which stable deposits	5,981	299	5,991	300
4	of which less stable deposits	56,762	6,154	57,947	6,291
5	Unsecured wholesale funding	45,250	26,896	50,433	28,282
6	of which operational deposits (all counterparties) and deposits in networks of cooperative banks	5,221	1,305	5,010	1,252
7	of which non-operational deposits (all counterparties)	37,681	23,243	42,765	24,372
8	of which unsecured debt	2,348	2,348	2,658	2,658
9	Secured wholesale funding and collateral swaps		7,704		7,664
10	Other outflows	23,062	11,119	27,870	13,556
11	of which outflows related to derivative exposures and other transactions	13,527	9,486	17,746	11,804
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	64	64
13	of which, outflows related to committed credit and liquidity facilities	9,482	1,580	10,060	1,688
14	Other contractual funding obligations	2,521	2,501	2,764	2,727
15	Other contingent funding obligations	38,508	395	36,160	388
16	**Total cash outflows**		**55,068**		**59,208**
C. Cash inflows					
17	Secured financing operations (e.g. reverse repo transactions)	15,159	11,731	16,653	12,253
18	Inflows from fully performing exposures	1,786	1,422	1,861	1,427
19	Other cash inflows	7,545	7,545	10,368	10,368
20	**Total cash inflows**	**24,489**	**20,697**	**28,882**	**24,049**
Adjusted values					
21	**Total high-quality liquid assets (HQLA)**		**53,165**		**52,383**
22	**Total net cash outflows**		**34,371**		**35,159**
23	**Liquidity coverage ratio in %**		**155%**		**149%**

[1] The average is calculated based on the end of day values from the business days of the reported quarter: Q1 22: 64 days included, Q2 22: 61 days included.

As a systemically important bank, Zürcher Kantonalbank is subject to stricter liquidity requirements: it has to meet a higher liquidity coverage ratio (LCR) than non-systemically important banks. Zürcher Kantonalbank's ongoing comfortable liquidity situation is reflected in the LCR. On a group basis, the LCR decreased from the previous quarter and stood at an average of 149 percent in the second quarter of 2022 (first quarter of 2022: 155 percent).

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

	30.06.2022	a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
	in CHF million	No maturity	< 6 months	≥ 6 months to < 1 year	≥ 1 year	
	Available Stable Funding (ASF) item					
1	Capital	–	–	–	14,099	14,099
2	Regulatory capital	–	–	–	14,099	14,099
3	Other capital instruments	–	–	–	–	–
4	Retail deposits and deposits from small business customers	64,097	932	22	121	58,968
5	Stable deposits	5,995	28	4	3	5,730
6	Less stable deposits	58,102	904	18	118	53,239
7	Wholesale funding	27,874	34,969	198	1,569	17,049
8	Operational deposits	4,961	–	–	–	2,481
9	Other wholesale funding	22,913	34,969	198	1,569	14,568
10	Liabilities with matching interdependent assets	1,446	35	–	–	–
11	Other liabilities	13,646	15,127	1,381	20,801	20,437
12	NSFR derivative liabilities		–	–	1,394	
13	All other liabilities and equity not included in the above categories	13,646	15,127	1,381	19,407	20,437
14	**Total Available Stable Funding (ASF)**					**110,553**
	Required Stable Funding (RSF) item					
15	Total NSFR high-quality liquid assets (HQLA)					1,113
16	Deposits held at other financial institutions for operational purposes	437	–	–	–	219
17	Performing loans and securities	27,853	33,109	8,141	69,779	84,682
18	Performing loans to financial institutions secured by level 1 and 2a	642	6,952	–	–	807
19	Performing loans to financial institutions secured by non-level 1 and 2a HQLA and unsecured performing loans to financial	9,478	11,014	1,099	1,321	8,479
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and public sector entities, of which	6,251	5,990	1,418	8,307	15,774
21	with a risk weight of less than or equal to 35% under SA-BIS	79	–	–	437	337
22	Performing residential mortgages, of which	9,345	8,136	4,797	57,243	54,411
23	with a risk weight of less than or equal to 35% under SA-BIS	9,219	8,064	4,766	56,647	53,744
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	2,136	1,018	827	2,907	5,211
25	Assets with matching interdependent liabilities	1,481	–	–	–	–
26	Other assets	5,698	235	1	2,335	6,161
27	Physical traded commodities, including gold	1,769				1,503
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		196	–	1,073	1,079
29	NSFR derivative assets		–	–	–	–
30	NSFR derivative liabilities before deduction of variation margin posted		–	–	1,243	1,243
31	All other assets not included in the above categories	3,929	39	1	19	2,336
32	Off-balance sheet items		34,116	2,402	7,901	781
33	**Total Required Stable Funding (RSF)**					**92,955**
34	**Net Stable Funding Ratio (NSFR) (%)**					**119%**

