Zürcher Kantonalbank

Capital adequacy and liquidity disclosure requirements

Disclosure as at 30 June 2020

Publication date: 28 August 2020

Contents

1 Key abbreviations in disclosure

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

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

About the figures

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

The following rules apply to the tables:
- 0 (0 or 0.0) Figure that is smaller than half the unit of account used
- \- No data available, not meaningful or not applicable

2 Introduction and material changes

Zürcher Kantonalbank is providing this information as at 30 June 2020 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 31 October 2019.

About the company

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

The group includes as parent company the largest cantonal bank in Switzerland and the fourth-largest Swiss bank. The broadly diversified consolidated group also includes Swisscanto Holding AG with its subsidiaries and their subsidiaries, which are mainly engaged in asset management business. Zürcher Kantonalbank Finance (Guernsey) Ltd., which focuses on issuing structured investment products, Zürcher Kantonalbank Österreich AG, which operates in international private banking, and ZKB Securities (UK) Ltd., which engages in equity brokerage (capital markets business), the representative office Zürcher Kantonalbank Representações Ltda. and ZüriBahn AG are also part of the group.

Calculation approaches for risk-based capital requirements

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

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

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

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

Risk-based capital requirements for systemically important banks

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

The risk-based total going concern requirement consists of a base requirement and additional requirements, calculated on the basis of market share and total exposure. Under Article 129, para. 2 CAO, the base requirement for Zürcher Kantonalbank is 12.86 percent of risk-weighted assets (RWA). There are currently no additional requirements for Zürcher Kantonalbank as a result of market share or total exposure. At its meeting on 27 March 2020 the Federal Council approved the SNB request to suspend the countercyclical buffer (CCB) with immediate effect. The total risk-based going concern requirement as at 30 June 2020 is therefore equivalent to the requirement under the CAO (12.86 percent of RWA) for both the group and the parent company.

Under Article 132, para. 2 CAO, the risk-based gone concern requirement is measured based on the total going concern requirement (excluding the CCB) and varies for systemically important banks with and without international operations. For systemically important banks without international operations, such as Zürcher Kantonalbank, the requirements came into effect on 1 January 2019. Based on the transitional provisions in Article 148j CAO, the gross gone concern requirement in 2020 is 1.28 percent of RWA. This will increase in stages until 2026, when the gross gone concern requirement will be equal to 40 percent of the total going concern requirement for Zürcher Kantonalbank (excluding the CCB). In a letter dated 3 September 2019, FINMA set the risk-based gone concern requirement for contingency planning at Zürcher Kantonalbank at 7.86 percent gross from 2026, including the total stipulated in the CAO based on size and market share (mirroring the going concern requirement). Under the transitional provisions in Art. 148j CAO, this is equivalent to an additional risk-based requirement of 0.68 percent gross as at 30 June 2020. This results in a total risk-based gone concern requirement of 1.96 percent gross as at 30 June 2020. The total risk-based gone concern requirement is being increased gradually to 7.86 percent by 2026, as already mentioned.

Calculation approaches for unweighted capital adequacy requirements (leverage ratio)

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

Zürcher Kantonalbank is not making use of the temporary exemptions in calculating the leverage ratio available until 1 January 2021 under FINMA guidance 02/2020 and 06/2020 "Temporary exemptions for banks due to the COVID-19 crisis". Central bank deposits are therefore included in the total leverage ratio exposure as before.

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

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

The unweighted total going concern requirement consists of a base requirement and additional requirements, calculated on the basis of market share and total exposure. Under Article 129, para. 2 CAO, the base requirement for Zürcher Kantonalbank is 4.5 percent of total exposure. There are currently no additional requirements for Zürcher Kantonalbank as a result of market share or total exposure. The result as at 30 June 2020 for both the group and parent company is a total going concern requirement of 4.5 percent.

Under Article 132, para. 2 CAO, the unweighted gone concern requirement is measured based on the total going concern requirement and varies for systemically important banks with and without international operations. For systemically important banks without international operations, such as Zürcher Kantonalbank, the requirements came into effect on 1 January 2019. Based on the transitional provisions in Article 148j CAO, the gross gone concern requirement in 2020 is 0.42 percent of total exposure. This will increase in stages until 2026, when the gross gone concern requirement will be equal to 40 percent of the total going concern requirement for Zürcher Kantonalbank. In a letter dated 3 September 2019, FINMA increased the unweighted gone concern requirement for contingency planning at Zürcher Kantonalbank from 2026 in the same ratio as for the risk-based gone concern requirements. Under the transitional provisions in Art. 148j CAO, this is equivalent to an additional unweighted requirement of 0.22 percent gross as at 30 June 2020. This results in a total unweighted gone concern requirement of 0.64 percent gross as at 30 June 2020. The total unweighted gone concern requirement is being increased gradually to 2.75 percent gross by 2026.

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

There were no material changes in the calculation of the capital ratios in the quarter under review.

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

As at 30 June 2020, the capital base of Zürcher Kantonalbank comfortably exceeded the regulatory requirements on both a risk-based and unweighted basis. The liquidity situation of Zürcher Kantonalbank also remains comfortable.

Group risk-weighted assets (RWA) as at 30 June 2020 amounted to CHF 69,750 million (31 March 2020: CHF 69,208 million). They were therefore CHF 542 million higher than in the previous quarter. For an explanation of the main reasons that led to the higher RWA, we refer to our comments on Table KM1 on page 10.

Risk-based capital adequacy requirements on a going concern basis as a systemically important bank stood at CHF 8,970 million on 30 June 2020 (31 March 2020: CHF 8,900 million), compared to eligible capital on a going concern basis in the group of CHF 12,230 million (31 March 2020: CHF 12,224 million). This is equivalent to surplus cover of CHF 3,260 million (31 March 2020: CHF 3,324 million). The slight decrease in surplus cover is mainly the result of higher RWA, which had a negative impact on it.

The core capital ratio (going concern) on a group basis as at 30 June 2020 was 17.5 percent (31 March 2020: 17.7 percent). It was thus 4.6 percent (31 March 2020: 4.8 percent) above the 12.9 percent going concern requirement (including the CCB). The slight decline in the core capital ratio (going concern) results from the increase in RWA.

At CHF 1,788 million (2.6 percent of RWA), the eligible additional loss-absorbing capital exceeded the gone concern requirement by CHF 424 million as at 30 June 2020 (as at 31 March 2020 the surplus cover was CHF 601 million). The slightly lower surplus cover is mainly due to the fact that Zürcher Kantonalbank has decided and announced it will call and redeem a Tier 2 bond with a conditional claim waiver for a nominal amount of CHF 185 million on its first possible termination date on 2 September 2020. As a result, this Tier 2 bond is no longer eligible for inclusion in additional loss-absorbing capital (gone concern) as at 30 June 2020.

The total leverage ratio exposure rose by CHF 868 million from 31 March 2020 to CHF 198,218 million. For an explanation of the main reasons that led to the higher total leverage ratio exposure, we refer to our comments on Table KM1 on page 10. The unweighted going concern total requirement remains unchanged at 4.5 percent. Eligible capital on a going concern basis for the leverage ratio is the same as for the risk-based requirements. This results in surplus cover in the leverage ratio on a going concern basis of 1.7 percent as at 30 June 2020 (31 March 2020: 1.7 percent), equivalent to CHF 3,310 million (31 March 2020: CHF 3,343 million).

Eligible capital on a gone concern basis for the leverage ratio is also the same as for the risk-based requirements. At CHF 1,788 million (0.9 percent of total exposure), the eligible additional loss-absorbing capital exceeds the gone concern requirement of CHF 1,272 million as at 30 June 2020.

With the current composition of eligible capital and eligible additional loss-absorbing capital, Zürcher Kantonalbank would meet the final rules from 2026 as follows: There is surplus cover of CHF 2,170 million above the risk-based going concern requirement. The gone concern requirement would be met exactly. On an unweighted basis, the surplus cover amounts to CHF 2,220 million above the going concern requirement and to CHF 30 million above the gone concern requirement.

As a systemically important bank, Zürcher Kantonalbank is subject to stricter liquidity requirements. Zürcher Kantonalbank's ongoing comfortable liquidity situation is also reflected in its liquidity coverage ratio (LCR). The LCR on a group basis is virtually unchanged compared with the previous quarter and averaged 127 percent in the second quarter of 2020 (first quarter of 2020: 121 percent).

3 Publication frequency of the details on capital and liquidity

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

Reference	Table name	QUAL or QC [1]	Disclosure frequency		
			Quarterly	Semiannual	Annual
KM1	Key metrics	QC	X		
KM2	Key metrics - TLAC requirements (at resolution group level)	QC	n/a	n/a	n/a
OVA	Bank risk management approach	QUAL			X
OV1	Overview of RWA	QC		X	
LI1	Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories	QC			X
LI2	Main sources of differences between regulatory exposure amounts and carrying values in consolidated financial statements	QC			X
LIA	Explanations of differences between accounting and regulatory exposure amounts	QUAL			X
PV1	Prudent valuation adjustments (PVA)	QC			X
CC1	Composition of regulatory capital	QC		X	
CC2	Reconciliation of regulatory capital to balance sheet	QC		X	
CCA	Main features of regulatory capital instruments and of other TLAC-eligible instruments	QUAL / QC		X	
TLAC1	TLAC composition for G-SIBs (at resolution group level)	QC	n/a	n/a	n/a
TLAC2	Material subgroup entity - creditor ranking at legal entity level	QC	n/a	n/a	n/a
TLAC3	Resolution entity - creditor ranking at legal entity level	QC	n/a	n/a	n/a
GSIB1	Disclosure of G-SIB indicators	QC	n/a	n/a	n/a
CCyB1	Geographical distribution of credit exposures used in the countercyclical buffer	QC	n/a	n/a	n/a
LR1	Leverage ratio: summary comparison of accounting assets vs leverage ratio exposure measure	QC		X	
LR2	Leverage ratio: leverage ratio common disclosure template	QC		X	
LIQA	Liquidity: liquidity risk management	QUAL / QC			X
LIQ1	Liquidity: Liquidity coverage ratio (LCR)	QC		X	
LIQ2	Liquidity: Net stable funding ratio (NSFR)	QC		X	
CRA	Credit risk: general qualitative information about credit risk	QUAL			X
CR1	Credit risk: credit quality of assets	QC		X	
CR2	Credit risk: changes in stock of defaulted loans and debt securities	QC		X	
CRB	Credit risk: additional disclosure related to the credit quality of assets	QUAL / QC			X
CRC	Credit risk: qualitative disclosure requirements related to credit risk mitigation techniques	QUAL			X
CR3	Credit risk: credit risk mitigation techniques - overview	QC		X	
CRD	Credit risk: qualitative disclosures on banks' use of external credit ratings under the standardised approach for credit risk	QUAL			X
CR4	Credit risk: standardised approach - credit risk exposure and credit risk mitigation (CRM) effects	QC		X	
CR5	Credit risk: standardised approach - exposures by asset classes and risk weights	QC		X	
CRE	IRB: qualitative disclosures related to IRB models	QUAL			X
CR6	IRB: credit risk exposures by portfolio and probability of default (PD) range	QC		X	
CR7	IRB: effect on RWA of credit derivatives used as CRM techniques	QC		X	
CR8	IRB: RWA flow statements of credit risk exposures under IRB	QC		X	
CR9	IRB: back-testing of PD per portfolio	QC			X
CR10	IRB: specialised lending and equities under the simple risk weight method	QC		X	
CCRA	Counterparty credit risk: qualitative disclosure related to counterparty credit risk	QUAL			X
CCR1	Counterparty credit risk: analysis of counterparty credit risk (CCR) exposure by approach	QC		X	
CCR2	Counterparty credit risk: credit valuation adjustment (CVA) capital charge	QC		X	
CCR3	Counterparty credit risk: standardised approach of CCR exposures by regulatory portfolio and risk weights	QC		X	
CCR4	IRB: CCR exposures by portfolio and PD scale	QC		X	
CCR5	Counterparty credit risk: composition of collateral for CCR exposure	QC		X	
CCR6	Counterparty credit risk: credit derivatives exposures	QC		X	
CCR7	Counterparty credit risk: RWA flow statements of CCR exposures under the Internal Model Method (IMM)	QC		X	
CCR8	Counterparty credit risk: exposures to central counterparties	QC		X	

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

Reference	Table name	QUAL or QC [1]	Disclosure frequency: Quarterly	Semiannual	Annual
SECA	Securitisations: qualitative disclosure requirements related to securitisation exposures	QUAL			X
SEC1	Securitisations: exposures in the banking book	QC		X	
SEC2	Securitisations: exposures in the trading book	QC		X	
SEC3	Securitisations: exposures in the banking book and associated regulatory capital requirements – bank acting as originator or as sponsor	QC		X	
SEC4	Securitisations: exposures in the banking book and associated capital requirements – bank acting as investor	QC		X	
MRA	Market risk: general qualitative disclosure requirements related to market risk	QUAL			X
MR1	Market risk: market risk under SA	QC		X	
MRB	Market risk: qualitative disclosures for banks using the Internal Model Approach (IMA)	QUAL			X
MR2	Market risk: RWA flow statements of market risk exposures under IMA	QC		X	
MR3	Market risk: IMA values for trading portfolios	QC		X	
MR4	Market risk: comparison of VaR estimates with gains/losses	QC		X	
IRRBBA	Interest rate risk: interest rate risk in the banking book (IRRBB) risk management objective and policies	QUAL / QC			X
IRRBBA1	Interest rate risk: quantitative information on exposure structure and repricing	QC			X
IRRBB1	Interest rate risk: quantitative information on IRRBB	QC			X
REMA	Remuneration: policy	QUAL	n/a	n/a	n/a
REMA1	Remuneration: remuneration awarded during the financial year	QC	n/a	n/a	n/a
REMA2	Remuneration: special payments	QC	n/a	n/a	n/a
REMA3	Remuneration: deferred remuneration	QC	n/a	n/a	n/a
ORA	Qualitative disclosure requirements related to operational risks	QUAL			X
Annex 3	Disclosure requirements for systemically important banks: risk-based capital requirements based on capital ratios	QC	X		
Annex 3	Disclosure requirements for systemically important banks: unweighted capital requirements based on the leverage ratio	QC	X		

