Capital adequacy and liquidity disclosure requirements

Disclosure as at 30 June 2018

Publication date: 31 August 2018

Key abbreviations in disclosure

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

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

About the figures: The amounts stated in this report have been rounded. 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
-	Figure not available, not meaningful or not applicable
Blank	No data available

Zürcher Kantonalbank is providing this information as at 30 June 2018 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 21 September 2017.

Material changes in comparison to the previous quarter as regards the definition of the capital requirement figures

In a ruling dated 18 May 2018, FINMA approved the proposal submitted by Zürcher Kantonalbank to use internal ratings in some cases to determine the CVA capital charge. The proposal is based on margin 498 of FINMA Circular 2017/7 «Credit risks - banks». As at 30 June 2018, Zürcher Kantonalbank thus took internal ratings into account for the first time, where such ratings met the IRB requirements and were approved for IRB. This led to a CHF 30 million decline in the CVA capital charge.

Changes in regulatory capital adequacy under Basel III and in liquidity

As at 30 June 2018, the capital base of Zürcher Kantonalbank comfortably exceeded the regulatory requirements on both a weighted and unweighted basis. The same applied to short-term liquidity with regard to the liquidity coverage ratio (LCR).

The total capital ratio on a group basis as at 30 June 2018 was 18.6 percent (31 March 2018: 18.5 percent). The common equity tier 1 ratio was 16.3 percent (31 March 2018: 16.2 percent). These ratios reflect the solid capital base of Zürcher Kantonalbank.

Risk-based capital adequacy requirements as a systemically important bank (14.6 percent of risk-weighted assets (RWA)) as at 30 June 2018 stood at CHF 9,466 million (31 March 2018: CHF 9,516 million), compared to eligible capital in the group of CHF 12,013 million (31 March 2018: CHF 12,025 million). This is equivalent to a surplus cover of CHF 2,547 million (31 March 2018: CHF 2,509 million).

The minimum capital requirement (8.0 percent of RWA) in the group as at 30 June 2018 amounted to CHF 5,174 million (31 March 2018: CHF 5,205 million). The minimum capital requirement was therefore CHF 31 million lower than in the previous quarter.

In addition to the decline in the CVA capital charge described above, the second quarter of 2018 only saw minor changes in the usual fluctuation range.

The leverage ratio was 6.8 percent at group level, well above the 4.0 percent required for a systemically important bank. This reflects the strong capital base at Zürcher Kantonalbank, also on an unweighted basis. The increase in the leverage ratio by 0.1 percentage point in comparison to 31 March 2018 can be attributed to a slightly lower total exposure as at 30 June 2018.

In the second quarter of 2018, the LCR on a group basis was practically unchanged from the previous quarter and stood at an average of 136 percent (first quarter of 2018: 133 percent), once again considerably above the 100 percent required.

About the company
In line with its public service mandate, the primary focus of Zürcher Kantonalbank is on customers in the Greater Zurich Area. The bank also conducts business in the rest of Switzerland and abroad, but to a limited extent.

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 cantonal guarantee for all the bank’s non-subordinate liabilities should the bank’s resources prove inadequate.

Weighted capital adequacy requirements
Under Basel III, a selection of different approaches is available to banks for the calculation of capital adequacy 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 figures, weekly 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.

The capital requirements for systemically important institutions basically consist of capital adequacy requirements for the bank to continue its activities (going concern) and additional loss-absorbing measures (gone concern). The total requirement for the continuation of the bank’s activities consists of a base requirement and additional requirements, calculated on the basis of market share and total exposure.

At the present time, requirements for additional loss-absorbing measures only apply to global systemically important banks (G-SIB) and are therefore not relevant to Zürcher Kantonalbank as a domestic systemically important bank (D-SIB). The structure of the gone-concern requirements for domestic systemically important banks has yet to be finalised. The Federal Council submitted an evaluation report on this issue on 28 June 2017, which was discussed in the parliamentary Committees for Economic Affairs and Taxation (EATC) in autumn/winter 2017/18. The consultation process (with parties, trade associations, etc.) on the proposed amendments to the CAO was launched on 23 February 2018. The current draft of the amended CAO stipulates gone-concern requirements of 40 percent of going-concern requirements for domestic systemically important banks, part of which can be met by an explicit cantonal guarantee. The consultation period ran until 30 May 2018 and the intention is that the revised CAO will come into effect on 1 January 2019, with a transitional period of seven years.

As at 30 June 2018, the capital adequacy requirement for Zürcher Kantonalbank as a domestic systemically important bank is 14.0 percent of risk-weighted assets, for both the parent company and the group, according to the individual decree issued by the Swiss Financial Market Supervisory Authority (FINMA). The countercyclical capital buffer (CCB) on mortgages secured on residential properties in Switzerland increases the requirement by a further CHF 412 million, or 0.6 percent, to 14.6 percent.

Unweighted capital adequacy requirements (leverage ratio)

Under the transitional provisions in Article 148c of the Capital Adequacy Ordinance (CAO), the unweighted regulatory capital adequacy requirement (leverage ratio) rises in stages until 2019. As at 30 June 2018, it stood at 4.0 percent for Zürcher Kantonalbank.

Disclosure

The following gives an overview of the publication frequency of the details on capital and liquidity which have to be disclosed under current regulations. For the situation as at 30 June 2018, Zürcher Kantonalbank is not required to present all of the tables. Tables with annual publication frequency have therefore not been created for the situation as at 30 June 2018.

Table no. (refers to FINMA Circ. 16/1)	**Basel framework reference code**	**Table name**	**Qualitative (QUAL) or quantitative with comments (QC)**	**Frequency** (according to FINMA Circ. 16/1)		
				quarterly	semi-annually	annually
1		Composition of eligible capital / reconciliation	QC		X	
2		Composition of eligible regulatory capital / presentation of eligible regulatory capital	QC		X	
3	OVA	Bank risk management approach	QUAL			X
4	OV1	Overview of risk-weighted assets	QC		X	
5	LI1	Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories	QC			X
6	LI2	Main sources of differences between regulatory exposure amounts and carrying values in consolidated financial statements	QC			X
7	LIA	Explanations of differences between accounting and regulatory exposure amounts	QUAL			X
8	CRA	Credit risk: general information	QUAL			X
9	CR1	Credit risk: credit quality of assets	QC		X	
10	CR2	Credit risk: changes in stock of defaulted loans and debt securities	QC		X	
11	CRB	Credit risk: additional disclosure related to the credit quality of assets	QUAL/QC			X
12	CRC	Credit risk: qualitative disclosure requirements related to mitigation techniques	QUAL			X
13	CR3	Credit risk: overview of mitigation techniques	QC		X	
14	CRD	Credit risk: qualitative disclosures of bank's use of external credit ratings under the standardised approach	QUAL			X
15	CR4	Credit risk: exposure and credit risk mitigation (CRM) effects under the standardised approach	QC		X	

Table no. (refers to FINMA Circ. 16/1)	Basel framework reference code	Table name	Qualitative (QUAL) or quantitative with comments (QC)	Frequency (according to FINMA Circ. 16/1)		
				quarterly	semi-annually	annually
16	CR5	Credit risk: exposures by exposure category and risk weights under the standardised approach	QC		X	
17	CRE	IRB: qualitative disclosures related to IRB models	QUAL			X
18	CR6	IRB: credit risk exposures by portfolio and PD range	QC		X	
19	CR7	IRB: effect on RWA of credit derivatives used as CRM techniques	QC		X	
20	CR8	IRB: RWA flow statements of credit risk exposures	QC		X	
21	CR9	IRB: backtesting of probability of default (PD) per portfolio	QC			X
22	CR10	IRB: specialised lending and equities under the simple risk weight method	QC		X	
23	CCRA	Counterparty credit risk: qualitative disclosure	QUAL			X
24	CCR1	Counterparty credit risk: analysis by approach	QC		X	
25	CCR2	Counterparty credit risk: credit valuation adjustment (CVA) capital charge	QC		X	
26	CCR3	Counterparty credit risk: standardised approach to CCR exposures by exposure category and risk weights	QC		X	
27	CCR4	IRB: CCR exposures by exposure category and PD scale	QC		X	
28	CCR5	Counterparty credit risk: composition of collateral for CCR exposure	QC		X	
29	CCR6	Counterparty credit risk: credit derivatives exposures	QC		X	
30	CCR7	Counterparty credit risk: RWA flow statements of CCR exposures under the IMM (EPE model method)	QC		X	
31	CCR8	Counterparty credit risk: exposures to central counterparties	QC		X	
32	SECA	Securitisations: qualitative disclosure requirements related to securitisation exposures	QUAL			X
33	SEC1	Securitisation: exposures in the banking book	QC		X	
34	SEC2	Securitisations: exposures in the trading book	QC		X	
35	SEC3	Securitisations: exposures in the banking book and associated regulatory capital requirements – bank acting as originator or as sponsor	QC		X	

Table no. (refers to FINMA Circ. 16/1)	Basel framework reference code	Table name	Qualitative (QUAL) or quantitative with comments (QC)	Frequency (according to FINMA Circ. 16/1)		
				quarterly	semi-annually	annually
36	SEC4	Securitisation: exposures in the banking book and associated capital requirements – bank acting as investor	QC		X	
37	MRA	Market risk: qualitative disclosure requirements	QUAL			X
38	MRB	Market risk: qualitative disclosures for banks using the Internal Model Approach (IMA)	QUAL			X
39	MR1	Market risk: minimum capital requirements under standardised approach	QC		X	
40	MR2	Market risk: RWA flow statements of market risk exposures under an IMA	QC		X	
41	MR3	Market risk: IMA values for trading portfolios	QC		X	
42	MR4	Market risk: comparison of VaR estimates with gains/losses	QC		X	
43		Qualitative disclosure requirements related to operational risks	QUAL			X
44		Interest rate risk in the banking book	QUAL/QC			X
45		Presentation of material features of regulatory capital instruments	QUAL		X	
46		Leverage ratio: comparison of accounting assets versus leverage ratio exposure measure	QC		X	
47		Leverage ratio: detailed presentation	QC		X	
48		Information about the liquidity coverage ratio	QC		X	
49 [1]		Additional requirements applicable to large banks: minimum disclosure requirements		X		
50 [2]		Disclosure requirements for systemically important banks: risk-based capital requirements based on capital ratios		X		
51 [2]		Disclosure requirements for systemically important banks: unweighted capital requirements based on the leverage ratio		X		