31.03.2022		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
in CHF million		No maturity	< 6 months	≥ 6 months to < 1 year	≥ 1 year	
	Available Stable Funding (ASF) item					
1	Capital	–	–	–	13,603	13,603
2	Regulatory capital	–	–	–	13,603	13,603
3	Other capital instruments	–	–	–	–	–
4	Retail deposits and deposits from small business customers	64,075	430	16	106	58,477
5	Stable deposits	5,996	23	4	3	5,725
6	Less stable deposits	58,079	408	12	103	52,752
7	Wholesale funding	26,271	38,550	685	1,582	17,481
8	Operational deposits	5,173	–	–	–	2,587
9	Other wholesale funding	21,098	38,550	685	1,582	14,895
10	Liabilities with matching interdependent assets	1,438	–	–	–	–
11	Other liabilities	13,962	15,899	1,523	19,828	20,653
12	NSFR derivative liabilities		–	–	544	
13	All other liabilities and equity not included in the above categories	13,962	15,899	1,523	19,285	20,653
14	**Total Available Stable Funding (ASF)**					**110,214**
	Required Stable Funding (RSF) item					
15	Total NSFR high-quality liquid assets (HQLA)					1,753
16	Deposits held at other financial institutions for operational purposes	478	–	–	–	239
17	Performing loans and securities	29,408	30,609	8,033	69,752	83,760
18	Performing loans to financial institutions secured by level 1 and 2a	3,299	5,424	–	–	1,122
19	Performing loans to financial institutions secured by non-level 1 and 2a HQLA and unsecured performing loans to financial	9,727	11,379	974	1,550	9,128
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and public sector entities, of which	5,542	5,533	1,204	8,864	15,224
21	with a risk weight of less than or equal to 35% under SA-BIS	49	–	–	452	337
22	Performing residential mortgages, of which	8,204	7,800	5,143	56,876	53,360
23	with a risk weight of less than or equal to 35% under SA-BIS	8,089	7,704	5,104	56,172	52,597
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	2,636	473	712	2,462	4,926
25	Assets with matching interdependent liabilities	1,438	–	–	–	–
26	Other assets	4,862	14	226	1,893	4,948
27	Physical traded commodities, including gold	1,307				1,111
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		–	220	1,170	1,181
29	NSFR derivative assets		–	–	–	–
30	NSFR derivative liabilities before deduction of variation margin posted		–	–	713	713
31	All other assets not included in the above categories	3,554	14	6	11	1,943
32	Off-balance sheet items		34,162	1,274	7,995	740
33	**Total Required Stable Funding (RSF)**					**91,440**
34	**Net Stable Funding Ratio (NSFR) (%)**					**121%**

Zürcher Kantonalbank has fulfilled the provisions on the net stable funding ratio (NSFR) of 100 percent with a significant buffer for some time. The quarter-end NSFR values ranged from 119 percent to 121 percent in the first half of 2022.

9 Credit risk

9.1 CR1: Credit risk: credit quality of assets

30.06.2022 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]	507	107,911	635	107,783
2 Debt securities [2]	–	4,699	1	4,698
3 Off-balance-sheet exposures	130	15,577	–	15,708
4 Total	**637**	**128,187**	**636**	**128,188**

[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 30.06.2022 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 45,235 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.

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

30.06.2022 in CHF million	a
1 Defaulted loans and debt securities [1] at end of the previous reporting period (31.12.2021)	**517**
2 Loans and debt securities that have defaulted since the last reporting period	138
3 Returned to non-defaulted status	128
4 Amounts written off	4
5 Other changes (+/-) [2]	-15
6 Defaulted loans and debt securities at end of the reporting period (1 + 2 - 3 - 4 + 5)	**507**

[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 2022 decreased by CHF 10 million compared to the figure recorded on 31 December 2021.

9.3 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 29 onwards for IRB disclosures.

30.06.2022 in CHF million		a Unsecured exposures / carrying amount	b1 Secured exposures / carrying amount [1]	b of which secured by collateral [2]	d of which secured by financial guarantees [2]	f of which secured by credit derivatives [2]
1	Loans (excluding debt securities)	11,167	96,616	95,130	1,260	–
2	Debt securities	4,501	197	–	197	–
3	**Total**	**15,668**	**96,812**	**95,130**	**1,457**	**–**
4	of which defaulted	114	213	149	56	–

[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) increased by CHF 1,296 million compared to 31 December 2021, resulting in a proportion of fully or partially secured exposures (excluding debt securities) of 90 percent as at 30 June 2022 (31 December 2021: 91 percent). During the reporting period, there were no material changes in the extent to which credit risk mitigation techniques were used.

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

30.06.2022 in CHF million (unless stated otherwise)		a	b	c	d	e	f
		Exposures before CCF and CRM		Exposures post-CCF and CRM			
	Exposure class	On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWA	RWA density
1	Central governments and central banks	285	–	1,254	3	0	0.0%
2	Banks and securities firms	641	190	641	90	158	21.5%
3	Other public sector entities and multilateral development banks	1,492	3,845	1,492	424	537	28.0%
4	Corporates	3,161	6,191	3,104	1,565	3,255	69.7%
5	Retail	4,081	2,517	3,118	327	2,837	82.4%
6	Equity	–	–	–	–	–	–
7	Other exposures [1]	43,567	439	43,550	109	1,588	3.6%
8	**Total**	**53,227**	**13,182**	**53,159**	**2,518**	**8,376**	**15.0%**

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

Compared to 31 December 2021, total on-balance-sheet exposures before CCF and CRM subject to credit risks using the standardised approach were up by CHF 2,774 million. This is mainly due to cash and cash equivalents, which account for the majority of the Other exposures category (CHF + 1,400 million). Balance sheet items in the Corporate (CHF + 673 million) and Retail (CHF + 453 million) segments also increased. Off-balance-sheet exposures rose too in the first half of 2022, up CHF 1,246 million while the largest increase came in the Corporates segment, at CHF 596 million. Total RWA as at 30 June 2022 were CHF 1,667 million higher than on 31 December 2021.