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

4 Overview total risk

4.1 KM1: Key metrics (group)

Group		a	b	c	d	e
in million CHF (unless stated otherwise)		**30.06.2020**	**31.03.2020**	**31.12.2019**	**30.09.2019**	**30.06.2019**
	Eligible capital					
1	Common equity Tier 1 (CET1)	11,480	11,474	11,515	11,019	11,030
1a	Fully loaded ECL (expected credit loss) accounting model CET1 [1]	-	-	-	-	-
2	Tier 1 capital (T1)	12,230	12,224	12,261	11,760	11,776
2a	Fully loaded ECL (expected credit loss) accounting model T1 [1]	-	-	-	-	-
3	Total capital	12,761	12,927	12,986	12,486	12,513
3a	Fully loaded ECL (expected credit loss) accounting model total capital [1]	-	-	-	-	-
	Risk-weighted assets (RWA)					
4	RWA	69,750	69,208	64,983	66,720	64,187
	Minimum required capital					
4a	Minimum required capital	5,580	5,537	5,199	5,338	5,135
	Risk-based capital ratios (in % of RWA) [2]					
5	CET1 ratio	16.5%	16.6%	17.7%	16.5%	17.2%
5a	Fully loaded ECL (expected credit loss) accounting model CET1 ratio [1]	-	-	-	-	-
6	Tier 1 capital ratio	17.5%	17.7%	18.9%	17.6%	18.3%
6a	Fully loaded ECL (expected credit loss) accounting model Tier 1 ratio [1]	-	-	-	-	-
7	Total capital ratio	18.3%	18.7%	20.0%	18.7%	19.5%
7a	Fully loaded ECL (expected credit loss) accounting model total capital ratio [1]	-	-	-	-	-
	CET1 buffer requirements (in % of RWA)					
8	Capital conservation buffer as per the Basel minimum standards (2.5% from 2019)	2.5%	2.5%	2.5%	2.5%	2.5%
9	Countercyclical buffer (Art. 44a CAO) in accordance with the Basel minimum standards	-	-	-	-	-
10	Additional capital buffer due to international or national system relevance	-	-	-	-	-
11	Total of bank CET1 specific buffer requirements	2.5%	2.5%	2.5%	2.5%	2.5%
12	CET1 available after meeting the bank's minimum capital requirements	10.3%	10.7%	12.0%	10.7%	11.5%
	Capital target ratios as per Annex 8 to the CAO (in % of RWA) [3]					
12a	Capital conservation buffer in accordance with Annex 8 to the CAO	-	-	-	-	-
12b	Countercyclical buffers (Art. 44 and Art. 44a CAO)	-	-	-	-	-
	Countercyclical buffer (Art. 44 CAO)	-	-	0.7%	0.7%	0.7%
12c	CET1 target ratio in accordance with Annex 8 to the CAO plus the countercyclical buffers in accordance with Art. 44 and 44a CAO	-	-	-	-	-
12d	T1 target ratio in accordance with Annex 8 to the CAO plus countercyclical buffers in accordance with Art. 44 and 44a CAO	-	-	-	-	-
12e	Total capital target ratio in accordance with Annex 8 to the CAO plus countercyclical buffers in accordance with Art. 44 and 44a CAO	-	-	-	-	-
	Basel III leverage ratio					
13	Total Basel III leverage ratio exposure measure [4]	198,218	197,350	185,628	189,879	187,040
14	Basel III leverage ratio (Tier 1 capital in % of leverage ratio exposure measure)	6.2%	6.2%	6.6%	6.2%	6.3%
14a	Basel III leverage ratio under the fully loaded ECL (expected credit loss) accounting model (Tier 1 capital in % of leverage ratio exposure measure) [1]	-	-	-	-	-
	Liquidity coverage ratio (LCR) [5]					
15	LCR numerator: total high-quality liquid assets (HQLA)	42,487	43,356	43,679	49,119	48,017
16	LCR denominator: total net outflows of funds	33,433	35,895	35,594	38,539	38,430
17	Liquidity coverage ratio (LCR)	127%	121%	123%	127%	125%
	Net stable funding ratio (NSFR) [6]					
18	Available stable refinancing	-	-	-	-	-
19	Required stable refinancing	-	-	-	-	-
20	Net stable funding ratio, (NSFR)	-	-	-	-	-

[1] Banks for which expected loss accounting is not applicable as well as banks that are not using the transitional regulations can ignore the relevant rows above. Zürcher Kantonalbank was not using expected loss accounting on the reporting date, which is why these rows are not applicable.

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

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

[4] Zürcher Kantonalbank is not making use of the temporary exemptions in calculating the leverage ratio available until 01.01.2021 under FINMA guidance 02/2020 and 06/2020 "Temporary exemptions for banks due to the COVID-19 crisis". Central bank deposits are therefore included in the total leverage ratio exposure as before.

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

[6] Rows 18 – 20 must only be disclosed once the NSFR regulation has entered into force.

Neither Common equity Tier 1 (CET1) nor Tier 1 capital (T1) have changed significantly compared to 31 March 2020. The decrease in total capital is mainly due to the fact that Zürcher Kantonalbank has decided and announced it will call and redeem a Tier 2 bond with a conditional claim waiver for a nominal amount of CHF 185 million on its first possible termination date on 2 September 2020. As a result, this Tier 2 bond is no longer eligible for inclusion in Total capital as at 30 June 2020.

RWA rose by CHF 542 million compared with 31 March 2020. Credit risk exposures increased mainly due to higher volumes (RWA CHF + 1,243 million). The main reason for the lower RWA for counterparty credit risk (CHF - 548 million) and for the value adjustment risk on derivatives (CVA) (CHF - 247 million) is the lower volume of derivatives as at 30 June 2020. The continuing high market volatility caused RWA for market risk to increase by a further CHF 131 million.

The combination of slightly higher RWA compared with 31 March 2020 and practically unchanged capital resulted in a decline in the CET1 ratio of 0.1 percentage points and in the Tier 1 capital ratio of 0.2 percentage points. The decline in the total capital ratio is somewhat higher at 0.4 percentage points due to the absence of the Tier 2 bond mentioned above. With unchanged CET1 buffer requirements under the Basel minimum standards, the available CET1 ratio after covering the Basel minimum standard also fell by 0.4 percentage points.

Total leverage ratio exposure rose slightly by CHF 868 million to CHF 198,218 million during the quarter. There was an increase in on-balance sheet items in the leverage ratio (CHF + 1,384 million), off-balance sheet items (CHF + 623 million) and securities financing transaction exposures (CHF + 323 million). The opposite trend in derivative exposures resulted in a decrease in total exposure of CHF 1,464 million. Together with the practically unchanged Tier 1 capital, this resulted in an unchanged leverage ratio of 6.2 percent as at 30 June 2020 (31 March 2020: 6.2 percent).

The LCR on a group basis is virtually unchanged compared with the previous quarter and averaged 127 percent in the second quarter of 2020 (first quarter of 2020: 121 percent).

4.2 KM1: Key metrics (parent company)

The group’s regulatory ratios are largely driven by the figures at the parent company. Hence the comments and explanations for the parent company are essentially identical to those for the group (see above) and will not be repeated for the following Table.

Parent company		a	b	c	d	e
	in million CHF (unless stated otherwise)	**30.06.2020**	**31.03.2020**	**31.12.2019**	**30.09.2019**	**30.06.2019**
	Eligible capital					
1	Common equity Tier 1 (CET1)	11,729	11,731	11,781	11,193	11,212
1a	Fully loaded ECL (expected credit loss) accounting model CET1 [1]	-	-	-	-	-
2	Tier 1 capital (T1)	12,479	12,481	12,526	11,934	11,958
2a	Fully loaded ECL (expected credit loss) accounting model T1 [1]	-	-	-	-	-
3	Total capital	13,011	13,185	13,252	12,660	12,694
3a	Fully loaded ECL (expected credit loss) accounting model total capital [1]	-	-	-	-	-
	Risk-weighted assets (RWA)					
4	RWA	70,520	70,136	65,936	67,532	65,008
	Minimum required capital					
4a	Minimum required capital	5,642	5,611	5,275	5,403	5,201
	Risk-based capital ratios (in % of RWA) [2]					
5	CET1 ratio	16.6%	16.7%	17.9%	16.6%	17.2%
5a	Fully loaded ECL (expected credit loss) accounting model CET1 ratio [1]	-	-	-	-	-
6	Tier 1 capital ratio	17.7%	17.8%	19.0%	17.7%	18.4%
6a	Fully loaded ECL (expected credit loss) accounting model Tier 1 ratio [1]	-	-	-	-	-
7	Total capital ratio	18.4%	18.8%	20.1%	18.7%	19.5%
7a	Fully loaded ECL (expected credit loss) accounting model total capital ratio [1]	-	-	-	-	-
	CET1 buffer requirements (in % of RWA)					
8	Capital conservation buffer as per the Basel minimum standards (2.5% from 2019)	2.5%	2.5%	2.5%	2.5%	2.5%
9	Countercyclical buffer (Art. 44a CAO) in accordance with the Basel minimum standards	-	-	-	-	-
10	Additional capital buffer due to international or national system relevance	-	-	-	-	-
11	Total of bank CET1 specific buffer requirements	2.5%	2.5%	2.5%	2.5%	2.5%
12	CET1 available after meeting the bank's minimum capital requirements	10.4%	10.8%	12.1%	10.7%	11.5%
	Capital target ratios as per Annex 8 to the CAO (in % of RWA) [3]					
12a	Capital conservation buffer in accordance with Annex 8 to the CAO	-	-	-	-	-
12b	Countercyclical buffers (Art. 44 and Art. 44a CAO)	-	-	-	-	-
	Countercyclical buffer (Art. 44 CAO)	-	-	0.7%	0.7%	0.7%
12c	CET1 target ratio in accordance with Annex 8 to the CAO plus the countercyclical buffers in accordance with Art. 44 and 44a CAO	-	-	-	-	-
12d	T1 target ratio in accordance with Annex 8 to the CAO plus countercyclical buffers in accordance with Art. 44 and 44a CAO	-	-	-	-	-
12e	Total capital target ratio in accordance with Annex 8 to the CAO plus countercyclical buffers in accordance with Art. 44 and 44a CAO	-	-	-	-	-
	Basel III leverage ratio					
13	Total Basel III leverage ratio exposure measure [4]	198,344	197,476	185,801	190,094	187,198
14	Basel III leverage ratio (Tier 1 capital in % of leverage ratio exposure measure)	6.3%	6.3%	6.7%	6.3%	6.4%
14a	Basel III leverage ratio under the fully loaded ECL (expected credit loss) accounting model (Tier 1 capital in % of leverage ratio exposure measure) [1]	-	-	-	-	-
	Liquidity coverage ratio (LCR) [5]					
15	LCR numerator: total high-quality liquid assets (HQLA)	42,458	43,329	43,661	49,102	47,996
16	LCR denominator: total net outflows of funds	33,552	36,042	35,732	38,692	38,611
17	Liquidity coverage ratio (LCR)	127%	120%	122%	127%	124%
	Net stable funding ratio (NSFR) [6]					
18	Available stable refinancing	-	-	-	-	-
19	Required stable refinancing	-	-	-	-	-
20	Net stable funding ratio, (NSFR)	-	-	-	-	-

[1] Banks for which expected loss accounting is not applicable as well as banks that are not using the transitional regulations can ignore the relevant rows above. Zürcher Kantonalbank was not using expected loss accounting on the reporting date, which is why these rows are not applicable.

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

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

[4] Zürcher Kantonalbank is not making use of the temporary exemptions in calculating the leverage ratio available until 01.01.2021 under FINMA guidance 02/2020 and 06/2020 "Temporary exemptions for banks due to the COVID-19 crisis". Central bank deposits are therefore included in the total leverage ratio exposure as before.

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

[6] Rows 18 – 20 must only be disclosed once the NSFR regulation has entered into force.