[1] According to the guidelines in Annex 4 of FINMA Circ. 16/1
[2] According to the guidelines in Annex 5 of FINMA Circ. 16/1

Table 1: Composition of eligible capital / reconciliation

Balance sheet **30.06.2018** *in CHF million*	As in financial statements / Under regulatory scope of consolidation [1]	References
Assets		
Liquid assets	37'586	
Amounts due from banks	4'550	
Amounts due from securities financing transactions	14'763	
Amounts due from customers	8'431	
Mortgage loans	80'271	
Trading portfolio assets	9'758	
Positive replacement values of derivative financial instruments	1'529	
Other financial instruments at fair value		
Financial investments	4'918	
Accrued income and prepaid expenses	338	
Non-consolidated participations	133	
Tangible fixed assets	750	
Intangible assets	173	
of which goodwill	172	A
of which other intangibles	1	B
Ohter assets	490	
of which deferred tax assets that rely on future profitability	9	C
of which deferred tax assets arising from temporary differences		D
Capital not paid in		
Total assets	**163'690**	
Liabilities		
Amounts due to banks	35'518	
Liabilities from securities financing transactions	5'483	
Amounts due in respect of customer deposits	82'725	
Trading portfolio liabilities	2'158	
Negative replacement values of derivative financial instruments	813	
Liabilities from other financial instruments at fair value	2'954	
Cash bonds	180	
Bond issues	11'263	
Central mortgage institution loans	9'411	
Accrued expenses and deferred income	589	
Other liabilities	709	
Provisions	582	
of which deferred tax liabilities related to goodwill		E
of which deferred tax liabilities related to other intangible assets		F
of which deferred tax liabilities related to differences in valuations	0	G
Total liabilities	**152'386**	
of which subordinated liabilities eligible as Tier 2 capital (T2)	754	
of which high-trigger contingent capital		
of which low-trigger contingent capital	754	
of which subordinated liabilities eligible as Additional Tier 1 capital (AT1)	740	
of which high-trigger contingent capital	740	
of which low-trigger contingent capital		

Balance sheet **30.06.2018** *in CHF million*	As in financial statements / Under regulatory scope of consolidation [1]	References
Equity		
Reserves for general banking risks		
Bank's capital	2'425	
of which eligible as CET1	2'425	H
of which eligible as AT1		I
Statutory reserves / voluntary reserves / profits (losses) carried forward / profit (loss) for the period	8'879	
of which voluntary retained earnings reserve	8'445	
of which foreign currency translation reserve	-5	
of which profit (loss) for the current period [2]	439	
of which planned dividend		
of which planned retained profit		
(Own shares)		
Minority interests		
of which eligible as CET1		J
of which eligible as AT1		K
Total equity	**11'304**	

[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 directly and indirectly held fully owned subsidiaries: Zürcher Kantonalbank Finance (Guernsey) Ltd., Zürcher Kantonalbank Österreich AG and Swisscanto, consisting of Swisscanto Holding AG, Swisscanto Management Company Ltd., Swisscanto Pensions Ltd., Swisscanto Funds Centre Ltd. and Swisscanto Asset Management International SA. On 23 April 2018, the sales agreement for the acquisition of Swisscanto Fund Centre Ltd. by Clearstream International S.A. Luxembourg was signed. The acquisition is expected to be completed in the third quarter of 2018.

The representative office in São Paulo, a majority holding in Zürcher Kantonalbank Representações Ltda., is not material for accounting purposes and is not fully consolidated.

Equity instruments of companies in the financial sector which are not fully consolidated 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.

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. Since 2012, FINMA has permitted Zürcher Kantonalbank to consolidate the subsidiary Zürcher Kantonalbank Finance (Guernsey) Ltd. on a solo basis under the individual institution provisions. There are no other differences between the regulatory and accounting scopes of consolidation.

Table 2: Composition of eligible regulatory capital / presentation of eligible regulatory capital

30.06.2018 *in CHF million*		Net figures (after transitional arrangements have been taken into account)	Impact of transitional arrangements (phase in / phase out for minority interests)	References
Common equity (CET1)				
1	Issued and paid-in capital, fully eligible	2'425		H
2	Retained earnings reserves, including reserves for general banking risks / profit (loss) carry forwards and profit (loss) for the period	8'884		
	of which voluntary retained earnings reserve	8'445		
	of which profit (loss) for the current period [1]	439		
	of which planned dividend			
	of which planned retained profit			
3	Capital reserves and foreign currency translation reserve (+/-)	-5		
4	Issued and paid in capital, subject to phase-out			
5	Minority interests			J
6	= Common Equity Tier 1 capital before regulatory adjustments	10'865		
	CET1: regulatory adjustments			
7	Prudential valuation adjustments			
8	Goodwill (net of related tax liability)	-172		A, E
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	-1		B, F
10	Deferred tax assets that rely on future profitability	-9		C
11	Cash flow hedge reserve (-/+)			
12	IRB shortfall of provisions to expected losses	-164		
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	Participations to be consolidated (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)			
21	Other deferred tax assets arising from temporary differences (amount above Threshold 2)			D
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	-346		
29	**= Common Equity Tier 1 capital (net CET1)**	**10'519**		
Additional Tier 1 capital (AT1)				
30	Issued and paid in instruments, fully eligible	750		
31	of which classified as equity under applicable accounting standards			I
32	of which classified as liabilities under applicable accounting standards	750		
33	Issued and paid in instruments, subject to phase out			
34	Minority interests eligible as AT1			K
35	of which subject to phase out			
36	= Additional Tier 1 capital before regulatory adjustments	750		

30.06.2018 *in CHF million*		Net figures (after transitional arrangements have been taken into account)	Impact of transitional arrangements (phase in / phase out for minority interests)	References
	Additional Tier 1 capital: regulatory adjustments			
37	Net long position in own AT1 instruments	-10		
38	Reciprocal qualified cross-holdings in AT1 instruments			
38a	Qualified participations where a controlling influence is exercised together with other owners (AT1 instruments)			
38b	Participations to be consolidated (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			
	Tier 1 ADJUSTMENTS BASED ON THE TRANSITIONAL ARRANGEMENTS			
	OF WHICH FOR PRUDENTIAL VALUATION ADJUSTMENTS			
	OF WHICH FOR OWN CET1 INSTRUMENTS			
	OF WHICH FOR GOODWILL (NET OF RELATED TAX LIABILITY)			
	OF WHICH FOR OTHER INTANGIBLES OTHER THAN MORTGAGE SERVICING RIGHTS (NET OF RELATED TAX LIABILITY)			
	OF WHICH FOR CASH FLOW HEDGE RESERVE			
	OF WHICH FOR IRB SHORTFALL			
	OF WHICH FOR SECURITISATION GAIN ON SALE			
	OF WHICH FOR GAINS (LOSSES) DUE TO CHANGES IN OWN CREDIT RISK			
	OF WHICH FOR PARTICIPATIONS			
	OF WHICH FOR EXPECTED LOSSES ON EQUITY INVESTMENTS TREATED UNDER THE PD/LGD APPROACH			
	OF WHICH FOR MORTGAGE SERVICING RIGHTS			
42a	Excess of deductions allocated to CET1			
43	= Total regulatory adjustments to AT1	-10		
44	= Additional Tier 1 capital (net AT1)	740		
	of which high-trigger contingent capital	740		
	of which low-trigger contingent capital			
45	**= Tier 1 capital (net Tier 1)**	**11'259**		
Tier 2 capital (T2)				
46	Issued and paid in instruments, fully eligible	765		
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			
51	= Tier 2 capital before regulatory adjustments	765		
	Tier 2 capital: regulatory adjustments			
52	Net long position in own T2 instruments	-11		
53	Reciprocal cross-holdings in T2 instruments			
53a	Qualified participations where a controlling influence is exercised together with other owners (T2 instruments)			
53b	Participations to be consolidated (T2 instruments)			
54	Non-qualified participations (max. 10%) in the financial sector (amount above Threshold 1) (T2 instruments)			
55	Other qualified participations in the financial sector (T2 instruments)			
56	Other deductions			
	ADDITIONAL DEDUCTIONS IN RESPECT OF TRANSITIONAL ARRANGEMENTS (OTHER DEDUCTION OF EQUAL AMOUNTS («50/50 DEDUCTION METHOD») FROM AT1 AND T1, RESPECTIVELY)			
56a	Excess of deductions allocated to AT1			
57	= Total regulatory adjustments to T2	-11		
58	**= Tier 2 capital (net T2)**	**754**		
	of which high-trigger contingent capital			
	of which low-trigger contingent capital	754		
59	**= Regulatory capital (net T1 & T2)**	**12'013**		
	of which high-trigger contingent capital	740		
	of which low-trigger contingent capital	754		
	RISK-WEIGHTED ASSETS IN RESPECT OF AMOUNTS SUBJECT TO TRANSITIONAL ARRANGEMENTS (PHASE IN)			
60	**Total risk-weighted assets**	**64'673**		

30.06.2018 *in CHF million*	Net figures (after transitional arrangements have been taken into account)	Impact of transitional arrangements (phase in / phase out for minority interests)	References
Capital ratios [2]			
61 CET1 ratio (item 29, as a percentage of risk-weighted assets)	16.3%		
62 T1 ratio (item 45, as a percentage of risk-weighted assets)	17.4%		
63 Regulatory capital ratio (item 59, as a percentage of risk-weighted assets)	18.6%		
64 CET1 requirements in accordance with the Basel minimum standards (minimum requirements + capital buffer + countercyclical buffer) plus the capital buffer for systemically important banks) (as a percentage of risk-weighted assets)	7.0%		
65 of which capital buffer in accordance with Basel minimum standards (as a percentage of risk-weighted assets)	1.9%		
66 of which countercyclical buffer in accordance with the Basel minimum standards (as a percentage of risk-weighted assets)	0.6%		
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 to meet minimum and buffer requirements as per the Basel minimum standards, after deduction of the AT1 and T2 requirements met by CET1 (as a percentage of risk-weighted assets)	15.1%		
68a CET1 total requirement target in accordance with Annex 8 of the CAO plus the countercyclical buffer (as a percentage of risk-weighted assets)	-		
68b CET1 available (as a percentage of risk-weighted assets)	-		
68c T1 total requirement in accordance with Annex 8 of the CAO plus the countercyclical buffer (as a percentage of risk-weighted assets)	-		
68d T1 available (as a percentage of risk-weighted assets)	-		
68e Total requirement for regulatory capital as per Annex 8 of the CAO plus the countercyclical buffer (as a percentage of risk-weighted assets)	-		
68f Regulatory capital available (as a percentage of risk-weighted assets)	-		
Amounts below the thresholds for deduction (before risk-weighting)			
72 Non-qualified participation in the financial sector	423		
73 Other qualified participations in the financial sector (CET1)	312		
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			

[1] Profit for the current period is not a component of eligible capital.