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

30.06.2022 in CHF million		a	b	c	d	e	f	g	h	i	j
	Exposure class / risk weight	**0%**	**10%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**Other**	**Total credit exposures amount (post-CCF/post-CRM)**
1	Central governments and central banks	1,257	–	–	–	–	–	0	–	–	1,257
2	Banks and securities firms	–	–	714	–	10	–	2	5	–	731
3	Other public sector entities and multilateral development banks	428	–	755	16	673	–	44	–	–	1,916
4	Corporates	–	–	959	123	1,130	6	2,449	1	–	4,668
5	Retail	–	–	–	837	–	270	2,330	8	–	3,445
6	Equity	–	–	–	–	–	–	–	–	–	–
7	Other exposures [1]	42,030	–	–	64	–	–	1,563	2	–	43,659
8	**Total**	**43,715**	**–**	**2,428**	**1,040**	**1,813**	**277**	**6,389**	**16**	**–**	**55,677**
9	of which, covered by mortgages	–	–	–	1,040	–	16	1,112	–	–	2,167
10	of which, past-due loans	–	–	–	–	–	–	17	11	–	28

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

The changes as at 30 June 2022 depicted in Table CR4 are also displayed in Table CR5 after CCF and CRM. Exposures with a risk weight of zero percent (generally cash and cash equivalents) increased by CHF 1,012 million. Those with a risk weight of 100 percent increased by CHF 1,431 million; the largest changes came in the Corporates (CHF + 574 million) and Retail (CHF + 555 million) segments. Otherwise, there were no significant changes in Table CR5.

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

30.06.2022 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	1,423	757	63.9%	2,137	0.1%	110	45.0%	1.2	471	22.0%	1	
0.15 to <0.25	721	311	29.4%	664	0.2%	57	45.0%	1.1	223	33.7%	0	
0.25 to <0.50	133	89	30.2%	146	0.3%	59	45.0%	1.1	70	48.1%	0	
0.50 to <0.75	53	104	33.6%	136	0.7%	24	45.0%	1.2	102	75.1%	0	
0.75 to <2.50	905	178	28.7%	700	1.4%	56	45.0%	1.0	723	103.3%	4	
2.50 to <10.00	318	298	32.7%	195	4.7%	63	45.0%	1.4	275	141.1%	4	
10.00 to <100.00	25	50	20.9%	23	16.3%	37	45.0%	0.9	50	212.8%	2	
100.00 (Default)	4	–	–	3	–	2	–	–	3	106.0%	–	
Sub-total	3,581	1,786	49.8%	4,004	0.7%	408	45.0%	1.1	1,918	47.9%	12	1

30.06.2022 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
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	742	1,892	75.2%	2,164	0.1%	21	42.6%	1.4	439	20.3%	1	
0.15 to <0.25	3,706	2,733	75.0%	5,755	0.2%	98	41.2%	1.9	1,835	31.9%	4	
0.25 to <0.50	11,119	5,238	74.7%	15,034	0.3%	711	39.2%	2.4	7,401	49.2%	19	
0.50 to <0.75	2,577	736	75.0%	3,128	0.6%	419	39.3%	2.5	2,242	71.7%	8	
0.75 to <2.50	2,287	449	75.0%	2,624	1.2%	571	40.5%	2.6	2,438	92.9%	12	
2.50 to <10.00	167	10	74.7%	174	3.1%	92	42.3%	2.7	228	130.9%	2	
10.00 to <100.00	21	5	73.4%	25	10.1%	2	43.4%	2.2	48	194.9%	1	
100.00 (Default)	59	1	75.0%	52	–	9	–	–	55	106.0%	–	
Sub-total	20,678	11,064	74.9%	28,956	0.4%	1,923	39.9%	2.2	14,687	50.7%	47	8

30.06.2022 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	889	3,022	73.8%	3,119	0.1%	87	43.4%	1.7	676	21.7%	1	
0.15 to <0.25	599	938	73.3%	1,286	0.2%	59	42.1%	1.9	440	34.2%	1	
0.25 to <0.50	2,881	4,623	72.7%	5,918	0.4%	913	41.7%	1.8	2,900	49.0%	9	
0.50 to <0.75	1,725	1,626	72.0%	2,883	0.7%	919	42.0%	1.8	1,998	69.3%	9	
0.75 to <2.50	3,325	2,079	72.6%	4,774	1.4%	1,836	40.9%	1.9	4,185	87.7%	28	
2.50 to <10.00	870	416	72.5%	1,104	3.9%	1,210	40.3%	2.2	1,237	112.1%	17	
10.00 to <100.00	53	11	71.1%	52	13.8%	93	36.2%	2.7	83	159.6%	3	
100.00 (Default)	206	187	66.9%	211	–	182	–	–	224	106.0%	–	
Sub-total	10,547	12,903	72.8%	19,348	0.9%	5,299	41.3%	1.8	11,743	60.7%	68	81
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	22,794	1,718	75.0%	24,082	0.1%	37,222	20.1%	2.9	1,562	6.5%	4	
0.15 to <0.25	9,753	619	75.0%	10,217	0.2%	12,394	22.8%	3.1	1,444	14.1%	4	
0.25 to <0.50	17,927	1,235	75.0%	18,853	0.4%	21,547	25.2%	3.2	4,692	24.9%	17	
0.50 to <0.75	7,733	607	75.0%	8,188	0.6%	7,918	26.9%	3.2	3,319	40.5%	14	
0.75 to <2.50	7,485	600	75.0%	7,934	1.3%	7,182	27.9%	3.2	5,235	66.0%	28	
2.50 to <10.00	1,058	110	75.0%	1,141	3.5%	1,276	28.6%	3.0	1,423	124.8%	12	
10.00 to <100.00	11	1	75.0%	12	13.9%	14	19.0%	2.6	17	144.2%	0	
100.00 (Default)	120	6	75.0%	113	–	137	–	–	120	106.0%	–	
Sub-total	66,882	4,896	75.0%	70,540	0.4%	87,690	23.6%	3.0	17,812	25.3%	80	12

30.06.2022 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
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)	**101,688**	**30,649**	**72.6%**	**122,848**	**0.5%**	**95,320**	**25.0%**	**2.6**	**46,160**	**37.6%**	**207**	**102**

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.

9.7 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 cred-it risk rules. Therefore, there was no impact on RWA.