4.3 OV1: Overview of RWA

		a	b	c
		RWA	RWA	Minimum capital requirements
	in CHF million	**30.06.2020**	**31.12.2019**	**30.06.2020**
1	Credit risk (excluding CCR – counterparty credit risk) [1]	48,891	45,642	3,911
2	of which standardised approach (SA) [1]	8,119	6,414	650
3	of which foundation internal ratings-based (F-IRB) approach	25,273	24,227	2,022
4	of which supervisory slotting approach	-	-	-
5	of which advanced internal ratings-based (A-IRB) approach [2]	15,500	15,000	1,240
6	Counterparty credit risk (CCR)	6,847	6,542	548
7	of which standardised approach for counterparty credit risk (SA-CCR)	4,303	3,931	344
7a	of which simplified standard approach (SSA-CCR)	-	-	-
7b	of which current exposure method	-	-	-
8	of which internal model method (IMM)	-	-	-
9	of which other CCR [3]	2,544	2,611	204
10	Credit valuation adjustment (CVA)	3,212	2,843	257
11	Equity positions under the simple risk weight approach	523	532	42
12	Investments in funds – look-through approach	-	-	-
13	Investments in funds – mandate-based approach	-	-	-
14	Investments in funds – fall-back approach	561	656	45
14a	Investments in funds – simplified approach	-	-	-
15	Settlement risk	0	1	0
16	Securitisation exposures in banking book	-	-	-
17	of which securitisation internal ratings-based approach (SEC-IRBA)	-	-	-
18	of which securitisation external ratings-based approach (SEC-ERBA), including internal assessment approach (IAA)	-	-	-
19	of which securitisation standardised approach (SEC-SA)	-	-	-
20	Market risk	4,481	3,614	358
21	of which standardised approach (SA)	1,686	1,543	135
22	of which internal model approaches (IMA)	2,795	2,071	224
23	Capital charge for switch between trading book and banking book	-	-	-
24	Operational risk	4,453	4,372	356
25	Amounts below the thresholds for deduction (subject to 250% risk weight)	781	781	62
26	Floor adjustment	-	-	-
27	**Total**	**69,750**	**64,983**	**5,580**

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

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

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

Total RWA rose by CHF 4,767 million compared with 31 December 2019. RWA at 30 June 2020 for almost all risk categories were higher than at the end of 2019. The largest increase of CHF 3,249 million came from credit risk exposures. The next strongest growth was in RWA for market risk (CHF + 867 million). The only slight decreases were in RWA for investments in funds under the fall-back approach (CHF - 95 million) and RWA for equity positions under the simple risk weight approach (CHF - 9 million). For further information on the reasons for the changes please see the relevant detailed tables.

5 Composition of regulatory capital

5.1 CC1: Presentation of regulatory capital

30.06.2020		a	b
in CHF million		Amounts	References
Common equity (CET1)			
1	Issued and paid-in capital, fully eligible	2,425	J
2	Retained earnings reserves, including reserves for general banking risks / profit (loss) carry forwards and profit (loss) for the period	9,368	
	of which voluntary retained earnings reserve	9,214	
	of which reserves for general banking risks	154	
	of which profit (loss) for the current period [1]	537	
	of which planned dividend	-	
	of which planned retained profit	-	
3	Capital reserves and foreign currency translation reserve (+/-) and other reserves	-9	
4	Issued and paid in capital, subject to phase-out	-	
5	Minority interests, eligible as CET1 capital	-	L
6	Common Equity Tier 1 capital before regulatory adjustments	11,784	
	CET1: regulatory adjustments		
7	Prudential valuation adjustments	-	
8	Goodwill (net of related tax liability)	-91	A, F
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	-13	B, G
10	Deferred tax assets that rely on future profitability	-8	D
11	Cash flow hedge reserve (-/+)	-	
12	IRB shortfall of provisions to expected losses	-192	
13	Securitisation gain on sale	-	
14	Gains or losses due to changes in own credit risk	-	
15	Defined-benefit pension fund net assets (net of related tax liability)	-	
16	Net long position in own CET1 instruments	-	
17	Reciprocal cross-holdings in common equity (CET1 instruments)	-	
17a	Qualified participations where a controlling influence is exercised together with other owners (CET1 instruments)	-	
17b	Immaterial participations (CET1 instruments)	-	
18	Non-qualified participations (max. 10%) in the financial sector (amount above Threshold 1) (CET1 instruments)	-	
19	Other qualified participations in the financial sector (amount above Threshold 2) (CET1 instruments)	-	
20	Mortgage servicing rights (amount above Threshold 2)	-	C, H
21	Other deferred tax assets arising from temporary differences (amount above Threshold 2)	-	E
22	Amount exceeding Threshold 3 (15%)	-	
23	of which other qualified participations	-	
24	of which mortgage servicing rights	-	
25	of which other deferred tax assets arising from temporary differences	-	
26	Expected losses on equity investments treated under the PD / LGD approach	-	
26a	Other adjustments in the case of financial statements prepared in accordance with internationally recognised accounting standards	-	
26b	Other deductions	-	
27	Amount by which the AT1 deductions exceed the AT1 capital	-	
28	Total regulatory adjustments to CET1	-304	
29	**Common Equity Tier 1 capital (net CET1)**	**11,480**	
Additional Tier 1 capital (AT1)			
30	Issued and paid in instruments, fully eligible	750	
31	of which classified as equity under applicable accounting standards	-	K
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	-	M
35	of which subject to phase out	-	
36	Additional Tier 1 capital before regulatory adjustments	750	

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

30.06.2020		a	b
in CHF million		Amounts	References
	Additional Tier 1 capital: regulatory adjustments		
37	Net long position in own AT1 instruments	-	
38	Reciprocal qualified cross-holdings in AT1 instruments	-	
38a	Qualified participations where a controlling influence is exercised together with other owners (AT1 instruments)	-	
38b	Immaterial participations (AT1 instruments)	-	
39	Non-qualified participations (max. 10%) in the financial sector (amount above Threshold 1) (AT1 instruments)	-	
40	Other qualified participations in the financial sector (AT1 instruments)	-	
41	Other deductions	-	
42	Amount by which the T2 deductions exceed the T2 capital	-	
42a	AT1 deductions covered by CET1 capital	-	
43	Total regulatory adjustments to AT1	-	
44	Additional Tier 1 capital (net AT1)	750	
45	**Tier 1 capital (net Tier 1 = net CET1 + net AT1)**	**12,230**	
Tier 2 capital (T2)			
46	Issued and paid in instruments, fully eligible	717	
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	-	
	Reduction in the eligibility due to the amortisation mechanism	-185	
51	Tier 2 capital before regulatory adjustments	532	
	Tier 2 capital: regulatory adjustments		
52	Net long position in own T2 instruments and other TLAC instruments	-1	
53	Reciprocal cross-holdings in T2 instruments and other TLAC instruments	-	
53a	Qualified participations where a controlling influence is exercised together with other owners (T2 instruments and other TLAC instruments)	-	
53b	Immaterial participations (T2 instruments and other TLAC instruments)	-	
54	Non-qualified participations (max. 10%) in the financial sector (amount above Threshold 1) (T2 instruments and other TLAC instruments)	-	
55	Other qualified participations in the financial sector (T2 instruments and other TLAC instruments)	-	
56	Other deductions	-	
56a	T2 deductions covered by AT1 capital	-	
57	Total regulatory adjustments to T2	-1	
58	**Tier 2 capital (net T2)**	**531**	
59	**Regulatory capital (net T1 + net T2)**	**12,761**	
60	**Total risk-weighted assets**	**69,750**	
Capital ratios [2]			
61	CET1 ratio (item 29, as a percentage of risk-weighted assets)	16.5%	
62	T1 ratio (item 45, as a percentage of risk-weighted assets)	17.5%	
63	Regulatory capital ratio (item 59, as a percentage of risk-weighted assets)	18.3%	
64	Institute specific CET1 buffer requirements in accordance with the Basel minimum standards (capital buffer + countercyclical buffer according to Art. 44a CAO + capital buffer for systemically important banks) (as a percentage of risk-weighted assets)	2.5%	
65	of which capital buffer in accordance with Basel minimum standards (as a percentage of risk-weighted assets)	2.5%	
66	of which countercyclical buffer in accordance with the Basel minimum standards (Art. 44a CAO, as a percentage of risk-weighted assets)	-	
67	of which capital buffer for systemically important institutions in accordance with the Basel minimum standards (as a percent-age of risk-weighted assets)	-	
68	CET1 available after meeting the bank's minimum capital requirements (in %)	10.3%	
68a	CET1 total requirement target in accordance with Annex 8 of the CAO plus the countercyclical buffers according to Art. 44 and Art. 44a CAO (as a percentage of risk-weighted assets)	-	
68b	of which countercyclical buffers according to Art. 44 and Art. 44a CAO (as a percentage of risk-weighted assets)	-	
68c	CET1 available (as a percentage of risk-weighted assets)	-	
68d	T1 total requirement in accordance with Annex 8 CAO plus the countercyclical buffers according to Art. 44 and Art. 44a CAO (as a percentage of risk-weighted assets)	-	
68e	T1 available (as a percentage of risk-weighted assets)	-	
68f	Total requirement for regulatory capital as per Annex 8 CAO plus the countercyclical buffers according to Art. 44 and Art. 44a CAO (as a percentage of risk-weighted assets)	-	
68g	Regulatory capital available (as a percentage of risk-weighted assets)	-	

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

30.06.2020		a	b
in CHF million		Amounts	References
Amounts below the thresholds for deduction (before risk-weighting)			
72	Non-qualified participations in the financial sector	754	
73	Other qualified participations in the financial sector (CET1)	315	
74	Mortgage servicing rights	-	
75	Other deferred tax assets	-	
Applicable caps on the inclusion of items in T2			
76	Valuation adjustments eligible in T2 in the context of the SA-BIS approach	-	
77	Cap on inclusion of valuation adjustments in T2 in the context of the SA-BIS approach	-	
78	Valuation adjustments eligible in T2 in the context of the IRB approach	-	
79	Cap on inclusion of valuation adjustments in T2 in the context of the IRB approach	-	
Capital instruments with phase out (1.1.2018 – 1.1.2022) according to Art. 141 CAO			
80	Cap on CET1 instruments with phase out	-	
81	Amount not included in CET1 (above cap)	-	
82	Cap on AT1 instruments with phase out	-	
83	Amount not included in AT1 (above cap)	-	
84	Cap on T2 instruments with phase out	-	
85	Amount not included in T2 (above cap)	-	

The most important change in regulatory capital compared to 31 December 2019 was in Tier 2 capital (net T2), which declined by CHF 194 million. The decrease is mainly due to the fact that Zürcher Kantonalbank has decided and announced it will call and redeem a Tier 2 bond with a conditional claim waiver for a nominal amount of CHF 185 million on its first possible termination date on 2 September 2020. As a result, this Tier 2 bond is no longer eligible for inclusion as at 30 June 2020. The release of reserves for general banking risks in the amount of CHF 46 million is the main reason for the fall in Common Equity Tier 1 capital (CHF - 35 million). Otherwise, there were no material changes in regulatory capital compared with 31 December 2019. Combined with higher RWA (see Table OV1 on page 13 for details), this resulted in a reduction in the capital ratios of between 1.2 percentage points (CET1 ratio) and 1.7 percentage points (regulatory capital ratio).

5.2 CC2: Reconciliation of regulatory capital to balance sheet

Balance sheet	a and b	c
30.06.2020 *in CHF million*	As in financial statements / Under regulatory scope of consolidation [1]	References
Assets		
Liquid assets	34,525	
Amounts due from banks	5,730	
Amounts due from securities financing transactions	22,319	
Amounts due from customers	11,222	
Mortgage loans	85,710	
Trading portfolio assets	11,693	
Positive replacement values of derivative financial instruments	1,881	
Other financial instruments at fair value	-	
Financial investments	5,040	
Accrued income and prepaid expenses	335	
Non-consolidated participations	138	
Tangible fixed assets	642	
Intangible assets	105	
of which goodwill	91	A
of which other intangibles, other than mortgage servicing rights	13	B
of which mortgage servicing rights	-	C
Ohter assets	182	
of which deferred tax assets that rely on future profitability	8	D
of which deferred tax assets arising from temporary differences	-	E
Capital not paid in	-	
Total assets	**179,521**	

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

Balance sheet **30.06.2020** *in CHF million*	a and b As in financial statements / Under regulatory scope of consolidation [1]	c References
Liabilities		
Amounts due to banks	40,305	
Liabilities from securities financing transactions	4,740	
Amounts due in respect of customer deposits	87,757	
Trading portfolio liabilities	1,816	
Negative replacement values of derivative financial instruments	1,006	
Liabilities from other financial instruments at fair value	2,775	
Cash bonds	166	
Bond issues	15,075	
Central mortgage institution loans	10,513	
Accrued expenses and deferred income	575	
Other liabilities	2,252	
Provisions	220	
of which deferred tax liabilities related to goodwill	-	F
of which deferred tax liabilities related to other intangible assets, other than mortgage servicing rights	-	G
of which deferred tax liabilities related to mortgage servicing rights	-	H
of which liabilities in connection with occupational pension plans	-	I
Total liabilities	**167,200**	
of which subordinated liabilities eligible as Tier 2 capital (T2)	750	
of which subordinated liabilities eligible as Additional Tier 1 capital (AT1)	531	
Equity		
Reserves for general banking risks	154	
Bank’s capital	2,425	
of which eligible as CET1	2,425	J
of which eligible as AT1	-	K
Statutory reserves / voluntary reserves / profits (losses) carried forward / profit (loss) for the period	9,742	
of which voluntary retained earnings reserve	9,214	
of which foreign currency translation reserve	-9	
of which profit (loss) for the current period [2]	537	
of which planned dividend	-	
of which planned retained profit	-	
(Own shares)	-	
Minority interests	-	
of which eligible as CET1	-	L
of which eligible as AT1	-	M
Total equity	**12,321**	

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

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

Scope of consolidation group

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

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

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

On 27 February 2020, ZKB Securities (UK) Ltd. was founded, and the scope of consolidation as at 30 June 2020 also includes this company.