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

Table 4 (OV1): Overview of risk-weighted assets

	in CHF million	a RWA 30.06.2018	b RWA 31.12.2017	c Minimum capital requirements 30.06.2018
1	Credit risk (excluding CCR - counterparty credit risk) [1]	42'562	41'454	3'405
2	of which standardised approach (SA) [1]	6'238	5'816	499
3	of which IRB approach	36'325	35'638	2'906
4	Counterparty credit risk	10'248	10'547	820
5	of which standardised approach (SA-CCR)	3'981	3'864	319
5a	of which simplified standard approach (SSA-CCR)			
6	of which internal model method (IMM or EPE model methods)			
	of which other CCR [2]	3'073	3'294	246
	of which credit valuation adjustment (CVA)	3'194	3'390	256
7	Equity positions in banking book under market-based approach	402	371	32
8	Investments in managed collective assets - look-through approach			
9	Investments in managed collective assets - mandate-based approach			
10	Investments in managed collective assets - fall-back approach	107	94	9
10a	Investments in managed collective assets - simplified approach			
11	Settlement risk	1	1	0
12	Securitisation exposures in banking book			
13	of which ratings-based approach (RBA)			
14	of which Supervisory Formula Approach (SFA)			
15	of which SA/simplified supervisory formula approach (SSFA)			
16	Market risk	3'990	3'711	319
17	of which standardised approach	1'735	1'717	139
18	of which internal model method (IMM)	2'255	1'994	180
19	Operational risk	4'353	4'286	348
20	of which basic indicator approach	4'353	4'286	348
21	of which standardised approach			
22	of which Advanced Measurement Approach (AMA)			
23	Amounts below the thresholds for deduction (subject to 250% risk weight)	781	781	62
24	Floor adjustment	2'229	2'576	178
25	**Total**	**64'673**	**63'822**	**5'174**

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

[2] Zürcher Kantonalbank uses the comprehensive approach for credit risk mitigation and the calculation of the credit equivalent for securities financing transactions (SFT).

Overall, there were no significant changes to the risk-weighted assets during the reporting period.

Table 9 (CR1): Credit risk: credit quality of assets

	30.06.2018 in CHF million	a Gross carrying values of defaulted exposures	b Gross carrying values of non-defaulted exposures	c Value adjustments / impairments	d Net values (a + b - c)
1	Loans (excluding debt securities) [1]	553	91'879	179	92'253
2	Debt securities [1]		4'594		4'594
3	Off-balance-sheet exposures	62	12'465		12'527
4	**Total**	**614**	**108'938**	**179**	**109'374**

[1] 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 39'352 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.

Table 10 (CR2): Credit risk: changes in stock of defaulted loans and debt securities

30.06.2018 *in CHF million*		a
1	**Defaulted loans and debt securities [1] at end of the previous reporting period (31.12.2017)**	**561**
2	Loans and debt securities that have defaulted since the last reporting period	71
3	Returned to non-defaulted status	52
4	Amounts written off	1
5	Other changes (+/-) [2]	-26
6	**Defaulted loans and debt securities at end of the reporting period (1 + 2 - 3 - 4 + 5)**	**553**

[1] All exposures are presented gross of allowances/impairments.

[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 stock of defaulted loans and debt securities. The total for defaulted loans and debt securities as at 30 June 2018 was slightly down on the figure recorded on 31 December 2017.

Table 13 (CR3): Credit risk: overview of mitigation techniques [1]

30.06.2018 *in CHF million*		a Exposures unsecured / carrying amount	b Exposures secured by collateral [2]	c Exposures secured by collateral, of which secured amount	d Exposures secured by financial guarantees	e Exposures secured by financial guarantees, of which secured amount	f Exposures secured by credit derivatives	g Exposures secured by credit derivatives, of which secured amount
1	Loans (excluding debt securities)	10'376	81'877	81'510	924	924		
2	Debt securities	3'990	604	604	604	604		
3	**Total**	**14'366**	**82'481**	**82'114**	**1'529**	**1'529**		
4	of which defaulted	135	241	235	2	2		

[1] In order to ensure a consistent point of view without anticipating the IRB segmentation, the standardised approach was used to present the overview of mitigation techniques. We refer to the IRB tables in this report for IRB disclosures.

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

During the reporting period, there were no material changes in the extent to which credit risk mitigation techniques were used.

Table 15 (CR4): Credit risk: exposure and credit risk mitigation (CRM) effects under the standardised approach

30.06.2018 *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	657	19	1'633	9	0	0.0%
2 Banks and securities firms	299	171	274	86	92	25.5%
3 Other public sector entities and multilateral development banks	2'076	2'712	2'013	248	635	28.1%
4 Corporates	3'037	6'332	2'639	1'349	2'777	69.6%
5 Retail	2'048	1'435	1'721	163	1'425	75.7%
6 Equity						
7 Other exposures [1]	39'038	192	39'023	36	1'307	3.3%
8 Total	**47'155**	**10'862**	**47'303**	**1'891**	**6'238**	**12.7%**

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

In comparison with 31 December 2017, on-balance-sheet exposures before CCF and CRM subject to credit risks under the standardised approach fell by CHF 3,056 million. The main change in exposure was recorded in liquid assets (exposure class: Other exposures), which dropped by CHF 3,568 million in comparison with the figure recorded on 31 December 2017. Totalling CHF 682 million, the exposure class Corporates experienced the strongest growth in the reporting period. The off-balance-sheet amounts remained practically unchanged. Due to the lower RWA density of Other exposures (3.3 percent) and the comparably higher RWA density of 69.6 percent applicable for Corporates, the RWA from credit risks under the standardised approach grew by CHF 422 million.

Table 16 (CR5): Credit risk: exposures by exposure category and risk weights under the standardised approach

30.06.2018 *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 and post-CRM)
1 Central governments and central banks	1'642				0		0			1'642
2 Banks and securities firms			321		31			8		360
3 Other public sector entities and multilateral development banks	536		776	16	916		16	0		2'261
4 Corporates			1'259	89	289	8	2'343	1		3'988
5 Retail				652		148	1'078	6		1'883
6 Equity										
7 Other exposures [1]	37'735			27			1'298	0		39'060
8 Total	**39'913**		**2'356**	**784**	**1'236**	**156**	**4'735**	**15**		**49'194**
9 of which, covered by mortgages				784		15	1'018			1'816
10 of which, past-due loans							22	7		29

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

The changes in comparison to 31 December 2017 depicted in Table 15 are also displayed in Table 16. The decline in liquid assets is mainly responsible for the CHF 3,600 million drop in Other exposures with a risk weight of 0 percent. The rise in Corporates exposures can mainly be attributed to the 20 percent (CHF 423 million) and 100 percent (CHF 265 million) risk weights. Otherwise, there are no material changes in Table 16.

Table 18 (CR6): IRB: credit risk exposures by portfolio and PD range

	a	b	c	d	e	f	g	h	i	j	k	l
30.06.2018 *in million CHF* *(unless stated otherwise)*	Original on-balance-sheet gross exposure	Off-balance-sheet exposures pre-CCF	Average CCF in %	EAD post-CRM and post-CCF	Average PD in %	Number of obligors	Average LGD in %	Average maturity in years	RWA	RWA density in %	EL	Provisions
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	1'709	937	64.0%	2'241	0.1%	114	45.0%	1.4	498	22.2%	1	
0.15 to <0.25	889	70	34.5%	761	0.2%	51	45.0%	1.2	284	37.2%	1	
0.25 to <0.50	103	53	32.0%	172	0.3%	52	45.0%	1.0	85	49.3%	0	
0.50 to <0.75	436	136	27.6%	447	0.7%	46	45.0%	1.0	327	73.1%	1	
0.75 to <2.50	489	93	23.8%	471	1.3%	73	45.0%	1.0	432	91.7%	3	
2.50 to <10.00	599	76	22.2%	416	3.1%	69	45.0%	1.0	551	132.4%	6	
10.00 to <100.00	60	57	20.0%	28	15.6%	33	45.0%	0.9	59	210.6%	2	
100.00 (Default)					-		-	-			-	
Sub-total	4'287	1'422	52.2%	4'536	0.7%	438	45.0%	1.2	2'236	49.3%	13	

	a	b	c	d	e	f	g	h	i	j	k	l
30.06.2018 *in million CHF* *(unless stated otherwise)*	Original on-balance-sheet gross exposure	Off-balance-sheet exposures pre-CCF	Average CCF in %	EAD post-CRM and post-CCF	Average PD in %	Number of obligors	Average LGD in %	Average maturity in years	RWA	RWA density in %	EL	Provisions
4 Banks and securities firms (A-IRB) by PD range												
0.00 to <0.15												
0.15 to <0.25												
0.25 to <0.50												
0.50 to <0.75												
0.75 to <2.50												
2.50 to <10.00												
10.00 to <100.00												
100.00 (Default)					-		-	-			-	
Sub-total												
5 Other public sector entities, multilateral development banks (F-IRB) by PD range												
0.00 to <0.15												
0.15 to <0.25												
0.25 to <0.50												
0.50 to <0.75												
0.75 to <2.50												
2.50 to <10.00												
10.00 to <100.00												
100.00 (Default)					-		-	-			-	
Sub-total												
6 Other public sector entities, multilateral development banks (A-IRB) by PD range												
0.00 to <0.15												
0.15 to <0.25												
0.25 to <0.50												
0.50 to <0.75												
0.75 to <2.50												
2.50 to <10.00												
10.00 to <100.00												
100.00 (Default)					-		-	-			-	
Sub-total												