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

30.06.2022 in CHF million		a RWA amounts
1	**RWA as at end of previous reporting period (31.12.2021)**	**44,740**
2	Asset size changes	1,987
3	Asset quality changes	-588
4	Model updates	-381
5	Methodology and policy changes	346
6	Acquisions and disposals (of entities)	–
7	Foreign exchange movements	55
8	Other	–
9	**RWA as at end of current reporting period**	**46,160**

Compared to 31 December 2021, the RWA of credit risk exposures under the IRB approach rose, mainly due to growth in assets of good credit quality (the combined effect of the change in assets and the change in the credit quality of assets came to CHF + 1,399 million). A non-material adjustment to the real estate rating model for natural persons caused RWA to fall by CHF 381 million, but this was largely offset by the increase in the RWA multiplier (CHF + 346 million). The changes in exchange rates in the first half of 2022 were minor. Overall, this resulted in net RWA growth of CHF 1,420 million as at 30 June 2022.

9.9 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

30.06.2022 in CHF million (unless stated otherwise)	On-balance-sheet amount	Off-balance-sheet amount	Risk weight in %	Exposure amount	RWA
Exchange-traded equity exposures	7	–	300%	7	23
Private equity exposures	159	–	400%	159	672
Other equity exposures	1	0	400%	1	6
Total	**167**	**0**		**167**	**702**

There were no material changes in equities under the simple risk weight method compared to 31 December 2021.

10 Counterparty credit risk

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

30.06.2022 in CHF million (unless stated otherwise)		a Replacement cost	b Potential future exposure	c EEPE (effective expected positive exposure)	d Alpha used for computing regulatory EAD	e EAD post-CRM	f RWA
1	SA-CCR (for derivatives)	1,434	4,105		1.4	7,755	3,859
2	IMM (for derivatives and SFTs)			–	–	–	–
3	Simple approach for risk mitigation (for SFTs)					–	–
4	Comprehensive approach for risk mitigation (for SFTs)					6,221	3,682
5	VaR for SFTs					–	–
6	**Total**						**7,541**

Both replacement cost and potential future exposure for derivatives slightly increased compared to 31 December 2021. As a result, EAD post-CRM for derivatives was CHF 353 million higher. With an average risk weight of counterparties for derivative transactions of around 50 percent as at 30 June 2022, this resulted in RWA of CHF 3,859 million (CHF + 178 million compared to 31 December 2021). EAD post-CRM for SFTs also increased (CHF + 689 million). In addition, the average risk weight for SFTs increased from 55 percent to 59 percent, resulting in an RWA increase of CHF 617 million as at 30 June 2022.

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

30.06.2022 in CHF million		a EAD post-CRM	b 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	7,755	2,055
4	**Total subject to the standardised CVA capital charge**	**7,755**	**2,055**

The changes in EAD post-CRM shown in Table CCR1 (CHF + 353 million) offset those in Table CCR2. RWA fell CHF 804 million to CHF 2,055 million in the first half of 2022 despite the higher EAD, because the average risk weight declined from 39 percent to 26 percent.

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

30.06.2022 in million CHF	Exposure category / risk weight [1]	a 0%	b 10%	c 20%	d 50%	e 75%	f 100%	g 150%	h Other	i Total credit exposure
1	Central governments and central banks	80	–	–	–	–	769	–	–	848
2	Banks and securities firms	–	–	1,050	331	–	–	–	–	1,381
3	Other public sector entities and multilateral development banks	104	–	28	7	–	176	–	–	314
4	Corporates	–	–	460	259	–	3,369	–	–	4,088
5	Retail	–	–	–	–	–	207	–	–	207
6	Equity	–	–	–	–	–	–	–	–	–
7	Other exposures	–	–	–	–	–	402	–	–	402
8 [2]		–	–	–	–	–	–	–	–	–
9	**Total**	**184**	**–**	**1,538**	**597**	**–**	**4,922**	**–**	**–**	**7,240**

[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.

CCR exposures under the standardised approach rose by CHF 547 million compared with 31 December 2021. The decline in exposure to the Other public sector entities and multilateral development banks segment (CHF - 678 million) partly offset the higher exposures in the Corporates (CHF + 983 million) and Central governments and central banks (CHF + 382 million) segments.

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

30.06.2022 in CHF million (unless stated otherwise)	a EAD post-CRM	b Average PD in %	c Number of obligors	d Average LGD in %	e Average maturity in years	f RWA	g RWA density in %
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)	–	–	–	–	–	–	–
Subtotal	–	–	–	–	–	–	–
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)	–	–	–	–	–	–	–
Subtotal	–	–	–	–	–	–	–
3 Banks and securities firms (F-IRB) by PD range							
0.00 to <0.15	4,576	0.1%	97	45.0%	1.3	1,001	21.9%
0.15 to <0.25	1,038	0.2%	48	45.0%	1.4	383	36.9%
0.25 to <0.50	211	0.3%	60	45.0%	1.1	102	48.4%
0.50 to <0.75	109	0.7%	34	45.0%	1.1	78	71.7%
0.75 to <2.50	32	1.2%	34	45.0%	1.3	29	90.0%
2.50 to <10.00	30	5.4%	34	45.0%	1.0	44	145.9%
10.00 to <100.00	2	16.9%	16	45.0%	1.0	5	214.9%
100.00 (Default)	–	–	–	–	–	–	–
Subtotal	5,999	0.1%	323	45.0%	1.3	1,642	27.4%
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)	–	–	–	–	–	–	–
Subtotal	–	–	–	–	–	–	–
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)	–	–	–	–	–	–	–
Subtotal	–	–	–	–	–	–	–