Scope of consolidation parent company

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

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

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

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

30.06.2020		Endowment capital	Tier 1 bond
1	Issuer	Zürcher Kantonalbank	Zürcher Kantonalbank
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg ID for private placement)	n/a	CH0361532945
3	Governing law of the instrument	Swiss law	Swiss law
3a	Manner in which the enforceability criterion under section 13 of the TLAC Term Sheet is met (for other eligible TLAC instruments under foreign law)	n/a	n/a
	Regulatory treatment		
4	During the Basel III transitional phase	Common equity Tier 1 (CET1)	Additional Tier 1 (AT1)
5	Under Basel III rules not taking into account transitional treatment	Common equity Tier 1 (CET1)	Additional Tier 1 (AT1)
6	Eligible at single-entity, group / single-entity and group levels	Solo and group level	Solo and group level
7	Instrument type	Other instruments	Hybrid instrument
8	Amount recognised in regulatory capital (in CHF million)	CHF 2,425 million	CHF 750 million
9	Par value of instrument	CHF 2,425 million	CHF 750 million
10	Accounting classification	Bank's capital	Liability - notional
11	Original date of issuance	15.02.1870	30.06.2017
12	Perpetual or dated	Perpetual	Perpetual
13	Original maturity date	n/a	n/a
14	Issuer call option (subject to prior supervisory authority approval)	No	Yes
15	Optional call date / contingent call dates (tax and / or regulatory event) / redemption amount	n/a	First possible termination date 30.10.2023. Redemption amount: entire outstanding issue, no partial termination
16	Subsequent call dates, if applicable	n/a	Thereafter annually on interest date of 30 Oct
	Dividend / coupon		
17	Fixed or floating dividend / coupon	Floating	Fixed
18	Coupon rate and related index, if applicable	n/a	Fixed at 2.125% until 30.10.2023; thereafter reset every 5 years based on 5-year mid-swap (minimum 0.00%) plus 2.125% risk premium
19	Existence of a dividend stopper (non-payment of dividend on the instrument prohibits the payment of dividends on common shares)	n/a	Yes
20	Coupon / Dividend payment fully discretionary, partially discretionary or mandatory	Fully discretionary	Fully discretionary
21	Existence of step up or other incentive to redeem	No	No
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative
23	Convertible / non-convertible	Non-convertible	Non-convertible
24	If convertible: conversion trigger	n/a	n/a
25	If convertible: fully or partially	n/a	n/a
26	If convertible: conversion rate	n/a	n/a
27	If convertible: mandatory or optional conversion	n/a	n/a
28	If convertible: specify instrument type convertible into	n/a	n/a
29	If convertible: specify issuer of instrument it converts into	n/a	n/a
30	Write-down feature	No	Yes
31	If write-down feature: write-down trigger(s)	n/a	Common equity Tier 1 (CET1) capital ratio falls below 7% and / or FINMA declares PONV (point-of-non-viability). Write-down triggered by FINMA on a contractual basis.
32	If write-down feature: fully or partially	n/a	Always partially where a trigger event occurs (CET1 ratio below 7%) that persists until the subsequent trigger test date; always fully where a trigger event occurs (CET1 ratio below 7%) that persists until the subsequent trigger test date, if in the opinion of FINMA a partial write-down would be inadequate or if a point of non-viability (PONV) has been reached.
33	If write-down feature: permanent or temporary	n/a	Permanent
34	If temporary write-down: description of write-up mechanism	n/a	n/a
34a	Type of subordination	Contractual	Contractual
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Tier 1 bond	Tier 2 bonds
36	Features that prevent full recognition under Basel III	No	No
37	If yes: description of non-compliant features	n/a	n/a

30.06.2020		CHF Tier 2 bond [1]	EUR Tier 2 bond
1	Issuer	Zürcher Kantonalbank	Zürcher Kantonalbank
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg ID for private placement)	CH0267596697	XS1245290181
3	Governing law of the instrument	Swiss law	Swiss law
3a	Manner in which the enforceability criterion under section 13 of the TLAC Term Sheet is met (for other eligible TLAC instruments under foreign law)	n/a	n/a
	Regulatory treatment		
4	During the Basel III transitional phase	Tier 2 (T2)	Tier 2 (T2)
5	Under Basel III rules not taking into account transitional treatment	Tier 2 (T2)	Tier 2 (T2)
6	Eligible at single-entity, group / single-entity and group levels	Solo and group level	Solo and group level
7	Instrument type	Hybrid instrument	Hybrid instrument
8	Amount recognised in regulatory capital (in CHF million)	CHF 0 million	CHF 531 million
9	Par value of instrument	CHF 185 million	EUR 500 million
10	Accounting classification	Liability - notional	Liability - notional
11	Original date of issuance	02.03.2015	15.06.2015
12	Perpetual or dated	Dated	Dated
13	Original maturity date	02.09.2025	15.06.2027
14	Issuer call option (subject to prior supervisory authority approval)	Yes	Yes
15	Optional call date / contingent call dates (tax and / or regulatory event) / redemption amount	First possible termination date 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 2 Sep	n/a
	Dividend / coupon		
17	Fixed or floating dividend / coupon	Fixed	Fixed
18	Coupon rate and related index, if applicable	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 / Dividend payment fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative
23	Convertible / non-convertible	Non-convertible	Non-convertible
24	If convertible: conversion trigger	n/a	n/a
25	If convertible: fully or partially	n/a	n/a
26	If convertible: conversion rate	n/a	n/a
27	If convertible: mandatory or optional conversion	n/a	n/a
28	If convertible: specify instrument type convertible into	n/a	n/a
29	If convertible: specify issuer of instrument it converts into	n/a	n/a
30	Write-down feature	Yes	Yes
31	If write-down feature: write-down trigger(s)	Common equity Tier 1 (CET1) capital ratio falls below 5% and / or FINMA declares PONV (point-of-non-viability). Write-down triggered by FINMA on a contractual basis.	Common equity Tier 1 (CET1) capital ratio falls below 5% and / or FINMA declares PONV (point-of-non-viability). Write-down triggered by FINMA on a contractual basis.
32	If write-down feature: fully or partially	Always fully where a trigger event occurs (CET1 ratio below 5%) that persists until the subsequent trigger test date or if a point of non-viability (PONV) has been reached.	Always fully where a trigger event occurs (CET1 ratio below 5%) that persists until the subsequent trigger test date or if a point of non-viability (PONV) has been reached.
33	If write-down feature: permanent or temporary	Permanent	Permanent
34	If temporary write-down: description of write-up mechanism	n/a	n/a
34a	Type of subordination	Contractual	Contractual
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Non-subordinated liabilities	Non-subordinated liabilities
36	Features that prevent full recognition under Basel III	No	No
37	If yes: description of non-compliant features	n/a	n/a

[1] Zürcher Kantonalbank has decided and announced it will call and redeem a Tier 2 bond with a conditional claim waiver for a nominal amount of CHF 185 million on its first possible termination date on 2 September 2020. As a result, this Tier 2 bond is no longer recognised in regulatory capital as at 30 June 2020.

6 Leverage ratio

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

30.06.2020

in CHF million		a
1	Total assets as per published financial statements	179,521
1a	Differences between published financial statements and accounting principles used for the determination of the leverage ratio exposure [1]	-
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation (margin nos. 6 – 7 FINMA Circ. 15/3), as well as adjustment for assets deducted from Tier 1 capital (margin nos. 16 – 17 FINMA Circ. 15/3)	-304
3	Adjustment for fiduciary assets recognised on the balance sheet for accounting purposes, but excluded from the leverage ratio exposure measure (margin no. 15 FINMA Circ. 15/3)	-
4	Adjustment for derivative financial instruments (margin nos. 21 – 51 FINMA Circ. 15/3)	8,512
5	Adjustment for securities financing transactions (SFTs) (margin nos. 52 – 73 FINMA Circ. 15/3)	1,546
6	Adjustment for off-balance-sheet items (i.e. conversion to credit equivalent amounts) (margin nos. 74 – 76 FINMA Circ. 15/3)	8,943
7	Other adjustments [2]	-
8	**Leverage ratio exposure (sum of Rows 1 – 7) [2]**	**198,218**

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

[2] Zürcher Kantonalbank is not making use of the temporary exemptions in calculating the leverage ratio available until 01.01.2021 under FINMA guidance 02/2020 and 06/2020 "Temporary exemptions for banks due to the COVID-19 crisis". Central bank deposits are therefore included in the total leverage ratio exposure as before.

6.2 LR2: Leverage ratio: leverage ratio common disclosure template

	a	b
in CHF million	**30.06.2020**	**31.12.2019**
On-balance-sheet exposures		
1 On-balance sheet items (excluding derivatives and SFTs, but including collateral) (margin nos. 14 – 15 FINMA Circ. 15/3)	155,322	149,980
2 Assets that must be deducted in determining the eligible Tier 1 capital (margin nos. 7 and 16 – 17 FINMA Circ. 15/3)	-304	-316
3 Total on-balance sheet exposures within the leverage ratio framework, excluding derivatives and SFTs (sum of rows 1 and 2)	**155,018**	**149,664**
Derivatives		
4 Replacement values associated with all derivatives transactions, including those with CCPs, taking into account the margin payments received and netting agreements in accordance with margin nos. 22 – 23 and 34 – 35 FINMA Circ. 15/3	3,599	2,965
5 Add-on amounts for PFE associated with all derivatives transactions (margin nos. 22 and 25 FINMA Circ. 15/3)	7,615	7,349
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)	2,955	2,424
7 Deduction of receivables assets for cash variation margin provided in derivatives transactions, in accordance with margin no. 36 FINMA Circ. 15/3	-3,059	-2,603
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	-734	-441
9 Adjusted effective notional amount of written credit derivatives, after deduction of negative replacement values (margin no. 43 FINMA Circ. 15/3)	193	124
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)	-177	-108
11 Total derivative exposures (sum of rows 4 – 10)	**10,392**	**9,711**
Securities financing transaction exposures		
12 Gross SFT assets with no recognition of netting (except in the case of novation with a QCCP as per margin no. 57 FINMA Circ. 15/3) including sale accounting transactions (margin no. 69 FINMA Circ. 15/3), less the items specified in margin no. 58 FINMA Circ. 15/3)	22,319	15,588
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)	1,546	1,945
15 Agent transaction exposures (margin nos. 70 – 73 FINMA Circ. 15/3)	-	-
16 Total securities financing transaction exposures (sum of rows 12 – 15)	**23,864**	**17,533**
Other off-balance-sheet exposures		
17 Off-balance-sheet exposure at gross notional amounts before application of credit conversion factors	37,841	34,852
18 Adjustments for conversion to credit equivalent amounts (margin nos. 75 – 76 FINMA Circ. 15/3)	-28,897	-26,132
19 Total off-balance-sheet items (sum of rows 17 and 18)	**8,943**	**8,721**
Eligible capital and total exposures		
20 Tier 1 capital (margin no. 5 FINMA Circ. 15/3)	12,230	12,261
21 Total exposures (sum of rows 3, 11, 16 and 19) [1]	198,218	185,628
Leverage ratio		
22 Leverage ratio (margin nos. 3 – 4 FINMA Circ. 15/3) in %	**6.2%**	**6.6%**

[1] Zürcher Kantonalbank is not making use of the temporary exemptions in calculating the leverage ratio available until 01.01.2021 under FINMA guidance 02/2020 and 06/2020 "Temporary exemptions for banks due to the COVID-19 crisis". Central bank deposits are therefore included in the total leverage ratio exposure as before.

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

Compared to 31 December 2019, on-balance sheet exposures (excluding derivatives and SFTs) rose by CHF 5,354 million for volume reasons. This increase is mainly due to comparatively higher amounts due from banks and customers and mortgage loans. Securities financing transaction exposures also increased significantly (CHF + 6,331 million). The increase in derivative exposures (CHF + 681 million) and off-balance sheet items (CHF + 222 million) was lower. Overall, this led to a rise in total exposures of CHF 12,590 million to CHF 198,218 million. In combination with the slight fall in Tier 1 capital, this resulted in a leverage ratio 0.4 percentage points lower at 6.2 percent as at 30 June 2020.

7 Liquidity

7.1 LIQ1: Liquidity: Liquidity coverage ratio (LCR)

		Quarterly averages Q1 20 [1]		Quarterly averages Q2 20 [1]	
	in CHF million	Unweighted values	Weighted values	Unweighted values	Weighted values
A. High-quality liquid assets (HQLA)					
1	**Total high quality liquid assets (HQLA)**		**43,356**		**42,487**
B. Cash outflows					
2	Retail deposits	57,637	5,945	58,880	6,054
3	of which stable deposits	5,949	297	5,964	298
4	of which less stable deposits	51,688	5,648	52,916	5,756
5	Unsecured wholesale funding	41,922	27,124	44,612	26,954
6	of which operational deposits (all counterparties) and deposits in networks of cooperative banks	3,541	885	3,865	966
7	of which non-operational deposits (all counterparties)	37,384	25,242	39,881	25,122
8	of which unsecured debt	997	997	867	867
9	Secured wholesale funding and collateral swaps		6,102		5,432
10	Other outflows	21,670	9,786	22,484	10,317
11	of which outflows related to derivative exposures and other transactions	12,727	7,485	13,731	8,126
12	of which outflows related to loss of funding on asset-backed securities, covered bonds and other structured financing instruments, asset-backed commercial papers, conduits, securities investment vehicles and other such financing facilities	167	167	90	90
13	of which, outflows related to committed credit and liquidity facilities	8,777	2,134	8,663	2,101
14	Other contractual funding obligations	1,671	1,641	2,425	2,374
15	Other contingent funding obligations	28,632	300	29,365	283
16	**Total cash outflows**		**50,898**		**51,414**
C. Cash inflows					
17	Secured financing operations (e.g. reverse repo transactions)	8,706	6,214	10,995	8,348
18	Inflows from fully performing exposures	3,934	3,349	3,928	3,399
19	Other cash inflows	5,440	5,440	6,234	6,234
20	**Total cash inflows**	**18,080**	**15,003**	**21,158**	**17,981**
Adjusted values					
21	**Total high-quality liquid assets (HQLA)**		**43,356**		**42,487**
22	**Total net cash outflows**		**35,895**		**33,433**
23	**Liquidity coverage ratio in %**		**121%**		**127%**

[1] The average is calculated based on the end of day values from the business days of the reported quarter: Q1 20: 63 days included, Q2 20: 60 days included.

There were no significant changes to the liquidity ratios in the first and second quarters of 2020.