30.06.2018 *in million CHF (unless stated otherwise)*	a	b	c	d	e	f	g	h	i	j	k	l
	Original on-balance-sheet gross exposure	Off-balance-sheet exposures pre-CCF	Average CCF in %	EAD post-CRM and post-CCF	Average PD in %	Number of obligors	Average LGD in %	Average maturity in years	RWA	RWA density in %	EL	Provisions
7 Corporates: specialised lending (F-IRB) by PD range												
0.00 to <0.15	1'243	1'354	75.4%	2'264	0.1%	23	42.2%	2.0	561	24.8%	1	
0.15 to <0.25	2'104	1'749	75.0%	3'415	0.2%	68	41.3%	2.0	1'107	32.4%	2	
0.25 to <0.50	8'184	4'103	74.6%	11'244	0.3%	579	39.2%	2.4	5'633	50.1%	14	
0.50 to <0.75	2'476	498	75.0%	2'848	0.7%	378	39.1%	2.5	2'046	71.8%	7	
0.75 to <2.50	2'232	569	74.9%	2'658	1.2%	511	40.4%	2.6	2'469	92.9%	13	
2.50 to <10.00	159	8	75.0%	165	2.8%	86	41.7%	3.2	219	132.8%	2	
10.00 to <100.00	2			2	10.3%	1	45.0%	1.0	4	189.0%	0	
100.00 (Default)	28	0	75.0%	24	-	7	-	-	25	106.0%	-	
Sub-total	16'428	8'281	74.9%	22'619	0.4%	1'653	39.9%	2.3	12'064	53.3%	40	4
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	612	2'638	74.9%	2'587	0.1%	72	44.9%	1.9	602	23.3%	1	
0.15 to <0.25	884	1'138	72.4%	1'709	0.2%	74	40.1%	2.1	562	32.9%	1	
0.25 to <0.50	1'958	2'552	73.5%	3'834	0.3%	898	39.0%	2.2	1'819	47.4%	5	
0.50 to <0.75	1'105	1'131	68.7%	1'883	0.7%	862	40.6%	2.1	1'246	66.2%	5	
0.75 to <2.50	2'845	1'518	72.2%	3'942	1.3%	2'005	40.2%	2.2	3'324	84.3%	20	
2.50 to <10.00	655	178	70.6%	780	3.4%	1'175	40.0%	2.0	822	105.4%	11	
10.00 to <100.00	25	1	70.3%	26	12.2%	49	37.0%	1.8	38	147.9%	1	
100.00 (Default)	235	123	65.7%	210	-	163	-	-	223	106.0%	-	
Sub-total	8'321	9'281	72.8%	14'972	0.7%	5'298	40.2%	2.1	8'635	57.7%	44	106

30.06.2018 *in million CHF* *(unless stated otherwise)*	a	b	c	d	e	f	g	h	i	j	k	l
	Original on-balance-sheet gross exposure	Off-balance-sheet exposures pre-CCF	Average CCF in %	EAD post-CRM and post-CCF	Average PD in %	Number of obligors	Average LGD in %	Average maturity in years	RWA	RWA density in %	EL	Provisions
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	16'818	591	75.0%	17'261	0.1%	38'220	17.6%	3.0	936	5.4%	2	
0.15 to <0.25	7'866	330	75.0%	8'113	0.2%	12'392	20.4%	3.0	933	11.5%	3	
0.25 to <0.50	18'843	976	75.0%	19'574	0.3%	20'893	22.3%	3.1	4'022	20.5%	15	
0.50 to <0.75	7'712	450	75.0%	8'049	0.7%	6'125	25.3%	3.0	2'846	35.4%	13	
0.75 to <2.50	5'553	404	75.0%	5'856	1.2%	4'897	26.9%	3.0	3'370	57.5%	19	
2.50 to <10.00	838	61	74.8%	884	3.2%	1'089	25.5%	2.9	936	105.9%	7	
10.00 to <100.00	51	6	75.4%	56	15.2%	56	25.7%	2.7	124	222.1%	2	
100.00 (Default)	225	2	74.6%	210	-	209	-	-	223	106.0%	-	
Sub-total	57'906	2'819	75.0%	60'002	0.4%	83'881	21.5%	3.0	13'390	22.3%	61	15
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												

30.06.2018 *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
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)	**86'942**	**21'803**	**72.5%**	**102'130**	**0.5%**	**91'270**	**23.1%**	**2.7**	**36'325**	**35.6%**	**158**	**126**

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.

Table 19 (CR7): IRB: effect on RWA of credit derivatives used as CRM techniques

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

Table 20 (CR8): IRB: RWA flow statements of credit risk exposures

30.06.2018		a
in CHF million		RWA amounts
1	**RWA as at end of previous reporting period (31.12.2017)**	**35'638**
2	Asset size changes	798
3	Asset quality changes	
4	Model updates	-111
5	Methodology and policy changes	
6	Acquisions and disposals (of entities)	
7	Foreign exchange movements	
8	Other	
9	**RWA as at end of current reporting period**	**36'325**

In comparison with 31 December 2017, the RWA of IRB credit risk exposures grew by CHF 798 million due to an increase in assets. As the PD parameters were updated in the Retail exposure category, RWA fell by CHF 111 million in the same period. This resulted in a net RWA growth of CHF 687 million as at 30 June 2018.

Table 22 (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 22.

Equities under the simple risk weight approach					
30.06.2018 *in CHF million (unless stated otherwise)*	On-balance sheet amount	Off-balance sheet amount	Risk weight in %	Exposure amount	RWA
Exchange-traded equity exposures	48		300%	48	152
Private equity exposures	58		400%	58	244
Other equity exposures	2	0	400%	2	7
Total	**107**	**0**		**107**	**402**

In the reporting period, there were no material changes to equity securities under the simple risk weight method.

Table 24 (CCR1): Counterparty credit risk: analysis by approach

		a	b	c	d	e	f
30.06.2018 *in CHF million* *(unless stated otherwise)*		Replacement cost	Potential future exposure	EEPE (effective expected positive exposure)	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	SA-CCR (for derivatives)	1'657	3'756		1.4	7'579	3'948
2	IMM (for derivatives and SFTs)						
3	Simple approach for risk mitigation (for SFTs)						
4	Comprehensive approach for risk mitigation (for SFTs)					6'567	3'025
5	VaR for SFTs						
6	**Total**						**6'973**

In comparison with 31 December 2017, both the replacement costs and the potential future exposures for derivatives grew, resulting in an EAD post-CRM increase for derivatives (CHF 390 million). The average risk weight of counterparties for derivative transactions, however, fell from 53 percent to 52 percent in the reporting period. The CHF 110 million increase in RWA was therefore disproportionate. For the same reason, RWA for SFTs fell by CHF 128 million, despite a slight increase in EAD post-CRM. The average risk weight for SFTs dropped from 48 to 46 percent.

Table 25 (CCR2): Counterparty credit risk: credit valuation adjustment (CVA) capital charge

30.06.2018		a	b
	in CHF million	EAD post-CRM	RWA
	Total portfolios subject to the Advanced CVA capital charge		
1	VaR component (including the 3 × multiplier)		
2	Stressed VaR component (including the 3 × multiplier)		
3	All portfolios subject to the standardised CVA capital charge	7'579	3'194
4	**Total subject to the standardised CVA capital charge**	**7'579**	**3'194**

Despite the CHF 390 million increase in EAD post-CRM for derivatives in comparison to 31 December 2017, RWA were down CHF 196 million in the reporting period. The main reason for this is as follows: In a ruling dated 18 May 2018, FINMA approved the proposal submitted by Zürcher Kantonalbank to use internal ratings in some cases to determine the CVA capital charge. As at 30 June 2018, Zürcher Kantonalbank thus took internal ratings into account for the first time, where such ratings met the IRB requirements and were approved for IRB. This led to a CHF 378 million drop of RWA relevant for calculating the CVA capital charge.

Table 26 (CCR3): Counterparty credit risk: standardised approach to CCR exposures by exposure category and risk weights

30.06.2018										
	in million CHF	a	b	c	d	e	f	g	h	i
	Exposure category / risk weight [1]	0%	10%	20%	50%	75%	100%	150%	Other	Total credit exposure
1	Central governments and central banks	58					203			262
2	Banks and securities firms			1'595	294					1'889
3	Other public sector entities and multilateral development banks	79		72	50		574			775
4	Corporates			113	405		2'411			2'928
5	Retail						505			505
6	Equity									
7	Other exposures						432			432
8 [2]										
9	**Total**	**137**		**1'779**	**749**		**4'125**			**6'791**

[1] According to FINMA-Circ. 16/1, the exposure category central counterparties (CCP) is not part of this table. We refer to table 31 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.

In comparison with 31 December 2017, CCR exposures under the standardised approach fell by CHF 344 million. The exposures as at 30 June 2018 were thus lower in all risk weights. With CHF 226 million, Corporates recorded the largest reduction of all the exposure categories.