30.06.2022 in CHF million (unless stated otherwise)	a EAD post-CRM	b Average PD in %	c Number of obligors	d Average LGD in %	e Average maturity in years	f RWA	g RWA density in %
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)	–	–	–	–	–	–	–
Subtotal	–	–	–	–	–	–	–
7 Corporates: specialised lending (F-IRB) by PD range							
0.00 to <0.15	0	0.0%	1	45.0%	5.0	0	31.6%
0.15 to <0.25	26	0.2%	4	45.0%	1.7	9	33.9%
0.25 to <0.50	59	0.3%	27	45.0%	4.8	48	81.3%
0.50 to <0.75	9	0.6%	8	45.0%	4.9	10	113.5%
0.75 to <2.50	4	1.0%	1	45.0%	5.0	6	132.3%
2.50 to <10.00	–	–	–	–	–	–	–
10.00 to <100.00	–	–	–	–	–	–	–
100.00 (Default)	–	–	–	–	–	–	–
Subtotal	98	0.3%	41	45.0%	4.0	72	73.9%
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)	–	–	–	–	–	–	–
Subtotal	–	–	–	–	–	–	–
9 Corporates: other lending (F-IRB) by PD range							
0.00 to <0.15	200	0.1%	33	45.0%	2.4	47	23.3%
0.15 to <0.25	55	0.2%	21	45.0%	1.9	21	38.0%
0.25 to <0.50	256	0.4%	98	45.0%	1.2	129	50.3%
0.50 to <0.75	38	0.7%	49	45.0%	1.3	27	71.0%
0.75 to <2.50	74	1.6%	67	45.0%	1.1	67	91.1%
2.50 to <10.00	1	5.4%	17	45.0%	1.0	1	134.0%
10.00 to <100.00	–	–	–	–	–	–	–
100.00 (Default)	4	–	5	–	–	4	106.0%
Subtotal	628	0.4%	290	44.7%	1.6	296	47.1%
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)	–	–	–	–	–	–	–
Subtotal	–	–	–	–	–	–	–
11 Retail: covered by mortgages by PD range							
0.00 to <0.15	8	0.1%	55	52.9%	1.1	1	11.9%
0.15 to <0.25	0	0.2%	9	56.3%	1.0	0	35.9%
0.25 to <0.50	2	0.4%	23	52.7%	1.0	1	51.4%
0.50 to <0.75	0	0.5%	3	56.1%	1.0	0	78.9%
0.75 to <2.50	1	1.4%	12	56.1%	2.6	1	140.9%
2.50 to <10.00	0	2.8%	1	56.3%	1.0	0	214.2%
10.00 to <100.00	–	–	–	–	–	–	–
100.00 (Default)	–	–	–	–	–	–	–
Subtotal	11	0.2%	103	53.2%	1.2	3	29.1%

30.06.2022 in CHF million (unless stated otherwise)	a EAD post-CRM	b Average PD in %	c Number of obligors	d Average LGD in %	e Average maturity in years	f RWA	g RWA density in %
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)	–	–	–	–	–	–	–
Subtotal	–	–	–	–	–	–	–
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)	–	–	–	–	–	–	–
Subtotal	–	–	–	–	–	–	–
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)	–	–	–	–	–	–	–
Subtotal	–	–	–	–	–	–	–
Total all portfolios	**6,735**	**0.2%**	**757**	**46.0%**	**1.4**	**2,013**	**29.9%**

CCR exposures under the IRB approach rose CHF 494 million over the period. The main elements in the change were growth in the Banks and securities firms segment (CHF + 864 million) and a reduction in specialised lending to corporates (CHF - 322 million). RWA declined by CHF 54 million compared to 31 December 2021 despite higher exposures, because the average risk weight was down.

10.5 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	
30.06.2022	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	–	4,282	–	3,415	173	15,381
Cash – other currencies	–	1,962	–	2,145	4,224	9,812
Swiss Confederation sovereign debt	–	149	–	267	3,023	1,921
Other domestic public authority debt	–	158	–	10	491	122
Foreign sovereign and public authority debt	–	18	–	239	17,292	13,454
Corporate bonds	–	865	–	90	21,973	12,289
Equity securities	–	939	–	262	13,024	7,053
Other collateral	–	–	–	–	–	–
Total	**–**	**8,372**	**–**	**6,428**	**60,201**	**60,031**

The volume of collateral used in derivatives transactions (both received and posted) increased considerably in the first half of 2022. Cash in CHF was mainly used. Otherwise during the reporting period there were no significant changes to the composition of collateral for CCR exposure. The totals for received and posted collateral for SFTs essentially rose in parallel, but to a lesser extent.

10.6 CCR6: Counterparty credit risk: credit derivatives exposures

30.06.2022 in CHF million	a Protection bought	b Protection sold
Notionals		
Single-name CDSs	44	–
Index-CDSs	465	465
Total return swaps	12	–
Credit options	–	–
Other credit derivatives	–	–
Total notionals	**521**	**465**
Fair values		
Positive replacement value (asset)	7	0
Negative replacement value (liability)	1	7

The notional amounts of protection bought and sold essentially rose in parallel over the reporting period. The positive and negative replacement values did not change significantly.

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

Zürcher Kantonalbank does not use the IMM approach.

10.8 CCR8: Counterparty credit risk: exposures to central counterparties

30.06.2022 in CHF million		a EAD (post-CRM)	b RWA
1	**Exposures to QCCPs (total)**		**164**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions)	1,922	38
3	of which OTC derivatives	1,056	21
4	of which exchange-traded derivatives	608	12
5	of which SFTs	257	5
6	of which netting sets where cross-product netting has been approved	–	–
7	Segregated initial margin	–	
8	Non-segregated initial margin	1,886	38
9	Pre-funded default fund contributions	198	87
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 2022 increased by CHF 78 million. As the average risk weights of the positions delivered to the default fund as at 30 June 2022 have not changed significantly, RWA also increased (CHF + 40 million).