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

Will be disclosed once the NSFR regulation has entered into force.

8 Credit risk

8.1 CR1: Credit risk: credit quality of assets

30.06.2020 *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]	587	101,101	163	101,524
2	Debt securities [1]	-	4,714	-	4,714
3	Off-balance-sheet exposures	70	12,681	-	12,751
4	**Total**	**657**	**118,496**	**163**	**118,990**

[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 35,905 million are not included in this table.

Disclosure and explanation of internal definition of default

Defaulted loans/receivables

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

Impaired loans/receivables

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

Non-performing loans/receivables

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

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

30.06.2020 *in CHF million*		a
1	**Defaulted loans and debt securities [1] at end of the previous reporting period (31.12.2019)**	**506**
2	Loans and debt securities that have defaulted since the last reporting period	137
3	Returned to non-defaulted status	59
4	Amounts written off	3
5	Other changes (+/-) [2]	6
6	**Defaulted loans and debt securities at end of the reporting period (1 + 2 - 3 - 4 + 5)**	**587**

[1] All exposures are presented gross of value adjustments for default risks.

[2] Mainly volume changes of loans and debt securities, which had the status “defaulted“ at the end of both reporting periods.

During the reporting period, there were no material changes to the portfolios of defaulted loans and debt securities. The total for defaulted loans and debt securities as at 30 June 2020 increased by CHF 81 million compared to the figure recorded on 31 December 2019.

8.3 CR3: Credit risk: credit risk mitigation techniques - overview

In order to ensure a consistent point of view without anticipating the IRB segmentation, the standardised approach was used to present the overview of credit risk mitigation techniques. We refer to the IRB tables in this report on page 26 onwards for IRB disclosures.

		a	b1	b	d	f
30.06.2020 *in CHF million*		Unsecured exposures / carrying amount	Secured exposures / carrying amount [1]	of which secured by collateral [2]	of which secured by financial guarantees [2]	of which secured by credit derivatives [2]
1	Loans (excluding debt securities)	13,902	87,623	85,942	1,366	-
2	Debt securities	4,173	541	-	541	-
3	**Total**	**18,075**	**88,164**	**85,942**	**1,907**	**-**
4	of which defaulted	152	288	281	57	-

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

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

During the reporting period, there were no material changes in the extent to which credit risk mitigation techniques were used. The increase in exposures secured by financial guarantees (CHF 1,366 million) is mainly due to COVID-19 credit facilities.

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

30.06.2020		a	b	c	d	e	f
in CHF million (unless stated otherwise)		Exposures before CCF and CRM		Exposures post-CCF and CRM			
	Exposure class	On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWA	RWA density
1	Central governments and central banks	316	3	1,891	1	0	0.0%
2	Banks and securities firms	729	193	704	91	168	21.1%
3	Other public sector entities and multilateral development banks	1,933	3,253	1,842	252	628	30.0%
4	Corporates	3,557	4,897	3,416	1,255	3,519	75.3%
5	Retail	3,864	2,318	2,817	267	2,497	81.0%
6	Equity	-	-	-	-	-	-
7	Other exposures [1]	35,823	305	35,804	54	1,307	3.6%
8	**Total**	**46,223**	**10,969**	**46,475**	**1,920**	**8,119**	**16.8%**

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

Compared to 31 December 2019, total on-balance-sheet exposures before CCF and CRM subject to credit risks under the standardised approach were scarcely changed (CHF + 301 million). Shifts occurred within segments. Liquid assets (which make up most of other exposures) decreased by CHF 2,262 million. In contrast, balance sheet items in the corporates (CHF + 1,033 million) and retail (CHF + 1,002 million) segments increased. As a zero percent risk weight applies to liquid assets, total RWA rose more sharply from end-2019 (CHF + 1,705 million) despite the only slight increase in on-balance sheet exposures under the standardised approach. Off-balance-sheet exposures before CCF and CRM rose in the first half of 2020, particularly in the retail (CHF + 502 million) and other public sector entities and multilateral development banks (CHF + 455 million) segments.

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

30.06.2020 *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	1,892	-	-	-	0	-	0	-	-	1,892
2	Banks and securities firms	-	-	779	-	12	-	2	3	-	796
3	Other public sector entities and multilateral development banks	407	-	778	16	854	-	39	0	-	2,094
4	Corporates	-	-	982	68	654	7	2,945	14	-	4,671
5	Retail	-	-	-	847	-	224	1,974	39	-	3,084
6	Equity	-	-	-	-	-	-	-	-	-	-
7	Other exposures [1]	34,525	-	-	43	-	-	1,289	2	-	35,858
8	**Total**	**36,823**	**-**	**2,539**	**974**	**1,520**	**231**	**6,249**	**58**	**-**	**48,395**
9	of which, covered by mortgages	-	-	-	974	-	25	1,030	-	-	2,028
10	of which, past-due loans	-	-	-	-	-	-	20	56	-	76

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

The changes in comparison with 31 December 2019 depicted in Table CR4 are also displayed in Table CR5 after CCF and CRM. The fall in liquid assets is mainly responsible for the CHF 2,264 million drop in other exposures. The rise in corporates exposures is mainly evident in the 100 percent risk weight (CHF + 1,131 million). The increase in retail exposures was reduced by applying risk mitigation. After risk mitigation, retail exposures increased by CHF 369 million in the 100 percent risk weight. Otherwise, there were no significant changes in table CR5.

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

30.06.2020 *in million CHF* *(unless stated otherwise)*	a Original on-balance-sheet gross exposure	b Off-balance-sheet exposures pre CCF	c Average CCF in %	d EAD post-CRM and post-CCF	e Average PD in %	f Number of obligors	g Average LGD in %	h Average maturity in years	i RWA	j RWA density in %	k EL	l Provisions
1 Central governments and central banks (F-IRB) by PD range												
0.00 to <0.15	-	-	-	-	-	-	-	-	-	-	-	
0.15 to <0.25	-	-	-	-	-	-	-	-	-	-	-	
0.25 to <0.50	-	-	-	-	-	-	-	-	-	-	-	
0.50 to <0.75	-	-	-	-	-	-	-		-	-	-	
0.75 to <2.50	-	-	-	-	-	-	-	-	-	-	-	
2.50 to <10.00	-	-	-	-	-	-	-	-	-	-	-	
10.00 to <100.00	-	-	-	-	-	-	-	-	-	-	-	
100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	
Sub-total	-	-	-	-	-	-	-	-	-	-	-	-
2 Central governments and central banks (A-IRB) by PD range												
0.00 to <0.15	-	-	-	-	-	-	-	-	-	-	-	
0.15 to <0.25	-	-	-	-	-	-	-	-	-	-	-	
0.25 to <0.50	-	-	-	-	-	-	-	-	-	-	-	
0.50 to <0.75	-	-	-	-	-	-	-	-	-	-	-	
0.75 to <2.50	-	-	-	-	-	-	-	-	-	-	-	
2.50 to <10.00	-	-	-	-	-	-	-	-	-	-	-	
10.00 to <100.00	-	-	-	-	-	-	-	-	-	-	-	
100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	
Sub-total	-	-	-	-	-	-	-	-	-	-	-	-
3 Banks and securities firms (F-IRB) by PD range												
0.00 to <0.15	2,813	1,063	65.7%	3,369	0.1%	102	45.0%	1.2	634	18.8%	1	
0.15 to <0.25	824	270	37.4%	747	0.2%	61	45.0%	1.1	251	33.7%	1	
0.25 to <0.50	75	50	30.9%	103	0.3%	58	45.0%	1.2	51	49.6%	0	
0.50 to <0.75	178	100	27.5%	249	0.7%	40	45.0%	1.0	195	78.3%	1	
0.75 to <2.50	287	129	22.5%	307	1.2%	47	45.0%	0.9	283	92.3%	2	
2.50 to <10.00	643	165	38.7%	523	3.6%	72	45.0%	1.0	713	136.3%	8	
10.00 to <100.00	33	22	20.2%	36	17.5%	37	45.0%	0.9	78	216.9%	3	
100.00 (Default)	15	-	-	1	-	1	-	-	1	106.0%	-	
Sub-total	4,868	1,799	52.6%	5,334	0.6%	418	45.0%	1.1	2,206	41.3%	15	0

	a	b	c	d	e	f	g	h	i	j	k	l
30.06.2020 *in million CHF* *(unless stated otherwise)*	Original on-balance-sheet gross exposure	Off-balance-sheet exposures pre CCF	Average CCF in %	EAD post-CRM and post-CCF	Average PD in %	Number of obligors	Average LGD in %	Average maturity in years	RWA	RWA density in %	EL	Provisions
4 Banks and securities firms (A-IRB) by PD range												
0.00 to <0.15	-	-	-	-	-	-	-	-	-	-	-	
0.15 to <0.25	-	-	-	-	-	-	-	-	-	-	-	
0.25 to <0.50	-	-	-	-	-	-	-	-	-	-	-	
0.50 to <0.75	-	-	-	-	-	-	-	-	-	-	-	
0.75 to <2.50	-	-	-	-	-	-	-	-	-	-	-	
2.50 to <10.00	-	-	-	-	-	-	-	-	-	-	-	
10.00 to <100.00	-	-	-	-	-	-	-	-	-	-	-	
100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	
Sub-total	-	-	-	-	-	-	-	-	-	-	-	-
5 Other public sector entities, multilateral development banks (F-IRB) by PD range												
0.00 to <0.15	-	-	-	-	-	-	-	-	-	-	-	
0.15 to <0.25	-	-	-	-	-	-	-	-	-	-	-	
0.25 to <0.50	-	-	-	-	-	-	-	-	-	-	-	
0.50 to <0.75	-	-	-	-	-	-	-	-	-	-	-	
0.75 to <2.50	-	-	-	-	-	-	-	-	-	-	-	
2.50 to <10.00	-	-	-	-	-	-	-	-	-	-	-	
10.00 to <100.00	-	-	-	-	-	-	-	-	-	-	-	
100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	
Sub-total	-	-	-	-	-	-	-	-	-	-	-	-
6 Other public sector entities, multilateral development banks (A-IRB) by PD range												
0.00 to <0.15	-	-	-	-	-	-	-	-	-	-	-	
0.15 to <0.25	-	-	-	-	-	-	-	-	-	-	-	
0.25 to <0.50	-	-	-	-	-	-	-	-	-	-	-	
0.50 to <0.75	-	-	-	-	-	-	-	-	-	-	-	
0.75 to <2.50	-	-	-	-	-	-	-	-	-	-	-	
2.50 to <10.00	-	-	-	-	-	-	-	-	-	-	-	
10.00 to <100.00	-	-	-	-	-	-	-	-	-	-	-	
100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	
Sub-total	-	-	-	-	-	-	-	-	-	-	-	-
7 Corporates: specialised lending (F-IRB) by PD range												
0.00 to <0.15	833	1,539	75.0%	1,987	0.1%	26	41.9%	1.5	414	20.9%	1	
0.15 to <0.25	2,558	3,079	75.0%	4,868	0.2%	78	42.5%	2.0	1,632	33.5%	3	
0.25 to <0.50	9,240	4,398	74.7%	12,524	0.3%	617	39.3%	2.5	6,192	49.4%	15	
0.50 to <0.75	2,652	564	75.0%	3,073	0.6%	384	38.8%	2.4	2,117	68.9%	8	
0.75 to <2.50	2,158	504	75.0%	2,536	1.2%	549	40.3%	2.5	2,338	92.2%	12	
2.50 to <10.00	205	41	74.7%	235	3.0%	102	42.2%	2.7	305	129.5%	3	
10.00 to <100.00	-	-	-	-	-	-	-	-	-	-	-	
100.00 (Default)	55	1	75.0%	44	-	12	-	-	46	106.0%	-	
Sub-total	17,700	10,126	74.9%	25,267	0.4%	1,768	40.1%	2.3	13,043	51.6%	42	12