Table 27 (CCR4): IRB: CCR exposures by exposure category and PD scale

30.06.2018 *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	4'699	0.1%	99	45.0%	1.6	878	18.7%
0.15 to <0.25	1'183	0.2%	50	45.0%	1.0	406	34.3%
0.25 to <0.50	186	0.3%	58	45.0%	0.9	85	45.7%
0.50 to <0.75	73	0.7%	32	45.0%	1.1	54	74.3%
0.75 to <2.50	49	1.5%	44	45.0%	1.0	48	97.4%
2.50 to <10.00	18	3.0%	21	45.0%	1.0	22	117.8%
10.00 to <100.00	13	11.0%	11	45.0%	1.0	25	192.4%
100.00 (Default)		-		-	-		
Subtotal	6'221	0.1%	315	45.0%	1.5	1'518	24.4%
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							

30.06.2018 *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							
0.15 to <0.25	30	0.2%	4	45.0%	3.4	15	49.3%
0.25 to <0.50	188	0.3%	46	45.0%	4.7	161	85.5%
0.50 to <0.75	21	0.7%	5	45.0%	4.9	24	114.0%
0.75 to <2.50	17	1.2%	8	45.0%	4.8	23	135.0%
2.50 to <10.00							
10.00 to <100.00							
100.00 (Default)		-		-	-		
Subtotal	256	0.4%	63	45.0%	4.5	223	86.9%
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	443	0.1%	31	45.0%	1.8	87	19.6%
0.15 to <0.25	86	0.2%	22	45.0%	3.6	43	50.3%
0.25 to <0.50	188	0.3%	82	45.0%	2.4	106	56.1%
0.50 to <0.75	67	0.7%	29	45.0%	3.5	64	95.7%
0.75 to <2.50	72	1.0%	51	45.0%	1.7	64	88.0%
2.50 to <10.00	1	4.4%	14	45.0%	1.0	2	119.0%
10.00 to <100.00							
100.00 (Default)	0	-	5	-	-	0	106.0%
Subtotal	857	0.3%	234	45.0%	2.2	365	42.5%
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							

30.06.2018	a	b	c	d	e	f	g
in CHF million *(unless stated otherwise)*	EAD post-CRM	Average PD in %	Number of obligors	Average LGD in %	Average maturity in years	RWA	RWA density in %
11 Retail: covered by mortgages by PD range							
0.00 to <0.15	4	0.1%	45	56.3%	1.0	1	16.2%
0.15 to <0.25	1	0.2%	9	55.2%	1.0	0	27.0%
0.25 to <0.50	6	0.3%	21	47.9%	1.5	2	37.8%
0.50 to <0.75	5	0.7%	11	56.2%	2.4	4	78.2%
0.75 to <2.50	5	1.0%	3	56.3%	1.0	6	121.8%
2.50 to <10.00							
10.00 to <100.00							
100.00 (Default)		-		-	-		
Subtotal	21	0.5%	89	53.6%	1.5	13	62.6%
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)	**7'355**	**0.2%**	**701**	**46.1%**	**1.6**	**2'118**	**28.8%**

In contrast to the CCR exposures under the standardised approach, the CCR exposures under the IRB approach increased in the reporting period. The largest increase was recorded in the Banks and securities firms segment, standing at CHF 699 million. With an average risk weight of 24.4 percent, this increase had no significant effect on the total RWA for CCR exposures under the IRB approach, which grew by CHF 69 million in the reporting period. There were otherwise no material changes during the reporting period.

Table 28 (CCR5): Counterparty credit risk: composition of collateral for CCR exposure

30.06.2018 *in CHF million*	a	b	c	d	e	f
	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash – CHF		1'096		1'405	63	5'189
Cash – other currencies		925		1'253	5'411	9'594
Swiss Confederation sovereign debt		23		4	2'671	2'578
Other domestic public authority debt					774	601
Foreign sovereign and public authority debt				83	13'682	12'362
Corporate bonds		99		7	16'693	11'152
Equity securities		253			8'126	5'950
Other collateral						
Total		**2'396**		**2'752**	**47'419**	**47'425**

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 both derivative transactions and SFTs fell by around five percent simultaneously.

Table 29 (CCR6): Counterparty credit risk: credit derivatives exposures

30.06.2018 *in CHF million*	a Protection bought	b Protection sold
Notionals		
Single-name CDSs	87	45
Index-CDSs	203	100
Total return swaps	171	
Credit options		
Other credit derivatives		
Total notionals	**460**	**145**
Fair values		
Positive replacement value (asset)	3	4
Negative replacement value (liability)	6	0

During the reporting period, there were no significant changes in credit derivative exposures. The total notionals for purchased and sold protection fell by some 20 percent at the same time.

Table 30 (CCR7): Counterparty credit risk: RWA flow statements of CCR exposures under the IMM approach (EPE model method)

Zürcher Kantonalbank does not use the IMM approach.

Table 31 (CCR8): Counterparty credit risk: exposures to central counterparties

30.06.2018		a	b
in CHF million		EAD (post-CRM)	RWA
1	Exposures to QCCPs (total)		**81**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions)	1'098	22
3	of which OTC derivatives	583	12
4	of which exchange-traded derivatives	328	7
5	of which SFTs	186	4
6	of which netting sets where cross-product netting has been approved		
7	Segregated initial margin		
8	Non-segregated initial margin	747	15
9	Pre-funded default fund contributions	86	44
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.

The RWA for the pre-funded default fund contributions fell significantly as at 30 June 2018 despite a slight increase in EAD (post-CRM). This can be attributed to SA-CCR now also being applied to the risk weight. In comparison to Zürcher Kantonalbank, which introduced SA-CCR on 31 December 2017, QCCPs converted to SA-CCR from 2018 onwards. As a result, the hypothetical minimum capital requirements for QCCPs are now lower, resulting in a lower risk weight.

Table 33 (SEC1): Securitisation: exposures in the banking book

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

Table 34 (SEC2): Securitisations: exposures in the trading book

30.06.2018 *in CHF million*	a	b	c	e	f	g	i	j	k
	Bank acts as originator			Bank acts as sponsor			Banks acts as investor		
	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total
1 Retail (total)							**34**		**34**
2 of which residential mortgage							7		7
3 of which credit card							1		1
4 of which other retail exposures							26		26
5 of which re-securitisation									
6 Wholesale (total)									

There were no significant changes in the securitisation exposures in trading portfolios during the reporting period.

Table 35 (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.

Table 36 (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.

Table 39 (MR1): Market risk: minimum capital requirements under standardised approach

30.06.2018 *in CHF million*		a RWA
	Outright products	
1	Interest rate risk (general and specific)	1'728
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	7
9	**Total**	**1'735**

There were no material changes in the capital adequacy requirements for market risk under the standardised approach in the reporting period.

Table 40 (MR2): Market risk: RWA flow statements of market risk exposures under an IMA

30.06.2018 *in CHF million*		a VaR	b Stressed VaR	c IRC	d CRM	e Other	f Total RWA
1	**RWA as at end of previous reporting period (31.12.2017)**	**458**	**1'536**				**1'994**
2	Movement in risk levels [1]	101	207				308
3	Model updates/changes	-22	-25				-47
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**	**537**	**1'718**				**2'255**

[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 increase in volatility on the interest rate markets led to a slight increase of the model-based RWA for trading portfolios in comparison with the previous half year. The changes made to the model had no significant impact on the RWA.

Table 41 (MR3): Market risk: IMA values for trading portfolios

30.06.2018		
in CHF million		a
VaR (10 day 99%)		
1	Maximum value	22
2	Average value	13
3	Minimum value	9
4	**Period end**	**13**
Stressed VaR (10 day 99%)		
5	Maximum value	51
6	Average value	39
7	Minimum value	33
8	**Period end**	**51**
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)	

The increase in volatility on the interest rate markets also led to a slight increase in the IMA values for trading portfolios.

Table 42 (MR4): Market risk: comparison of VaR estimates with gains/losses

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

Backtesting results in the second half of 2017 and in the first half of 2018
In the second half of 2017, the value at risk was exceeded twice; however, it was not exceeded once in the first half of 2018. Therefore, the backtesting result corresponds to the statistically expected figure. The two breaches resulted from extraordinarily large market movements in December in the short-term US dollar interest rates on the FX swap market. The backtesting VaR was exceeded by CHF 0.2 million on 13 December 2017, and by CHF 0.3 million on 15 December 2017.

The situation in the last four quarters was as follows:

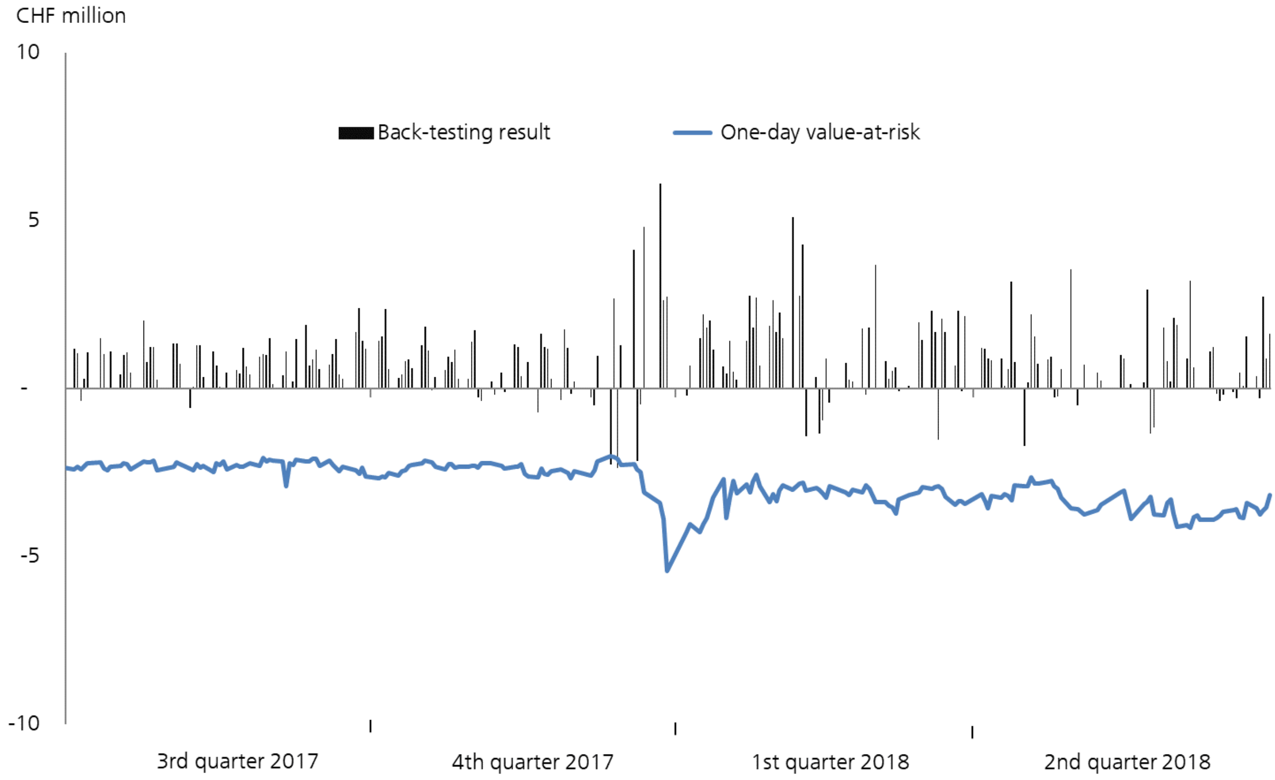

Table 45: Presentation of material features of regulatory capital instruments

30.06.2018		Endowment capital	Tier 1 bond
1	Issuer	Zürcher Kantonalbank	Zürcher Kantonalbank
2	Unique identifier (ISIN)	Swiss law	Swiss law
3	Governing law of the instrument	n/a	CH0361532945
	Regulatory treatment		
4	Under transitional Basel III rules (CET1 / AT1 / T2)	Common equity Tier 1 (CET1)	Additional Tier 1 capital (AT1)
5	Under post-transitional Basel III rules (CET1 / AT1 / T2)	Common equity Tier 1 (CET1)	Additional Tier 1 capital (AT1)
6	Eligible at single-entity, group / single-entity and group levels	Solo and group level	Solo and group level
7	Equity securities / debt securities / hybrid instruments / other instruments	Other instruments	Hybrid instrument (subordinated bond with conditional claim waiver)
8	Amount recognised in regulatory capital (as per most recent capital adequacy report)	CHF 2'425 million	CHF 740 million
9	Par value of instrument	CHF 2'425 million	CHF 750 million
10	Accounting classification	Corporate capital	Bonds
11	Original date of issuance	15.02.1870	30.06.2017
12	Perpetual or dated	Unlimited	Unlimited
13	Original maturity date	n/a	n/a
14	Issuer call (subject to prior approval from supervisory authority)	No	Yes
15	Optional call date / contingent call dates / 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
	Coupons / dividends		
17	Fixed / floating rate / initially fixed and subsequently floating rate / initially floating rate and subsequently fixed	n/a	Fixed with reset on 30.10.2023; thereafter reset every 5 years
18	Coupon rate and any related index	n/a	Fixed at 2.215% 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. No distribution to canton and municipalities if coupon is not paid
20	Coupon payment / dividends: fully discretionary / partially discretionary / mandatory	Profit distribution fully discretionary	Payment of interest 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 or non-convertible	Non-convertible	Non-convertible, write-off
24	If convertible, conversion trigger (including by PONV)	n/a	n/a
25	If convertible, fully in every case / fully or partially / partially in every case	n/a	n/a
26	If convertible, conversion rate	n/a	n/a
27	If convertible, mandatory / 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	n/a	Partial write-down until trigger ratio (7%) is met again, full write-down if FINMA declares a PONV (point of non-viability)
31	Write-down trigger(s)	n/a	Common equity Tier 1 (CET1) capital ratio falls below 7% or FINMA declares PONV (point-of-non-viability)
32	Full / partial	n/a	Partial write-down until trigger ratio (7%) is met again, full write-down if FINMA declares a PONV (point of non-viability)
33	Permanent or temporary	n/a	Permanent
34	If temporary write-down: description of write-up mechanism	n/a	n/a
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Tier 1 bond	Subordinate to all other subordinated liabilities (if any) except pari passu instruments
36	Features that prevent full recognition under Basel III	No	No
37	If yes: description of non-compliant features	n/a	n/a

30.06.2018	CHF Tier 2 bond	EUR Tier 2 bond
1 Issuer	Zürcher Kantonalbank	Zürcher Kantonalbank
2 Unique identifier (ISIN)	Swiss law	Swiss law
3 Governing law of the instrument	CH0267596697	XS1245290181
Regulatory treatment		
4 Under transitional Basel III rules (CET1 / AT1 / T2)	Supplementary capital (Tier 2)	Supplementary capital (Tier 2)
5 Under post-transitional Basel III rules (CET1 / AT1 / T2)	Supplementary capital (Tier 2)	Supplementary capital (Tier 2)
6 Eligible at single-entity, group / single-entity and group levels	Solo and group level	Solo and group level
7 Equity securities / debt securities / hybrid instruments / other instruments	Hybrid instrument (subordinated bond with conditional claim waiver)	Hybrid instrument (subordinated bond with conditional claim waiver)
8 Amount recognised in regulatory capital (as per most recent capital adequacy report)	CHF 177 million	CHF 577 million
9 Par value of instrument	CHF 185 million	EUR 500 million
10 Accounting classification	Bonds	Bonds
11 Original date of issuance	02.03.2015	15.06.2015
12 Perpetual or dated	02.09.2025	15.06.2027
13 Original maturity date	n/a	n/a
14 Issuer call (subject to prior approval from supervisory authority)	Yes	Yes
15 Optional call date / contingent call dates / redemption amount	First possible termination date 02.09.2020. Redemption amount: entire outstanding issue, no partial termination	First possible termination date 15.06.2022. Redemption amount: entire outstanding issue, no partial termination
16 Subsequent call dates, if applicable	Thereafter annually on interest date of 02 Sep	n/a
Coupons / dividends		
17 Fixed / floating rate / initially fixed and subsequently floating rate / initially floating rate and subsequently	Fixed with reset every 5 years	Fixed with reset every 7 years
18 Coupon rate and any related index	Fixed at 1.0% until 02.09.2020; thereafter reset based on 5-year mid-swap (minimum 0.00%) plus 1.00% risk premium	Fixed at 2.625% until 15.06.2022; thereafter reset based on 5-year mid-swap plus 1.85% risk premium
19 Existence of a dividend stopper (non-payment of dividend on the instrument prohibits the payment of dividends on common shares)	No	No
20 Coupon payment / dividends: fully discretionary / partially discretionary / mandatory	Interest payment mandatory, except if write-off has occurred	Interest payment mandatory, except if write-off has occurred
21 Existence of step up or other incentive to redeem	No	No
22 Non-cumulative or cumulative	n/a	n/a
23 Convertible or non-convertible	Non-convertible, write-off	Non-convertible, write-off
24 If convertible, conversion trigger (including by PONV)	n/a	n/a
25 If convertible, fully in every case / fully or partially / partially in every case	n/a	n/a
26 If convertible, conversion rate	n/a	n/a
27 If convertible, mandatory / optional conversion	n/a	n/a
28 If convertible, specify instrument type convertible	n/a	n/a
29 If convertible, specify issuer of instrument it converts into	n/a	n/a
30 Write-down feature	Full write-down if trigger has occurred	Full write-down if trigger has occurred
31 Write-down trigger(s)	Common equity Tier 1 (CET1) capital ratio falls below 5% or FINMA declares PONV (point-of-non-viability)	Common equity Tier 1 (CET1) capital ratio falls below 5% or FINMA declares PONV (point-of-non-viability)
32 Full / partial	Full	Full
33 Permanent or temporary	Permanent	Permanent
34 If temporary write-down: description of write-up mechanism	n/a	n/a
35 Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Has priority over lower-subordinated liabilities such as liabilities from Tier 1 bonds. Pari passu with similarly ranked instruments such as Tier 2 bonds. Subordinated to all other liabilities	Has priority over lower-subordinated liabilities such as liabilities from Tier 1 bonds. Pari passu with similarly ranked instruments such as Tier 2 bonds. Subordinated to all other liabilities
36 Features that prevent full recognition under Basel III	No	No
37 If yes: description of non-compliant features	n/a	n/a

Table 46: Leverage ratio: comparison of accounting assets versus leverage ratio exposure measure

	in CHF million	**30.06.2018**
1	Total assets as per published financial statements	163'690
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)	-346
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)	4'051
5	Adjustment for securities financing transactions (SFTs) (margin nos. 52-73 FINMA Circ. 15/3)	1'910
6	Adjustment for off-balance-sheet items (i.e. conversion to credit equivalent amounts of off-balance-sheet exposures) (margin nos. 74-76 FINMA Circ. 15/3)	8'199
7	Other adjustments	
8	**Leverage ratio exposure (sum of Rows 1-7)**	**177'504**

Table 47: Leverage ratio: detailed presentation

in CHF million	**30.06.2018**
On-balance-sheet exposures	
1 On-balance sheet items (excluding derivatives and SFTs, but including collateral) (margin nos. 14-15 FINMA Circ. 15/3)	147'398
2 Assets that must be deducted in determining the eligible Tier 1 capital (margin nos. 7 and 16-17 FINMA Circ. 15/3)	-346
3 Total on-balance sheet exposures within the leverage ratio framework, excluding derivatives and SFTs	**147'052**
Derivate	
4 Replacement values associated with all derivatives transactions, including those with CCPs, taking into account the margin payments received and netting agreements in accordance with margin nos. 22-23 and 34-35 FINMA Circ. 15/3	1'682
5 Add-on amounts for PFE associated with all derivatives transactions (margin nos. 22 and 25 FINMA Circ. 15/3)	4'110
6 Gross up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework (margin no. 27 FINMA Circ. 15/3)	1'668
7 Deduction of receivables assets for cash variation margin provided in derivatives transactions, in accordance with margin no. 36 FINMA Circ. 15/3	-1'792
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	-141
9 Adjusted effective notional amount of written credit derivatives, after deduction of negative replacement values (margin no. 43 FINMA Circ. 15/3)	145
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)	-92
11 Total derivative exposures	**5'580**
Securities financing transaction exposures (SFT)	
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)	14'763
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)	1'910
15 Agent transaction exposures (margin nos. 70-73 FINMA Circ. 15/3)	
16 Total securities financing transaction exposures (SFT)	**16'673**
Other off-balance-sheet exposures	
17 Off-balance-sheet exposure at gross notional amounts before application of credit conversion factors	32'900
18 Adjustments for conversion to credit equivalent amounts (margin nos. 75-76 FINMA Circ. 15/3)	-24'700
19 Total off-balance-sheet items	**8'199**
Eligible capital and total exposures	
20 Tier 1 capital (margin no. 5 FINMA Circ. 15/3)	11'259
21 Total exposures (sum of Rows 3, 11, 16 and 19)	177'504
Leverage ratio	
22 Leverage ratio (margin nos. 3-4 FINMA Circ. 15/3) in %	**6.3%**

The balance sheet items in line 1 of Table 47 are equal to total assets as reported less amounts due from securities transactions and the positive replacement value of derivative financial instruments.