11 Securitisations

11.1 SEC1: Securitisations: exposures in the banking book

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

11.2 SEC2: Securitisations: exposures in the trading book

	a	b	c	e	f	g	i	j	k
30.06.2022	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)	**–**	**–**	**–**	**–**	**–**	**–**	**7**	**–**	**7**
2 of which residential mortgage	–	–	–	–	–	–	–	–	–
3 of which credit card	–	–	–	–	–	–	3	–	3
4 of which other retail exposures	–	–	–	–	–	–	5	–	5
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.

11.3 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.

11.4 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.

12 Market risk

12.1 MR1: Market risk: market risk under SA

30.06.2022		a
	in CHF million	RWA
	Outright products	
1	Interest rate risk (general and specific)	1,956
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**	**1,957**

Strong client demand for high-quality liquid assets and above-average trading volumes were reflected in a larger bond portfolio in interest rate trading. The total RWA for market risk under the standardised approach increased by CHF 403 million compared to the end of 2021 to CHF 1,957 million as a result.

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

30.06.2022		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 (31.12.2021)**	**369**	**1,614**	**–**	**–**	**–**	**1,984**
2	Movement in risk levels [1]	97	-545	–	–	–	-448
3	Model updates / changes	51	31	–	–	–	82
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**	**518**	**1,100**	**–**	**–**	**–**	**1,618**

[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 366 million to CHF 1,618 million during the reporting period. The decrease in RWA was primarily caused by lower RWA from stressed VaR (CHF - 514 million) and reflects lower interest rate and credit risk. RWA from VaR were up by CHF 149 million, by contrast, due to rising volatility on the capital markets.

12.3 MR3: Market risk: IMA values for trading portfolios

30.06.2022		
in CHF million		**a**
VaR (10 day 99%)		
1	Maximum value	18
2	Average value	12
3	Minimum value	9
4	**Period end**	**17**
Stressed VaR (10 day 99%)		
5	Maximum value	39
6	Average value	28
7	Minimum value	21
8	**Period end**	**35**
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)	–

Lower interest rate and credit risk pushed stressed VaR down in the period under review. Contrariwise, VaR was up despite lower risks due to the further rise in volatility on the capital markets.

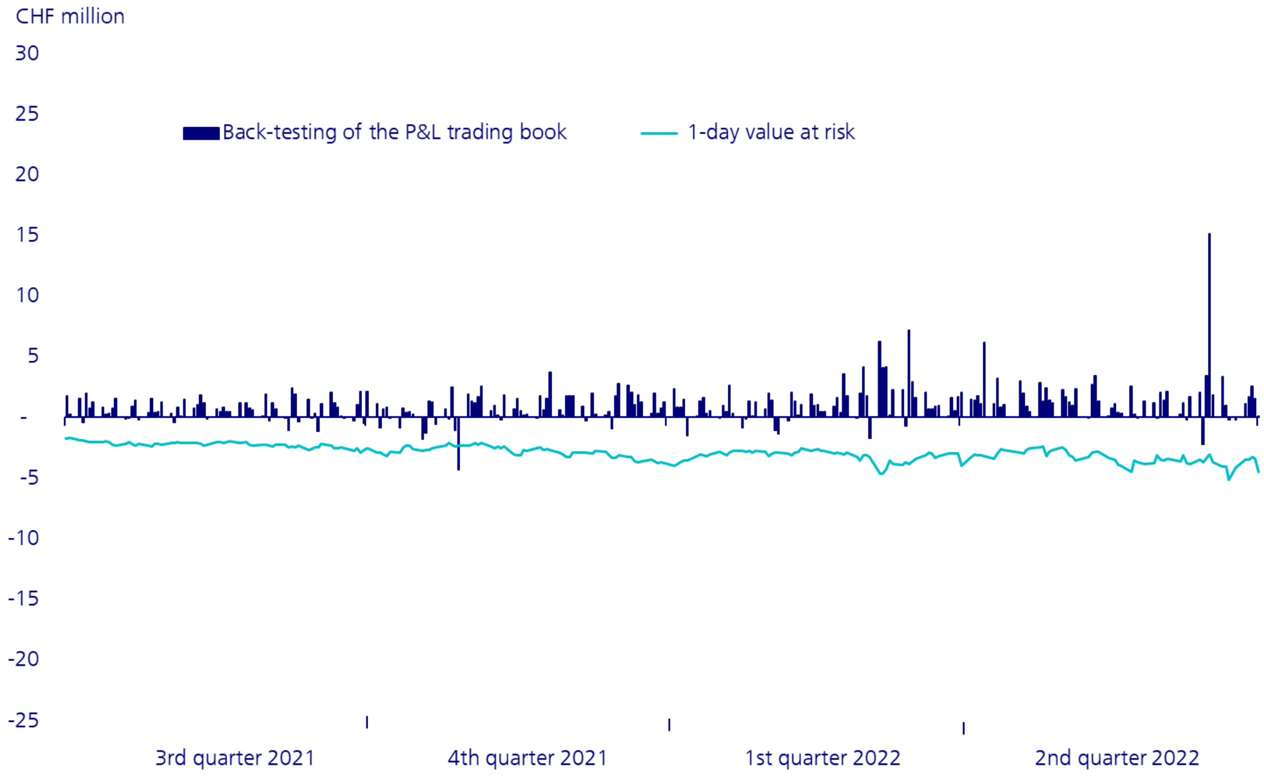
12.4 MR4: Market risk: comparison of VaR estimates with gains/losses

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

Back-testing results for the second half of 2021 and the first half of 2022

A breach of back-testing limits in the Zürcher Kantonalbank market risk model approach occurred, when a daily loss in trading is higher than the model predicts. In the last four quarters, there was one breach in the value at risk. The back-testing result therefore lies within the statistical expectation. The breach in the back-testing VaR on 29 October 2021 by CHF 2.0 million resulted from strong movements in interest rates and interest rate volatilities, which led to losses in both interest rate and money market trading.