30.06.2020 *in million CHF* *(unless stated otherwise)*	a Original on-balance-sheet gross exposure	b Off-balance-sheet exposures pre CCF	c Average CCF in %	d EAD post-CRM and post-CCF	e Average PD in %	f Number of obligors	g Average LGD in %	h Average maturity in years	i RWA	j RWA density in %	k EL	l Provisions
8 Corporates: specialised lending (A-IRB) by PD range												
0.00 to <0.15	-	-	-	-	-	-	-	-	-	-	-	
0.15 to <0.25	-	-	-	-	-	-	-	-	-	-	-	
0.25 to <0.50	-	-	-	-	-	-	-	-	-	-	-	
0.50 to <0.75	-	-	-	-	-	-	-	-	-	-	-	
0.75 to <2.50	-	-	-	-	-	-	-	-	-	-	-	
2.50 to <10.00	-	-	-	-	-	-	-	-	-	-	-	
10.00 to <100.00	-	-	-	-	-	-	-	-	-	-	-	
100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	
Sub-total	-	-	-	-	-	-	-	-	-	-	-	-
9 Corporates: other lending (F-IRB) by PD range												
0.00 to <0.15	483	3,092	74.5%	2,785	0.1%	74	44.8%	1.6	602	21.6%	1	
0.15 to <0.25	887	1,233	73.6%	1,794	0.2%	86	40.9%	1.9	622	34.7%	1	
0.25 to <0.50	2,398	3,093	73.2%	4,633	0.4%	934	40.2%	1.8	2,255	48.7%	7	
0.50 to <0.75	1,309	1,431	72.6%	2,315	0.7%	867	41.2%	1.8	1,574	68.0%	7	
0.75 to <2.50	3,099	1,529	71.2%	4,088	1.5%	1,929	41.0%	2.0	3,668	89.7%	26	
2.50 to <10.00	780	339	71.9%	932	3.8%	1,188	40.0%	2.2	1,044	112.0%	14	
10.00 to <100.00	23	5	74.2%	21	15.2%	64	39.7%	1.9	36	171.6%	1	
100.00 (Default)	222	136	69.0%	210	-	176	-	-	222	106.0%	-	
Sub-total	9,201	10,857	73.2%	16,778	0.8%	5,318	40.9%	1.8	10,024	59.7%	58	80
10 Corporates: other lending (A-IRB) by PD range												
0.00 to <0.15	-	-	-	-	-	-	-	-	-	-	-	
0.15 to <0.25	-	-	-	-	-	-	-	-	-	-	-	
0.25 to <0.50	-	-	-	-	-	-	-	-	-	-	-	
0.50 to <0.75	-	-	-	-	-	-	-	-	-	-	-	
0.75 to <2.50	-	-	-	-	-	-	-	-	-	-	-	
2.50 to <10.00	-	-	-	-	-	-	-	-	-	-	-	
10.00 to <100.00	-	-	-	-	-	-	-	-	-	-	-	
100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	
Sub-total	-	-	-	-	-	-	-	-	-	-	-	-
11 Retail: covered by mortgages by PD range												
0.00 to <0.15	18,265	983	75.0%	19,001	0.1%	38,287	18.6%	2.9	1,104	5.8%	3	
0.15 to <0.25	9,782	538	75.0%	10,185	0.2%	12,269	21.2%	3.0	1,310	12.9%	4	
0.25 to <0.50	17,971	1,117	75.0%	18,808	0.4%	21,070	23.8%	3.1	4,313	22.9%	16	
0.50 to <0.75	8,068	559	75.0%	8,486	0.6%	6,767	26.2%	3.0	3,166	37.3%	14	
0.75 to <2.50	6,348	570	75.0%	6,774	1.2%	5,910	27.8%	3.0	4,178	61.7%	23	
2.50 to <10.00	930	62	75.0%	975	3.6%	1,279	26.4%	2.9	1,111	113.9%	9	
10.00 to <100.00	61	5	75.0%	65	12.8%	58	29.7%	2.6	151	232.4%	3	
100.00 (Default)	169	1	75.0%	158	-	165	-	-	168	106.0%	-	
Sub-total	61,593	3,834	75.0%	64,453	0.4%	85,805	22.6%	3.0	15,500	24.0%	71	12

30.06.2020 *in million CHF* *(unless stated otherwise)*	a Original on-balance-sheet gross exposure	b Off-balance-sheet exposures pre CCF	c Average CCF in %	d EAD post-CRM and post-CCF	e Average PD in %	f Number of obligors	g Average LGD in %	h Average maturity in years	i RWA	j RWA density in %	k EL	l Provisions
12 Retail: qualifying revolving exposures (QRRE) by PD range												
0.00 to <0.15	-	-	-	-	-	-	-	-	-	-	-	
0.15 to <0.25	-	-	-	-	-	-	-	-	-	-	-	
0.25 to <0.50	-	-	-	-	-	-	-	-	-	-	-	
0.50 to <0.75	-	-	-	-	-	-	-	-	-	-	-	
0.75 to <2.50	-	-	-	-	-	-	-	-	-	-	-	
2.50 to <10.00	-	-	-	-	-	-	-	-	-	-	-	
10.00 to <100.00	-	-	-	-	-	-	-	-	-	-	-	
100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	
Sub-total	-	-	-	-	-	-	-	-	-	-	-	-
13 Other retail exposures by PD range												
0.00 to <0.15	-	-	-	-	-	-	-	-	-	-	-	
0.15 to <0.25	-	-	-	-	-	-	-	-	-	-	-	
0.25 to <0.50	-	-	-	-	-	-	-	-	-	-	-	
0.50 to <0.75	-	-	-	-	-	-	-	-	-	-	-	
0.75 to <2.50	-	-	-	-	-	-	-	-	-	-	-	
2.50 to <10.00	-	-	-	-	-	-	-	-	-	-	-	
10.00 to <100.00	-	-	-	-	-	-	-	-	-	-	-	
100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	
Sub-total	-	-	-	-	-	-	-	-	-	-	-	-
14 Equity (PD / LGD approach) by PD range												
0.00 to <0.15	-	-	-	-	-	-	-	-	-	-	-	
0.15 to <0.25	-	-	-	-	-	-	-	-	-	-	-	
0.25 to <0.50	-	-	-	-	-	-	-	-	-	-	-	
0.50 to <0.75	-	-	-	-	-	-	-	-	-	-	-	
0.75 to <2.50	-	-	-	-	-	-	-	-	-	-	-	
2.50 to <10.00	-	-	-	-	-	-	-	-	-	-	-	
10.00 to <100.00	-	-	-	-	-	-	-	-	-	-	-	
100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	
Sub-total	-	-	-	-	-	-	-	-	-	-	-	-
Total (all portfolios)	**93,362**	**26,616**	**72.7%**	**111,832**	**0.5%**	**93,309**	**24.1%**	**2.6**	**40,772**	**36.5%**	**186**	**104**

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

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

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

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

30.06.2020		a
in CHF million		RWA amounts
1	**RWA as at end of previous reporting period (31.12.2019)**	**39,227**
2	Asset size changes	1,650
3	Asset quality changes	-45
4	Model updates	-
5	Methodology and policy changes	-
6	Acquisions and disposals (of entities)	-
7	Foreign exchange movements	-60
8	Other	-
9	**RWA as at end of current reporting period**	**40,772**

Compared with 31 December 2019, the RWA of credit risk exposures under the IRB approach rose due to an increased volume of assets (CHF 1,650 million). The changes in asset credit quality and exchange rates in the first half of 2020 were minor. Overall, this resulted in net RWA growth of CHF 1,545 million as at 30 June 2020.

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

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

Equities under the simple risk weight approach					
30.06.2020 *in CHF million (unless stated otherwise)*	On-balance-sheet amount	Off-balance-sheet amount	Risk weight in %	Exposure amount	RWA
Exchange-traded equity exposures	7	-	300%	7	23
Private equity exposures	117	-	400%	117	494
Other equity exposures	2	0	400%	2	6
Total	**125**	**0**		**125**	**523**

There were no material changes in equities under the simple risk weight method compared to 31 December 2019.

9 Counterparty credit risk

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

		a	b	c	d	e	f
30.06.2020 *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)	1,886	4,010		1.4	8,255	4,237
2	IMM (for derivatives and SFTs)			-	-	-	-
3	Simple approach for risk mitigation (for SFTs)					-	-
4	Comprehensive approach for risk mitigation (for SFTs)					4,977	2,504
5	VaR for SFTs					-	-
6	**Total**						**6,741**

Both, replacement cost and potential future exposure for derivatives rose compared to 31 December 2019, largely due to higher derivatives volumes. As a result, EAD post-CRM for derivatives was around CHF 428 million higher. With an average risk weight of counterparties for derivative transactions of around 51 percent as at 30 June 2020, this resulted in RWA of CHF 4,237 million (CHF + 352 million compared to 31 December 2019). EAD post-CRM for SFTs fell by CHF 1,249 million. Due to the increase in the average risk weight for SFTs (from 42 percent to 50 percent), RWA as at 30 June 2020 were only CHF 81 million lower.

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

30.06.2020		a	b
in CHF million		EAD post-CRM	RWA
	Total portfolios subject to the Advanced CVA capital charge	-	-
1	VaR component (including the 3 × multiplier)		-
2	Stressed VaR component (including the 3 × multiplier)		-
3	All portfolios subject to the standardised CVA capital charge	8,255	3,212
4	**Total subject to the standardised CVA capital charge**	**8,255**	**3,212**

The changes shown in Table CCR1 are also displayed in Table CCR2. For the CVA, the CHF 428 million increase in EAD post-CRM for derivatives resulted in a rise of CHF 369 million in RWA to CHF 3,212 million.

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

30.06.2020										
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	102	-	-	-	-	405	-	-	507
2	Banks and securities firms	-	-	1,374	138	-	-	-	-	1,512
3	Other public sector entities and multilateral development banks	233	-	244	90	-	596	-	-	1,164
4	Corporates	-	-	123	516	-	2,093	-	-	2,731
5	Retail	-	-	-	-	-	264	-	-	264
6	Equity	-	-	-	-	-	-	-	-	-
7	Other exposures	-	-	-	-	-	480	-	-	480
8 [2]		-	-	-	-	-	-	-	-	-
9	**Total**	**335**	**-**	**1,741**	**744**	**-**	**3,837**	**-**	**-**	**6,657**

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

[2] Currently, Zürcher Kantonalbank does not have credit exposures that would be disclosed in row 8 of this table.

In comparison with 31 December 2019, total CCR exposures under the standardised approach were almost unchanged (CHF + 73 million).

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

30.06.2020	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 %
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	3,978	0.1%	98	45.0%	1.1	810	20.4%
0.15 to <0.25	848	0.2%	56	45.0%	0.9	274	32.4%
0.25 to <0.50	307	0.3%	57	45.0%	1.3	158	51.6%
0.50 to <0.75	182	0.7%	40	45.0%	1.1	140	76.7%
0.75 to <2.50	36	1.1%	30	45.0%	1.1	32	87.8%
2.50 to <10.00	35	5.8%	37	45.0%	1.0	54	153.1%
10.00 to <100.00	6	10.8%	13	45.0%	1.0	11	190.6%
100.00 (Default)	-	-	-	-	-	-	-
Subtotal	5,392	0.2%	331	45.0%	1.1	1,479	27.4%
4 Banks and securities firms (A-IRB) by PD range							
0.00 to <0.15	-	-	-	-	-	-	-
0.15 to <0.25	-	-	-	-	-	-	-
0.25 to <0.50	-	-	-	-	-	-	-
0.50 to <0.75	-	-	-	-	-	-	-
0.75 to <2.50	-	-	-	-	-	-	-
2.50 to <10.00	-	-	-	-	-	-	-
10.00 to <100.00	-	-	-	-	-	-	-
100.00 (Default)	-	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-	-
5 Other public sector entities, multilateral development banks (F-IRB) by PD range							
0.00 to <0.15	-	-	-	-	-	-	-
0.15 to <0.25	-	-	-	-	-	-	-
0.25 to <0.50	-	-	-	-	-	-	-
0.50 to <0.75	-	-	-	-	-	-	-
0.75 to <2.50	-	-	-	-	-	-	-
2.50 to <10.00	-	-	-	-	-	-	-
10.00 to <100.00	-	-	-	-	-	-	-
100.00 (Default)	-	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-	-

30.06.2020	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 %
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	12	0.1%	3	45.0%	1.0	2	15.1%
0.15 to <0.25	29	0.2%	6	45.0%	3.0	13	45.2%
0.25 to <0.50	293	0.3%	37	45.0%	4.9	241	82.2%
0.50 to <0.75	48	0.6%	10	45.0%	4.6	53	109.7%
0.75 to <2.50	13	1.0%	3	45.0%	4.9	17	131.3%
2.50 to <10.00	-	-	-	-	-	-	-
10.00 to <100.00	-	-	-	-	-	-	-
100.00 (Default)	-	-	-	-	-	-	-
Subtotal	395	0.3%	59	45.0%	4.6	326	82.4%
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)	-	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-	-
9 Corporates: other lending (F-IRB) by PD range							
0.00 to <0.15	397	0.1%	29	45.0%	3.5	121	30.4%
0.15 to <0.25	131	0.2%	20	45.0%	3.5	69	52.4%
0.25 to <0.50	156	0.4%	78	45.0%	2.6	97	62.2%
0.50 to <0.75	56	0.7%	32	45.0%	2.1	45	81.7%
0.75 to <2.50	35	1.4%	48	45.0%	2.7	38	110.2%
2.50 to <10.00	1	4.2%	15	45.0%	1.5	1	116.9%
10.00 to <100.00	0	11.8%	1	45.0%	1.0	0	152.2%
100.00 (Default)	0	-	2	-	-	0	106.0%
Subtotal	775	0.3%	225	45.0%	3.2	372	47.9%
10 Corporates: other lending (A-IRB) by PD range							
0.00 to <0.15	-	-	-	-	-	-	-
0.15 to <0.25	-	-	-	-	-	-	-
0.25 to <0.50	-	-	-	-	-	-	-
0.50 to <0.75	-	-	-	-	-	-	-
0.75 to <2.50	-	-	-	-	-	-	-
2.50 to <10.00	-	-	-	-	-	-	-
10.00 to <100.00	-	-	-	-	-	-	-
100.00 (Default)	-	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-	-
11 Retail: covered by mortgages by PD range							
0.00 to <0.15	6	0.1%	37	48.3%	1.0	1	18.7%
0.15 to <0.25	1	0.2%	4	42.3%	4.7	0	28.3%
0.25 to <0.50	2	0.4%	20	56.2%	1.1	1	57.3%
0.50 to <0.75	3	0.7%	5	56.3%	3.8	3	84.0%
0.75 to <2.50	1	1.2%	5	56.3%	1.0	2	125.6%
2.50 to <10.00	-	-	-	-	-	-	-
10.00 to <100.00	-	-	-	-	-	-	-
100.00 (Default)	-	-	-	-	-	-	-
Subtotal	13	0.4%	71	51.7%	1.9	7	52.2%

30.06.2020	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 %
12 Retail: qualifying revolving exposures (QRRE) by PD range							
0.00 to <0.15	-	-	-	-	-	-	-
0.15 to <0.25	-	-	-	-	-	-	-
0.25 to <0.50	-	-	-	-	-	-	-
0.50 to <0.75	-	-	-	-	-	-	-
0.75 to <2.50	-	-	-	-	-	-	-
2.50 to <10.00	-	-	-	-	-	-	-
10.00 to <100.00	-	-	-	-	-	-	-
100.00 (Default)	-	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-	-
13 Other retail exposures by PD range							
0.00 to <0.15	-	-	-	-	-	-	-
0.15 to <0.25	-	-	-	-	-	-	-
0.25 to <0.50	-	-	-	-	-	-	-
0.50 to <0.75	-	-	-	-	-	-	-
0.75 to <2.50	-	-	-	-	-	-	-
2.50 to <10.00	-	-	-	-	-	-	-
10.00 to <100.00	-	-	-	-	-	-	-
100.00 (Default)	-	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-	-
14 Equity (PD/LGD approach) by PD range							
0.00 to <0.15	-	-	-	-	-	-	-
0.15 to <0.25	-	-	-	-	-	-	-
0.25 to <0.50	-	-	-	-	-	-	-
0.50 to <0.75	-	-	-	-	-	-	-
0.75 to <2.50	-	-	-	-	-	-	-
2.50 to <10.00	-	-	-	-	-	-	-
10.00 to <100.00	-	-	-	-	-	-	-
100.00 (Default)	-	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-	-
Total all portfolios	**6,575**	**0.2%**	**686**	**45.7%**	**1.5**	**2,183**	**33.2%**

Counterparty credit risk positions under the IRB approach decreased by CHF 894 million in the reporting period. The decrease was driven by lower EAD post-CRM with banks and securities firms, amounting to CHF 856 million. The lower EAD volume compared to 31 December 2019 is also the reason for the decrease in RWA by CHF 85 million to CHF 2,183 million.