There has been no material change to the leverage ratio since 31 December 2017.

Table 48: Information about the liquidity coverage ratio

Strategy

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

Refinancing risks are managed via a deliberate diversification in terms of maturities, refinancing instruments used and markets to limit dependence on funding sources. For this purpose, Treasury uses both short- and long-term instruments, which are placed on the domestic and international markets. The diversified refinancing base is reflected in a broad product portfolio, comprising client deposits, bank deposits and money and capital market refinancing.

Organisation and processes

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

The measurement, management and control of short-term liquidity risks are based both on the internal model and on the liquidity coverage ratio (LCR) a regulatory indicator. The internal model is based on a bank-specific stress scenario for on-balance-sheet and off-balance-sheet transactions. In this scenario, substantial outflows of varying intensity in the client and interbank business are assumed, among other things. The result of the liquidity risk measurement is an automatically produced daily report on the availability of liquid assets and securities eligible for repo transactions in financial investments and trading positions, liquidity inflows and outflows under the stress scenario as well the liquidity position left after the stress scenario. The related emergency plan constitutes a significant element of liquidity risk management. It supports the situationally appropriate conduct of the relevant functions in a crisis.

Zürcher Kantonalbank is subject to a minimum requirement of 100 percent for the LCR. The bank uses an internal model to divide wholesale deposits into operational and non-operational categories. Net outflows of funds from the collateralisation of derivatives due to changes in market values are calculated using the look-back method. Besides Swiss francs, which make up by far the largest part of the balance sheet of Zürcher Kantonalbank, the LCR is also monitored and periodically reported in other major currencies.

Risk profile

The quarterly average LCR, which is calculated as a simple average of the end-of-day values of the business days during the quarter under review, was 133 percent and 136 percent respectively in 2018, and was thus significantly higher than the necessary 100 percent. High-quality liquid assets (HQLA) average between CHF 45.3 billion and CHF 47.9 billion. These HQLA can be subdivided into Level 1 assets (cash, central bank deposits, tradeable securities) and Level 2 assets (tradeable securities with less strict criteria). The majority of Level 1 assets are held in the form of central bank deposits. The liquidity risk profile is actively managed, particularly through targeted management of time deposits, money-market instruments and SLB and repo transactions.

in CHF million	Quarterly averages Q1 18 [1]		Quarterly averages Q2 18 [1]	
	Unweighted values	Weighted values	Unweighted values	Weighted values
A. High-quality liquid assets (HQLA)				
1 Total high quality liquid assets (HQLA)		**45'284**		**47'860**
B. Cash outflows				
2 Retail deposits	53'972	5'582	54'658	5'682
3 of which stable deposits	5'956	298	5'960	298
4 of which less stable deposits	48'016	5'284	48'698	5'384
5 Unsecured wholesale funding	39'445	24'689	42'137	25'171
6 of which operational deposits (all counterparties)	3'627	907	3'590	897
7 of which non-operational deposits (all counterparties)	34'900	22'863	38'078	23'805
8 of which unsecured debt	919	919	470	470
9 Secured wholesale funding and collateral swaps		6'843		7'225
10 Other outflows	15'573	6'312	15'931	6'748
11 of which outflows related to derivative exposures and other transactions	7'135	4'117	7'443	4'431
12 of which outflows of funds from mortgage bond loans	136	136	170	170
13 of which, outflows related to committed credit and liquidity facilities	8'302	2'059	8'317	2'146
14 Other contractual funding obligations	1'771	1'728	1'975	1'954
15 Other contingent funding obligations	26'434	336	26'572	336
16 Total cash outflows		**45'490**		**47'116**
C. Cash inflows				
17 Secured financing operations (e.g. reverse repo transactions) and security swaps	8'056	5'308	8'086	5'373
18 Inflows from fully performing exposures	3'210	2'865	3'145	2'801
19 Other cash inflows	3'150	3'150	3'791	3'791
20 Total cash inflows	**14'416**	**11'323**	**15'021**	**11'964**
Adjusted values				
21 Total high-quality liquid assets (HQLA)		**45'284**		**47'860**
22 Total net cash outflows		**34'167**		**35'152**
23 Liquidity coverage ratio in %		**133%**		**136%**

[1] The average is calculated based on the end-of-day values from the business days of the reported quarter: Q1 18: 61 days included, Q2 18: 61 days included.

With effect from 2018, Zürcher Kantonalbank also nets cash outflows (line 11) and cash inflows (line 19) from forex derivatives in the event of currency mismatches, if the applicable requirements have been fulfilled. This has no impact on the total net cash outflows (line 22). The total cash outflows (line 16) and cash inflows (line 20) are thus significantly lower than those recorded on 31 December 2017.

The drop in LCR from 153 percent as at 31 December 2017 to 133 percent as at 31 March 2018 can be attributed to lower HQLA with a higher average net cash outflow. The LCR continues to significantly exceed the minimum requirement of 100 percent. There were no significant changes to the liquidity ratios in the second quarter of 2018.

Table 49: Additional requirements applicable to large banks: minimum disclosure requirements (group and parent company)

30.06.2018

	in CHF million (unless stated otherwise)	Group	Parent company
1	Minimum required capital based on risk-based requirements	5'174	5'148
2	Eligible capital	12'013	11'821
3	of which common equity Tier 1 capital (CET1)	10'519	10'327
4	of which Tier 1 capital (T1)	11'259	11'067
5	Risk-weighted assets (RWA)	64'673	64'347
6	CET1 ratio (common equity T1 as % of RWA) [1]	16.3%	16.0%
7	Tier 1 ratio (T1 capital as % of RWA) [1]	17.4%	17.2%
8	Total capital ratio (as % of RWA) [1]	18.6%	18.4%
9	Countercyclical capital buffer (as % of RWA)	0.6%	0.6%
10	CET1-target ratio (in %) as per Annex 8 of the CAO plus the countercyclical capital buffer [2]	10.6%	10.6%
11	T1-target ratio (in %) as per Annex 8 of the CAO plus the countercyclical capital buffer [2]	13.6%	13.6%
12	Total capital target ratio (in %) as per Annex 8 of the CAO plus the counter-cyclical capital buffer [2]	14.6%	14.6%
13	Basel III Leverage Ratio (Tier 1 capital in % of the leverage ratio exposure measure)	6.3%	6.2%
14	Leverage ratio exposure measure	177'504	177'161
15	Short-term liquidity ratio, LCR (in %) in the reporting quarter [3]	136%	136%
16	LCR numerator: total of high-quality, liquid assets	47'860	47'825
17	LCR denominator: total net cash outflows	35'152	35'284

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

[2] Derived from the FINMA ruling of August 2014, the CET1 target ratio for Zürcher Kantonalbank is 10.0%, the T1 target ratio is 13.0%, the total capital target ratio is 14.0%, plus a countercyclical buffer of 0.6% in each case.

[3] The average is calculated based on the end-of-day values from the business days of the reporting quarter: 61 days included.

Table 50: Disclosure requirements for systemically important banks: risk-based capital requirements based on capital ratios (group and parent company)

Special disclosure obligations for systemically important financial groups and banks

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

The risk-weighted capital requirements for systemically important banks consist of a basic requirement (4.5 percent), the capital buffer (8.5 percent) plus the countercyclical capital buffer (0.6 percent as at 30 June 2018) and a progressive component (1.0 percent). This is calculated as the total of the add-on for domestic market share and the add-on for the size of the financial group; deductions may be made for measures to improve the ability of the financial group to recover or be liquidated. The value of the progressive component is set each year by the Swiss Financial Market Supervisory Authority FINMA.