The situation in the last four quarters was as follows:



13 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.

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

30.06.2022				Group
in CHF million and in % RWA	**Transitional rules**		**Definitive rules from 2026**	
Basis of assessment	**CHF million**		**CHF million**	
Risk-weighted assets (RWA)	**75,282**		**75,282**	
Risk-based capital requirements (going concern) based on capital ratios	**CHF million**	**in % RWA**	**CHF million**	**in % RWA**
Total [1]	**9,689**	**12.9%**	**9,689**	**12.9%**
of which CET1: minimum capital	3,388	4.5%	3,388	4.5%
of which CET1: buffer capital	3,056	4.1%	3,056	4.1%
of which CET1: countercyclical buffer	7	0.0%	7	0.0%
of which Additional Tier 1: minimum capital	2,635	3.5%	2,635	3.5%
of which Additional Tier 1: buffer capital	602	0.8%	602	0.8%
Eligible capital (going concern)	**CHF million**	**in % RWA**	**CHF million**	**in % RWA**
Core capital	**13,269**	**17.6%**	**12,445**	**16.5%**
of which CET1	9,966	13.2%	9,143	12.1%
of which CET1 to cover additional Tier 1 requirements	2,238	3.0%	3,061	4.1%
of which additional Tier 1 high-trigger CoCos	1,065	1.4%	241	0.3%
of which additional Tier 1 low-trigger CoCos	–	–	–	–
of which Tier 2 high-trigger CoCos				
of which Tier 2 low-trigger CoCos				
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 [2, 3]	2,945	3.9%	5,917	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	–	–	-412	-0.5%
Total (net)	**2,945**	**3.9%**	**5,505**	**7.3%**
Eligible additional loss-absorbing capital (gone concern)	**CHF million**	**in % RWA**	**CHF million**	**in % RWA**
Total	**3,265**	**4.3%**	**5,644**	**7.5%**
of which CET1 used to meet gone concern requirements	–	–	–	–
of which additional Tier 1 used to meet gone concern requirements	–	–	824	1.1%
of which Tier 2 high-trigger CoCos	–	–	–	–
of which Tier 2 low-trigger CoCos	–	–	–	–
of which Tier 2 with PONV [4]	500	0.7%	500	0.7%
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	1.3%	1,000	1.3%
of which surplus value adjustments under the IRB approach [6]	292	0.4%	292	0.4%
of which state guarantee or similar mechanism	1,472	2.0%	3,028	4.0%

[1] The risk-based capital requirements on a going concern basis are calculated as a percentage of risk-weighted exposures (RWA). Under Article 129 CAO, the total risk-based requirement for Zürcher Kantonalbank is 12.86%. The countercyclical buffer (CCB) under Art. 44 CAO was discontinued as at 27.03.2020. However, the CCB is being reactivated as at 30.09.2022 by decision of the Federal Council dated 26.01.2022. In addition, there is the requirement of the extended countercyclical buffer (eCCB) of currently 0.01% of RWA. As at 30.06.2022 this results in a risk-based total requirement (going concern) of 12.87%.

[2] 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 2022 is 2.56% 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).

[3] 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 1.35% gross in 2022. This results in a total risk-based gone concern requirement of 3.91% gross as at 30.06.2022. The total risk-based gone concern requirement is being increased gradually to 7.86% by 2026, as already mentioned.

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

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

[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).

30.06.2022				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)	**75,891**		**75,891**	
Risk-based capital requirements (going concern) based on capital ratios	**CHF million**	**in % RWA**	**CHF million**	**in % RWA**
Total [1]	**9,767**	**12.9%**	**9,767**	**12.9%**
of which CET1: minimum capital	3,415	4.5%	3,415	4.5%
of which CET1: buffer capital	3,081	4.1%	3,081	4.1%
of which CET1: countercyclical buffer	8	0.0%	8	0.0%
of which Additional Tier 1: minimum capital	2,656	3.5%	2,656	3.5%
of which Additional Tier 1: buffer capital	607	0.8%	607	0.8%
Eligible capital (going concern)	**CHF million**	**in % RWA**	**CHF million**	**in % RWA**
Core capital	**13,447**	**17.7%**	**12,620**	**16.6%**
of which CET1	10,142	13.4%	9,316	12.3%
of which CET1 to cover additional Tier 1 requirements	2,240	3.0%	3,066	4.0%
of which additional Tier 1 high-trigger CoCos	1,065	1.4%	239	0.3%
of which additional Tier 1 low-trigger CoCos	–	–	–	–
of which Tier 2 high-trigger CoCos				
of which Tier 2 low-trigger CoCos				
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 [2, 3]	2,969	3.9%	5,965	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	–	–	-413	-0.5%
Total (net)	**2,969**	**3.9%**	**5,552**	**7.3%**
Eligible additional loss-absorbing capital (gone concern)	**CHF million**	**in % RWA**	**CHF million**	**in % RWA**
Total	**3,274**	**4.3%**	**5,646**	**7.4%**
of which CET1 used to meet gone concern requirements	–	–	–	–
of which additional Tier 1 used to meet gone concern requirements	–	–	826	1.1%
of which Tier 2 high-trigger CoCos	–	–	–	–
of which Tier 2 low-trigger CoCos	–	–	–	–
of which Tier 2 with PONV [4]	500	0.7%	500	0.7%
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	1.3%	1,000	1.3%
of which surplus value adjustments under the IRB approach [6]	290	0.4%	290	0.4%
of which state guarantee or similar mechanism	1,484	2.0%	3,030	4.0%

[1] The risk-based capital requirements on a going concern basis are calculated as a percentage of risk-weighted exposures (RWA). Under Article 129 CAO, the total risk-based requirement for Zürcher Kantonalbank is 12.86%. The countercyclical buffer (CCB) under Art. 44 CAO was discontinued as at 27.03.2020. However, the CCB is being reactivated as at 30.09.2022 by decision of the Federal Council dated 26.01.2022. In addition, there is the requirement of the extended countercyclical buffer (eCCB) of currently 0.01% of RWA. As at 30.06.2022 this results in a risk-based total requirement (going concern) of 12.87%.