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

	a	b	c	d	e	f
	Collateral used in derivative transactions				Collateral used in SFTs	
30.06.2020	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
in CHF million	Segregated	Unsegregated	Segregated	Unsegregated		
Cash – CHF	-	1,447	-	2,309	171	12,143
Cash – other currencies	-	1,569	-	1,775	4,611	9,940
Swiss Confederation sovereign debt	-	112	-	390	2,714	2,405
Other domestic public authority debt	-	192	-	-	487	300
Foreign sovereign and public authority debt	-	16	-	372	11,601	9,726
Corporate bonds	-	979	-	62	22,849	11,752
Equity securities	-	880	-	-	7,890	3,909
Other collateral	-	-	-	-	-	-
Total	**-**	**5,195**	**-**	**4,907**	**50,323**	**50,175**

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 derivative transactions rose. The ratios of collateral received to collateral posted for derivative transactions essentially moved in parallel. The same applies to the collateral received and posted for SFTs, which is slightly lower than on the previous reporting date.

9.6 CCR6: Counterparty credit risk: credit derivatives exposures

30.06.2020	a	b
in CHF million	Protection bought	Protection sold
Notionals		
Single-name CDSs	193	15
Index-CDSs	225	178
Total return swaps	102	-
Credit options	-	-
Other credit derivatives	-	-
Total notionals	**520**	**193**
Fair values		
Positive replacement value (asset)	3	3
Negative replacement value (liability)	6	1

During the reporting period, there were no significant changes in credit derivative exposures. The volume (notional amounts) of index-CDSs increased the most compared to 31 December 2019, for protection both bought and sold.

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

Zürcher Kantonalbank does not use the IMM approach.

9.8 CCR8: Counterparty credit risk: exposures to central counterparties

	30.06.2020	a	b
	in CHF million	EAD (post-CRM)	RWA
1	**Exposures to QCCPs (total)**		**107**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions)	1,960	39
3	of which OTC derivatives	997	20
4	of which exchange-traded derivatives	781	16
5	of which SFTs	182	4
6	of which netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	-	
8	Non-segregated initial margin	1,530	31
9	Pre-funded default fund contributions	87	37
10	Unfunded default fund contributions	-	-
11	**Exposures to non-QCCPs (total)**		**-**
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions)	-	-
13	of which OTC derivatives	-	-
14	of which exchange-traded derivatives	-	-
15	of which SFTs	-	-
16	of which netting sets where cross-product netting has been approved	-	-
17	Segregated initial margin	-	
18	Non-segregated initial margin	-	-
19	Pre-funded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

With the exception of the pre-funded default fund contributions, the risk weight for EAD (post-CRM) with CCPs remains unchanged at 2 percent. Therefore, the change in RWA is linear to the change in the exposures to QCCPs. There continues to be no exposure to non-QCCPs. EAD (post-CRM) and RWA for the pre-funded default fund contributions as at 30 June 2020 rose by CHF 38 million and CHF 14 million respectively.

10 Securitisations

10.1 SEC1: Securitisations: exposures in the banking book

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

10.2 SEC2: Securitisations: exposures in the trading book

	a	b	c	e	f	g	i	j	k
30.06.2020	Bank acts as originator			Bank acts as sponsor			Banks acts as investor		
in CHF million	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total
1 Retail (total)	**-**	**-**	**-**	**-**	**-**	**-**	**18**	**-**	**18**
2 of which residential mortgage	-	-	-	-	-	-	1	-	1
3 of which credit card	-	-	-	-	-	-	13	-	13
4 of which other retail exposures	-	-	-	-	-	-	3	-	3
5 of which re-securitisation	-	-	-	-	-	-	-	-	-
6 Wholesale (total)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

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

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

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

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

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

11 Market risk

11.1 MR1: Market risk: market risk under SA

30.06.2020		a
in CHF million		RWA
	Outright products	
1	Interest rate risk (general and specific)	1,682
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	4
9	**Total**	**1,686**

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

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

30.06.2020		a	b	c	d	e	f
in CHF million		VaR	Stressed VaR	IRC	CRM	Other	Total RWA
1	**RWA as at end of previous reporting period (31.12.2019)**	**597**	**1,474**	**-**	**-**	**-**	**2,071**
2	Movement in risk levels [1]	302	541	-	-	-	843
3	Model updates / changes	-17	-102	-	-	-	-119
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**	**882**	**1,913**	**-**	**-**	**-**	**2,795**

[1] The effect of foreign exchange movements is captured in movement in risk levels, since foreign exchange rate movements are part of the effects of market movements on risk levels.

The total RWA of exposures under IMA increased by CHF 724 million to CHF 2,795 million during the reporting period. An increase in RWA of CHF 843 million, largely due to higher share price and interest rate risks (movement in risk levels) was offset by a decrease of CHF 119 million in RWA due to model changes.

11.3 MR3: Market risk: IMA values for trading portfolios

30.06.2020

in CHF million		a
VaR (10 day 99%)		
1	Maximum value	50
2	Average value	20
3	Minimum value	10
4	**Period end**	**13**
Stressed VaR (10 day 99%)		
5	Maximum value	55
6	Average value	45
7	Minimum value	35
8	**Period end**	**43**
Incremental risk charge (99.9%)		
9	Maximum value	-
10	Average value	-
11	Minimum value	-
12	**Period end**	**-**
Comprehensive risk capital charge (99.9%)		
13	Maximum value	-
14	Average value	-
15	Minimum value	-
16	**Period end**	**-**
17	Floor (standardised measurement method)	-

VaR and stressed VaR were at higher levels during the reporting period than in the second half of 2019. The sharp increase in VaR distribution reflects the high volatility in the financial markets following the COVID-19 crisis outbreak. Towards the end of the first half of 2020, VaR and stressed VaR returned to the levels seen at the end of 2019.

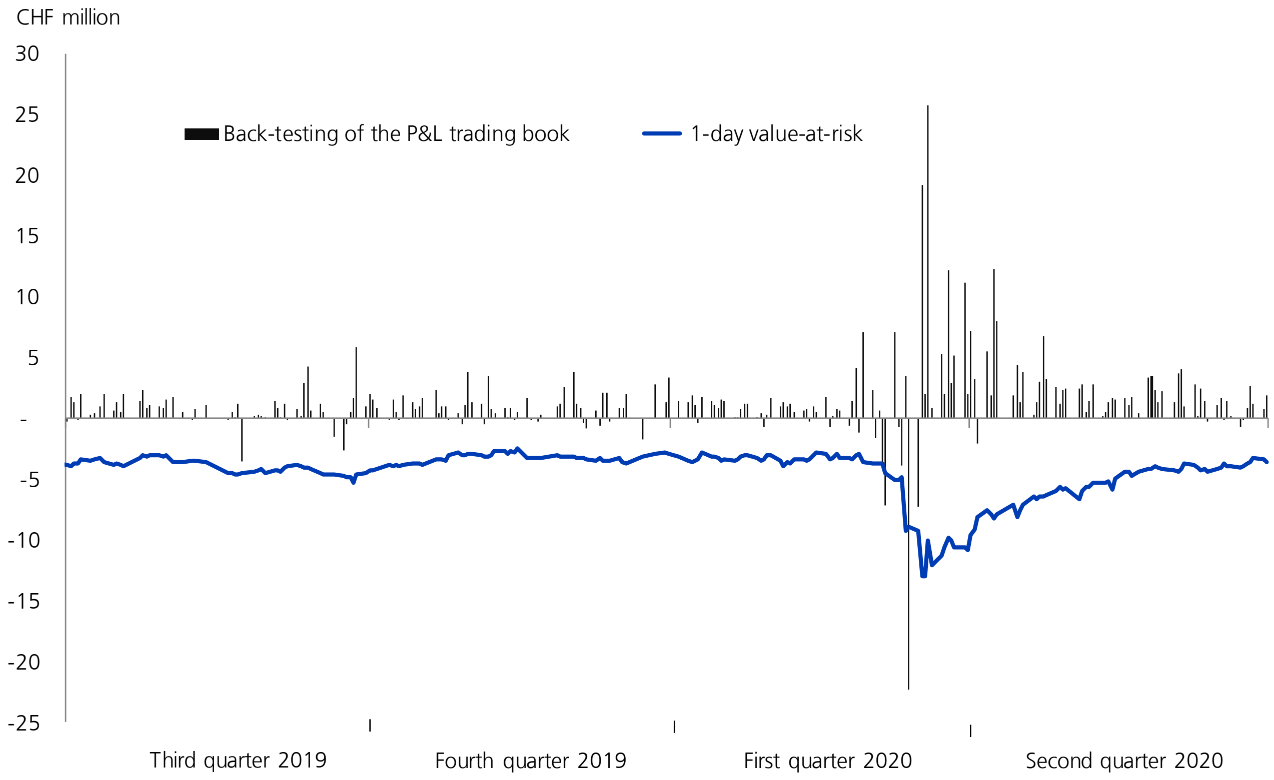
11.4 MR4: Market risk: comparison of VaR estimates with gains/losses

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

Backtesting results for the second half of 2019 and the first half of 2020

The abrupt rise in market volatility during the COVID-19 crisis in March 2020 caused three backtesting exceptions in the Zürcher Kantonalbank market risk model approach. This occurs when a daily loss in trading is higher than the model predicts. The CHF 0.2 million and CHF 2.8 million VaR backtesting exceptions on 6 March 2020 and 9 March 2020 respectively resulted from large market movements in Swiss franc interest rates and credit spreads. The CHF 13.4 million exception on 16 March 2020 was mainly due to movements in the USD/CHF cross currency basis. More than five exceptions in one year may result in higher capital adequacy requirements. In FINMA guidance 02/2020 and 06/2020 issued in April and May 2020, FINMA informed banks of a limited exemption period from 1 February 2020 to 1 July 2020, during which the number of exceptions would remain frozen. The number of exceptions to be taken into account for the institution-specific multiplier is therefore unchanged at zero for Zürcher Kantonalbank as at 30 June 2020.

The situation in the last four quarters was as follows:



12 Disclosure requirements for systemically important banks

Special disclosure obligations for systemically important financial groups and banks

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

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

30.06.2020				Group
in CHF million and in % RWA	Transitional rules		Definitive rules from 2026	
Basis of assessment	*CHF million*		*CHF million*	
Risk-weighted assets (RWA)	**69,750**		**69,750**	
Risk-based capital requirements (going concern) based on capital ratios	*CHF million*	*in % RWA*	*CHF million*	*in % RWA*
Total [1]	**8,970**	**12.9%**	**8,970**	**12.9%**
of which CET1: minimum capital	3,139	4.5%	3,139	4.5%
of which CET1: buffer capital	2,832	4.1%	2,832	4.1%
of which CET1: countercyclical buffer	-	-	-	-
of which Additional Tier 1: minimum capital	2,441	3.5%	2,441	3.5%
of which Additional Tier 1: buffer capital	558	0.8%	558	0.8%
Eligible capital (going concern)	*CHF million*	*in % RWA*	*CHF million*	*in % RWA*
Core capital	**12,230**	**17.5%**	**11,140**	**16.0%**
of which CET1	9,231	13.2%	8,141	11.7%
of which CET1 to cover additional Tier 1 requirements	2,249	3.2%	2,999	4.3%
of which additional Tier 1 high-trigger CoCos	750	1.1%	-	-
of which additional Tier 1 low-trigger CoCos	-	-	-	-
of which Tier 2 high-trigger CoCos [2]				
of which Tier 2 low-trigger CoCos [2]				
Risk-based requirements for additional loss-absorbing capital (gone concern) based on capital ratios	*CHF million*	*in % RWA*	*CHF million*	*in % RWA*
Total according to size and market share (mirroring going concern requirements) incl. additional requirement FINMA [3, 4]	1,364	2.0%	5,482	7.9%
Reduction based on rebates as per Art. 133 CAO	-	-	-	-
Reduction based on holdings in additional capital in the form of CET1 or contingent capital as per Art. 132 para. 4 CAO	-	-	-545	-0.8%
Total (net)	**1,364**	**2.0%**	**4,937**	**7.1%**
Eligible additional loss-absorbing capital (gone concern)	*CHF million*	*in % RWA*	*CHF million*	*in % RWA*
Total	**1,788**	**2.6%**	**4,937**	**7.1%**
of which CET1 used to meet gone concern requirements	-	-	340	0.5%
of which additional Tier 1 used to meet gone concern requirements	-	-	750	1.1%
of which Tier 2 high-trigger CoCos	-	-	-	-
of which Tier 2 low-trigger CoCos [2]	531	0.8%	531	0.8%
of which non-Basel III compliant Tier 1	-	-	-	-
of which non-Basel III compliant Tier 2	-	-	-	-
of which bail-in bonds	-	-	-	-
of which other eligible additional loss-absorbing capital [5]	575	0.8%	575	0.8%
of which state guarantee or similar mechanism	682	1.0%	2,741	3.9%

[1] The risk-based capital requirements on a going concern basis are calculated as a percentage of risk-weighted exposures. Under Article 129 CAO, the total requirement for Zürcher Kantonalbank is 12.86%. Since 27.03.2020 the countercyclical buffer (CCB) has been 0.00%. The risk-based total requirement (going concern) as at 30.06.2020 is therefore equivalent to the requirement under CAO (12.86%).