30.06.2018				**Group**
in CHF million and in % RWA	Transitional rules		Definitive rules (from 2020)	
Basis of assessment	*CHF million*		*CHF million*	
Risk-weighted assets (RWA)	**64'673**		**64'673**	
Risk-based capital requirements (going concern) based on capital ratios	*CHF million*	*in % RWA*	*CHF million*	*in % RWA*
Total [1]	**9'466**	**14.6%**	**9'660**	**14.9%**
of which CET1: minimum	3'492	5.4%	2'910	4.5%
of which CET1: capital buffer	2'626	4.1%	2'626	4.1%
of which CET1: countercyclical capital buffer	412	0.6%	412	0.6%
of which CET1: additional capital pillar 2	349	0.5%	931	1.4%
of which Additional Tier 1: minimum	1'682	2.6%	2'264	3.5%
of which Additional Tier 1: capital buffer	517	0.8%	517	0.8%
of which Additional Tier 1: additional capital pillar 2	388	0.6%		
Eligible capital (going concern) [2]	*CHF million*	*in % RWA*	*CHF million*	*in % RWA*
Core capital	**12'013**	**18.6%**	**11'259**	**17.4%**
of which CET1	9'426	14.6%	8'478	13.1%
of which CET1 to cover additional Tier 1 requirements	1'093	1.7%	2'041	3.2%
of which additional Tier 1 high-trigger CoCos	740	1.1%	740	1.1%
of which additional Tier 1 low-trigger CoCos				
of which Tier 2 high-trigger CoCos				
of which Tier 2 low-trigger CoCos	754	1.2%		
Risk-based requirements for additional loss-absorbing capital (gone concern) based on capital ratios [3]	*CHF million*	*in % RWA*	*CHF million*	*in % RWA*
Total (net)				
Eligible additional loss-absorbing capital (gone concern)	*CHF million*	*in % RWA*	*CHF million*	*in % RWA*
Total				
of which bail-in bonds				
of which CET1 used to meet gone concern requirements				
of which additional Tier 1 used to meet gone concern requirements				

[1] Capital requirements are calculated as a percentage of risk-weighted assets. Derived from the FINMA ruling of August 2014, the CET1 target ratio for Zürcher Kantonalbank is 10.0%, the T1 target ratio is 13.0%, the total capital target ratio is 14.0%, plus a countercyclical buffer of 0.6% in each case.

[2] Pursuant to the transitional provisions on the amendment of the CAO dated 11.05.2016 (Art. 148b CAO) with regard to capital quality for systemically important banks, low-trigger Tier 2 capital can be charged to core capital until the first capital call, at the latest by 31.12.2019.

[3] Currently, there are no gone concern capital requirements for D-SIBs (domestic systemically important banks).

30.06.2018 *in CHF million and in % RWA*	Transitional rules		Definitive rules (from 2020)	**Parent Company [4]**
Basis of assessment	*CHF million*		*CHF million*	
Risk-weighted assets (RWA)	**64'347**		**64'347**	
Risk-based capital requirements (going concern) based on capital ratios	*CHF million*	*in % RWA*	*CHF million*	*in % RWA*
Total [1]	**9'420**	**14.6%**	**9'613**	**14.9%**
of which CET1: minimum	3'475	5.4%	2'896	4.5%
of which CET1: capital buffer	2'613	4.1%	2'613	4.1%
of which CET1: countercyclical capital buffer	412	0.6%	412	0.6%
of which CET1: additional capital pillar 2	347	0.5%	927	1.4%
of which Additional Tier 1: minimum	1'673	2.6%	2'252	3.5%
of which Additional Tier 1: capital buffer	515	0.8%	515	0.8%
of which Additional Tier 1: additional capital pillar 2	386	0.6%		
Eligible capital (going concern) [2]	*CHF million*	*in % RWA*	*CHF million*	*in % RWA*
Core capital	**11'821**	**18.4%**	**11'067**	**17.2%**
of which CET1	9'247	14.4%	8'300	12.9%
of which CET1 to cover additional Tier 1 requirements	1'080	1.7%	2'027	3.1%
of which additional Tier 1 high-trigger CoCos	740	1.2%	740	1.2%
of which additional Tier 1 low-trigger CoCos				
of which Tier 2 high-trigger CoCos				
of which Tier 2 low-trigger CoCos	754	1.2%		
Risk-based requirements for additional loss-absorbing capital (gone concern) based on capital ratios [3]	*CHF million*	*in % RWA*	*CHF million*	*in % RWA*
Total (net)				
Eligible additional loss-absorbing capital (gone concern)	*CHF million*	*in % RWA*	*CHF million*	*in % RWA*
Total				
of which bail-in bonds				
of which CET1 used to meet gone concern requirements				
of which additional Tier 1 used to meet gone concern requirements				

[1] Capital requirements are calculated as a percentage of risk-weighted assets. Derived from the FINMA ruling of August 2014, the CET1 target ratio for Zürcher Kantonalbank is 10.0%, the T1 target ratio is 13.0%, the total capital target ratio is 14.0%, plus a countercyclical buffer of 0.6% in each case.

[2] Pursuant to the transitional provisions on the amendment of the CAO dated 11.05.2016 (Art. 148b CAO) with regard to capital quality for systemically important banks, low-trigger Tier 2 capital can be charged to core capital until the first capital call, at the latest by 31.12.2019.

[3] Currently, there are no gone concern capital requirements for D-SIBs (domestic systemically important banks).

[4] Zürcher Kantonalbank does not claim any relief on the basis of Art. 125 CAO.

Table 51: Disclosure requirements for systemically important banks: unweighted capital requirements based on the leverage ratio (group and parent company)

Under the transitional provisions in Article 148c of the Capital Adequacy Ordinance (CAO), the unweighted regulatory capital adequacy requirement (leverage ratio) rises in stages until 2019. As at 30 June 2018, it stood at 4.0 percent for Zürcher Kantonalbank and it will be 4.5 percent for the year 2019.

30.06.2018				**Group**
in CHF million and in % LRD	Transitional rules		Definitive rules (from 2020)	
Basis of assessment	*CHF million*		*CHF million*	
Leverage ratio exposure measure (leverage ratio denominator, LRD)	**177'504**		**177'504**	
Unweighted capital requirements (going concern) based on the leverage ratio	*CHF million*	*in % LRD*	*CHF million*	*in % LRD*
Total [1]	**7'100**	**4.0%**	**7'988**	**4.5%**
of which CET1: minimum	3'373	1.9%	2'663	1.5%
of which CET1: capital buffer	1'775	1.0%	2'663	1.5%
of which CET1: additional capital pillar 2				
of which Additional Tier 1: minimum	1'953	1.1%	2'663	1.5%
of which Additional Tier 1: additional capital pillar 2				
Eligible capital (going concern) [2]	*CHF million*	*in % LRD*	*CHF million*	*in % LRD*
Core capital	**12'013**	**6.8%**	**11'259**	**6.3%**
of which CET1	9'426	5.3%	8'478	4.8%
of which CET1 to cover additional Tier 1 requirements	1'093	0.6%	2'041	1.1%
of which additional Tier 1 high-trigger CoCos	740	0.4%	740	0.4%
of which additional Tier 1 low-trigger CoCos				
of which Tier 2 high-trigger CoCos				
of which Tier 2 low-trigger CoCos	754	0.4%		
Unweighted requirements for additional loss-absorbing capital (gone concern) based on the leverage ratio [3]	*CHF million*	*in % LRD*	*CHF million*	*in % LRD*
Total (net)				
Eligible additional loss-absorbing capital (gone concern)	*CHF million*	*in % LRD*	*CHF million*	*in % LRD*
Total				
of which bail-in bonds				
of which CET1 used to meet gone concern requirements				
of which additional Tier 1 used to meet gone concern requirements				

[1] Capital requirements are calculated as a percentage of risk-weighted assets. Derived from Art. 148c CAO the unweighted capital adequacy requirement in 2018 is 4.0%.

[2] Pursuant to the transitional provisions on the amendment of the CAO of 11.05.2016 (Art. 148b CAO) with regard to capital quality for systemically important banks, low-trigger Tier 2 capital can be charged to core capital until the first capital call, at the latest by 31.12.2019.

[3] There are currently no gone concern capital requirements for D-SIBs (domestic systemically important banks).

30.06.2018 *in CHF million and in % LRD*	Transitional rules		Parent Company [4] Definitive rules (from 2020)	
Basis of assessment	*CHF million*		*CHF million*	
Leverage ratio exposure measure (leverage ratio denominator, LRD)	**177'161**		**177'161**	
Unweighted capital requirements (going concern) based on the leverage ratio	*CHF million*	*in % LRD*	*CHF million*	*in % LRD*
Total [1]	**7'086**	**4.0%**	**7'972**	**4.5%**
of which CET1: minimum	3'366	1.9%	2'657	1.5%
of which CET1: capital buffer	1'772	1.0%	2'657	1.5%
of which CET1: additional capital pillar 2				
of which Additional Tier 1: minimum	1'949	1.1%	2'657	1.5%
of which Additional Tier 1: additional capital pillar 2				
Eligible capital (going concern) [2]	*CHF million*	*in % LRD*	*CHF million*	*in % LRD*
Core capital	**11'821**	**6.7%**	**11'067**	**6.2%**
of which CET1	9'247	5.2%	8'300	4.7%
of which CET1 to cover additional Tier 1 requirements	1'080	0.6%	2'027	1.1%
of which additional Tier 1 high-trigger CoCos	740	0.4%	740	0.4%
of which additional Tier 1 low-trigger CoCos				
of which Tier 2 high-trigger CoCos				
of which Tier 2 low-trigger CoCos	754	0.4%		
Unweighted requirements for additional loss-absorbing capital (gone concern) based on the leverage ratio [3]	*CHF million*	*in % LRD*	*CHF million*	*in % LRD*
Total (net)				
Eligible additional loss-absorbing capital (gone concern)	*CHF million*	*in % LRD*	*CHF million*	*in % LRD*
Total				
of which bail-in bonds				
of which CET1 used to meet gone concern requirements				
of which additional Tier 1 used to meet gone concern requirements				

[1] Capital requirements are calculated as a percentage of risk-weighted assets. Derived from Art. 148c CAO the unweighted capital adequacy requirement in 2018 is 4.0%.

[2] Pursuant to the transitional provisions on the amendment of the CAO of 11.05.2016 (Art. 148b CAO) with regard to capital quality for systemically important banks, low-trigger Tier 2 capital can be charged to core capital until the first capital call, at the latest by 31.12.2019.

[3] There are currently no gone concern capital requirements for D-SIBs (domestic systemically important banks).

[4] Zürcher Kantonalbank does not claim any relief on the basis of Art. 125 CAO.

Corporate governance

In comparison with 31 December 2017, there were no material changes in the corporate governance. For disclosures on corporate governance, please see the corporate governance section of our Annual Report 2017 as well as the information on corporate governance on our website.