[2] 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 2022 is 2.56% 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).

[3] 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 1.35% gross in 2022. This results in a total risk-based gone concern requirement of 3.91% gross as at 30.06.2022. The total risk-based gone concern requirement is being increased gradually to 7.86% by 2026, as already mentioned.

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

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

[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).

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

30.06.2022				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)	**220,173**		**220,173**	
Unweighted capital requirements (going concern) based on the leverage ratio	**CHF million**	**in % LRD**	**CHF million**	**in % LRD**
Total [1]	**9,908**	**4.5%**	**9,908**	**4.5%**
of which CET1: minimum capital	3,303	1.5%	3,303	1.5%
of which CET1: buffer capital	3,303	1.5%	3,303	1.5%
of which Additional Tier 1: minimum capital	3,303	1.5%	3,303	1.5%
Eligible capital (going concern)	**CHF million**	**in % LRD**	**CHF million**	**in % LRD**
Core capital	**13,269**	**6.0%**	**12,445**	**5.7%**
of which CET1	9,966	4.5%	9,143	4.2%
of which CET1 to cover additional Tier 1 requirements	2,238	1.0%	3,061	1.4%
of which additional Tier 1 high-trigger CoCos	1,065	0.5%	241	0.1%
of which additional Tier 1 low-trigger CoCos	–	–	–	–
of which Tier 2 high-trigger CoCos				
of which Tier 2 low-trigger CoCos				
Unweighted requirements for additional loss-absorbing capital (gone concern) based on the leverage ratio	**CHF million**	**in % LRD**	**CHF million**	**in % LRD**
Total according to size and market share (mirroring going concern requirements) incl. additional requirement FINMA [2, 3]	2,826	1.3%	6,056	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	–	–	-412	-0.2%
Total (net)	**2,826**	**1.3%**	**5,644**	**2.6%**
Eligible additional loss-absorbing capital (gone concern)	**CHF million**	**in % LRD**	**CHF million**	**in % LRD**
Total	**3,265**	**1.5%**	**5,644**	**2.6%**
of which CET1 used to meet gone concern requirements	–	–	–	–
of which additional Tier 1 used to meet gone concern requirements	–	–	824	0.4%
of which Tier 2 high-trigger CoCos	–	–	–	–
of which Tier 2 low-trigger CoCos	–	–	–	–
of which Tier 2 with PONV [4]	500	0.2%	500	0.2%
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]	292	0.1%	292	0.1%
of which state guarantee or similar mechanism	1,472	0.7%	3,028	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] 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 2022 is 0.84% 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.

[3] 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 0.44% gross in 2022. This results in a total unweighted gone concern requirement of 1.28% gross as at 30.06.2022. The total unweighted gone concern requirement is being increased gradually to 2.75% gross by 2026.

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

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

[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).

30.06.2022				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)	**220,305**		**220,305**	
Unweighted capital requirements (going concern) based on the leverage ratio	**CHF million**	**in % LRD**	**CHF million**	**in % LRD**
Total [1]	**9,914**	**4.5%**	**9,914**	**4.5%**
of which CET1: minimum capital	3,305	1.5%	3,305	1.5%
of which CET1: buffer capital	3,305	1.5%	3,305	1.5%
of which Additional Tier 1: minimum capital	3,305	1.5%	3,305	1.5%
Eligible capital (going concern)	**CHF million**	**in % LRD**	**CHF million**	**in % LRD**
Core capital	**13,447**	**6.1%**	**12,620**	**5.7%**
of which CET1	10,142	4.6%	9,316	4.2%
of which CET1 to cover additional Tier 1 requirements	2,240	1.0%	3,066	1.4%
of which additional Tier 1 high-trigger CoCos	1,065	0.5%	239	0.1%
of which additional Tier 1 low-trigger CoCos	–	–	–	–
of which Tier 2 high-trigger CoCos				
of which Tier 2 low-trigger CoCos				
Unweighted requirements for additional loss-absorbing capital (gone concern) based on the leverage ratio	**CHF million**	**in % LRD**	**CHF million**	**in % LRD**
Total according to size and market share (mirroring going concern requirements) incl. additional requirement FINMA [2, 3]	2,828	1.3%	6,059	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	–	–	-413	-0.2%
Total (net)	**2,828**	**1.3%**	**5,646**	**2.6%**
Eligible additional loss-absorbing capital (gone concern)	**CHF million**	**in % LRD**	**CHF million**	**in % LRD**
Total	**3,274**	**1.5%**	**5,646**	**2.6%**
of which CET1 used to meet gone concern requirements	–	–	–	–
of which additional Tier 1 used to meet gone concern requirements	–	–	826	0.4%
of which Tier 2 high-trigger CoCos	–	–	–	–
of which Tier 2 low-trigger CoCos	–	–	–	–
of which Tier 2 with PONV [4]	500	0.2%	500	0.2%
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]	290	0.1%	290	0.1%
of which state guarantee or similar mechanism	1,484	0.7%	3,030	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] 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 2022 is 0.84% 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.

[3] 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 0.44% gross in 2022. This results in a total unweighted gone concern requirement of 1.28% gross as at 30.06.2022. The total unweighted gone concern requirement is being increased gradually to 2.75% gross by 2026.

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

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

[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).

14 Corporate Governance

In comparison with 31 December 2021, there were no material changes in the corporate governance. For disclosures on corporate governance, please see the corporate governance section of our Annual Report 2021 as well as the information on corporate governance on our website.