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

[3] Under Article 132, para. 2 CAO, the risk-based requirements for additional loss-absorbing capital (gone concern) are calculated using the total going concern requirement under Article 129 CAO. Based on the transitional provisions in Article 148j CAO, the gross gone concern requirement in 2020 is 1.28% of RWA. This will increase in stages until 2026, when the gross gone concern requirement will be equal to 40 percent of the total going concern requirement for Zürcher Kantonalbank (excluding the CCB).

[4] In a letter dated 03.09.2019, FINMA set the risk-based requirements for additional loss-absorbing capital (gone concern) for contingency planning at Zürcher Kantonalbank at 7.86% gross from 2026, including the total according to size and market share (mirroring the going concern requirement). Under the transitional provisions in Art. 148j CAO, this is equivalent to an additional risk-based requirement of 0.68% gross as at 30.06.2020. This results in a total risk-based gone concern requirement of 1.96% gross as at 30.06.2020. The total risk-based gone concern requirement is being increased gradually to 7.86% by 2026, as already mentioned.

[5] In December 2019, the Board of Directors decided to set aside the full amount of the endowment capital, which had been approved by the Cantonal Parliament in 2014 and has not yet been called on, for the bank's contingency plan (endowment capital reserve in the amount of CHF 575 million). The endowment capital reserve thus qualifies as eligible additional loss-absorbing capital (gone concern). As a result, this amount can now only be called on by order of FINMA or a FINMA-appointed restructuring official.

30.06.2020				Parent company
in CHF million and in % RWA	Transitional rules		Definitive rules from 2026	
Basis of assessment	*CHF million*		*CHF million*	
Risk-weighted assets (RWA)	**70,520**		**70,520**	
Risk-based capital requirements (going concern) based on capital ratios	*CHF million*	*in % RWA*	*CHF million*	*in % RWA*
Total [1]	**9,069**	**12.9%**	**9,069**	**12.9%**
of which CET1: minimum capital	3,173	4.5%	3,173	4.5%
of which CET1: buffer capital	2,863	4.1%	2,863	4.1%
of which CET1: countercyclical buffer	-	-	-	-
of which Additional Tier 1: minimum capital	2,468	3.5%	2,468	3.5%
of which Additional Tier 1: buffer capital	564	0.8%	564	0.8%
Eligible capital (going concern)	*CHF million*	*in % RWA*	*CHF million*	*in % RWA*
Core capital	**12,479**	**17.7%**	**11,369**	**16.1%**
of which CET1	9,447	13.4%	8,337	11.8%
of which CET1 to cover additional Tier 1 requirements	2,282	3.2%	3,032	4.3%
of which additional Tier 1 high-trigger CoCos	750	1.1%	-	-
of which additional Tier 1 low-trigger CoCos	-	-	-	-
of which Tier 2 high-trigger CoCos [2]				
of which Tier 2 low-trigger CoCos [2]				
Risk-based requirements for additional loss-absorbing capital (gone concern) based on capital ratios	*CHF million*	*in % RWA*	*CHF million*	*in % RWA*
Total according to size and market share (mirroring going concern requirements) incl. additional requirement FINMA [3, 4]	1,379	2.0%	5,543	7.9%
Reduction based on rebates as per Art. 133 CAO	-	-	-	-
Reduction based on holdings in additional capital in the form of CET1 or contingent capital as per Art. 132 para. 4 CAO	-	-	-555	-0.8%
Total (net)	**1,379**	**2.0%**	**4,988**	**7.1%**
Eligible additional loss-absorbing capital (gone concern)	*CHF million*	*in % RWA*	*CHF million*	*in % RWA*
Total	**1,796**	**2.5%**	**4,988**	**7.1%**
of which CET1 used to meet gone concern requirements	-	-	360	0.5%
of which additional Tier 1 used to meet gone concern requirements	-	-	750	1.1%
of which Tier 2 high-trigger CoCos	-	-	-	-
of which Tier 2 low-trigger CoCos [2]	531	0.8%	531	0.8%
of which non-Basel III compliant Tier 1	-	-	-	-
of which non-Basel III compliant Tier 2	-	-	-	-
of which bail-in bonds	-	-	-	-
of which other eligible additional loss-absorbing capital [5]	575	0.8%	575	0.8%
of which state guarantee or similar mechanism	690	1.0%	2,771	3.9%

[1] The risk-based capital requirements on a going concern basis are calculated as a percentage of risk-weighted exposures. Under Article 129 CAO, the total requirement for Zürcher Kantonalbank is 12.86%. Since 27.03.2020 the countercyclical buffer (CCB) has been 0.00%. The risk-based total requirement (going concern) as at 30.06.2020 is therefore equivalent to the requirement under CAO (12.86%).

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

[3] Under Article 132, para. 2 CAO, the risk-based requirements for additional loss-absorbing capital (gone concern) are calculated using the total going concern requirement under Article 129 CAO. Based on the transitional provisions in Article 148j CAO, the gross gone concern requirement in 2020 is 1.28% of RWA. This will increase in stages until 2026, when the gross gone concern requirement will be equal to 40 percent of the total going concern requirement for Zürcher Kantonalbank (excluding the CCB).

[4] In a letter dated 03.09.2019, FINMA set the risk-based requirements for additional loss-absorbing capital (gone concern) for contingency planning at Zürcher Kantonalbank at 7.86% gross from 2026, including the total according to size and market share (mirroring the going concern requirement). Under the transitional provisions in Art. 148j CAO, this is equivalent to an additional risk-based requirement of 0.68% gross as at 30.06.2020. This results in a total risk-based gone concern requirement of 1.96% gross as at 30.06.2020. The total risk-based gone concern requirement is being increased gradually to 7.86% by 2026, as already mentioned.

[5] In December 2019, the Board of Directors decided to set aside the full amount of the endowment capital, which had been approved by the Cantonal Parliament in 2014 and has not yet been called on, for the bank's contingency plan (endowment capital reserve in the amount of CHF 575 million). The endowment capital reserve thus qualifies as eligible additional loss-absorbing capital (gone concern). As a result, this amount can now only be called on by order of FINMA or a FINMA-appointed restructuring official.

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

30.06.2020				**Group**
in CHF million and in % LRD	Transitional rules		Definitive rules from 2026	
Basis of assessment	*CHF million*		*CHF million*	
Leverage ratio exposure measure (leverage ratio denominator, LRD) [1]	**198,218**		**198,218**	
Unweighted capital requirements (going concern) based on the leverage ratio	*CHF million*	*in % LRD*	*CHF million*	*in % LRD*
Total [2]	**8,920**	**4.5%**	**8,920**	**4.5%**
of which CET1: minimum capital	2,973	1.5%	2,973	1.5%
of which CET1: buffer capital	2,973	1.5%	2,973	1.5%
of which Additional Tier 1: minimum capital	2,973	1.5%	2,973	1.5%
Eligible capital (going concern)	*CHF million*	*in % LRD*	*CHF million*	*in % LRD*
Core capital	**12,230**	**6.2%**	**11,140**	**5.6%**
of which CET1	9,231	4.7%	8,141	4.1%
of which CET1 to cover additional Tier 1 requirements	2,249	1.1%	2,999	1.5%
of which additional Tier 1 high-trigger CoCos	750	0.4%	-	-
of which additional Tier 1 low-trigger CoCos	-	-	-	-
of which Tier 2 high-trigger CoCos [3]				
of which Tier 2 low-trigger CoCos [3]				
Unweighted requirements for additional loss-absorbing capital (gone concern) based on the leverage ratio	*CHF million*	*in % LRD*	*CHF million*	*in % LRD*
Total according to size and market share (mirroring going concern requirements) incl. additional requirement FINMA [4, 5]	1,272	0.6%	5,452	2.8%
Reduction based on rebates as per Art. 133 CAO	-	-	-	-
Reduction based on holdings in additional capital in the form of CET1 or contingent capital as per Art. 132 para. 4 CAO	-	-	-545	-0.3%
Total (net)	**1,272**	**0.6%**	**4,907**	**2.5%**
Eligible additional loss-absorbing capital (gone concern)	*CHF million*	*in % LRD*	*CHF million*	*in % LRD*
Total	**1,788**	**0.9%**	**4,937**	**2.5%**
of which CET1 used to meet gone concern requirements	-	-	340	0.2%
of which additional Tier 1 used to meet gone concern requirements	-	-	750	0.4%
of which Tier 2 high-trigger CoCos	-	-	-	-
of which Tier 2 low-trigger CoCos [3]	531	0.3%	531	0.3%
of which non-Basel III compliant Tier 1	-	-	-	-
of which non-Basel III compliant Tier 2	-	-	-	-
of which bail-in bonds	-	-	-	-
of which other eligible additional loss-absorbing capital [6]	575	0.3%	575	0.3%
of which state guarantee or similar mechanism	682	0.3%	2,741	1.4%

[1] Zürcher Kantonalbank is not making use of the temporary exemptions in calculating the leverage ratio available until 01.01.2021 under FINMA guidance 02/2020 and 06/2020 "Temporary exemptions for banks due to the COVID-19 crisis". Central bank deposits are therefore included in the total leverage ratio exposure as before.

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

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

[4] Under Article 132, para. 2 CAO, the unweighted requirements for additional loss-absorbing capital (gone concern) are calculated using the total going concern requirement under Article 129 CAO. Based on the transitional provisions in Article 148j CAO, the gross gone concern requirement in 2020 is 0.42% of the leverage ratio exposure measure. This will increase in stages until 2026, when the gross gone concern requirement will be equal to 40 percent of the total going concern requirement for Zürcher Kantonalbank.

[5] In a letter dated 03.09.2019, FINMA increased the unweighted requirements for additional loss-absorbing capital (gone concern) for contingency planning at Zürcher Kantonalbank from 2026 in the same ratio as for the risk-based gone concern requirements. Under the transitional provisions in Art. 148j CAO, this is equivalent to an additional unweighted requirement of 0.22% gross as at 30.06.2020. This results in a total unweighted gone concern requirement of 0.64% gross as at 30.06.2020. The total unweighted gone concern requirement is being increased gradually to 2.75% gross by 2026.

[6] In December 2019, the Board of Directors decided to set aside the full amount of the endowment capital, which had been approved by the Cantonal Parliament in 2014 and has not yet been called on, for the bank's contingency plan (endowment capital reserve in the amount of CHF 575 million). The endowment capital reserve thus qualifies as eligible additional loss-absorbing capital (gone concern). As a result, this amount can now only be called on by order of FINMA or a FINMA-appointed restructuring official.

30.06.2020				**Parent company**
in CHF million and in % LRD	Transitional rules		Definitive rules from 2026	
Basis of assessment	*CHF million*		*CHF million*	
Leverage ratio exposure measure (leverage ratio denominator, LRD) [1]	**198,344**		**198,344**	
Unweighted capital requirements (going concern) based on the leverage ratio	*CHF million*	*in % LRD*	*CHF million*	*in % LRD*
Total [2]	**8,925**	**4.5%**	**8,925**	**4.5%**
of which CET1: minimum capital	2,975	1.5%	2,975	1.5%
of which CET1: buffer capital	2,975	1.5%	2,975	1.5%
of which Additional Tier 1: minimum capital	2,975	1.5%	2,975	1.5%
Eligible capital (going concern)	*CHF million*	*in % LRD*	*CHF million*	*in % LRD*
Core capital	**12,479**	**6.3%**	**11,369**	**5.7%**
of which CET1	9,447	4.8%	8,337	4.2%
of which CET1 to cover additional Tier 1 requirements	2,282	1.2%	3,032	1.5%
of which additional Tier 1 high-trigger CoCos	750	0.4%	-	-
of which additional Tier 1 low-trigger CoCos	-	-	-	-
of which Tier 2 high-trigger CoCos [3]				
of which Tier 2 low-trigger CoCos [3]				
Unweighted requirements for additional loss-absorbing capital (gone concern) based on the leverage ratio	*CHF million*	*in % LRD*	*CHF million*	*in % LRD*
Total according to size and market share (mirroring going concern requirements) incl. additional requirement FINMA [4, 5]	1,273	0.6%	5,455	2.8%
Reduction based on rebates as per Art. 133 CAO	-	-	-	-
Reduction based on holdings in additional capital in the form of CET1 or contingent capital as per Art. 132 para. 4 CAO	-	-	-555	-0.3%
Total (net)	**1,273**	**0.6%**	**4,900**	**2.5%**
Eligible additional loss-absorbing capital (gone concern)	*CHF million*	*in % LRD*	*CHF million*	*in % LRD*
Total	**1,796**	**0.9%**	**4,988**	**2.5%**
of which CET1 used to meet gone concern requirements	-	-	360	0.2%
of which additional Tier 1 used to meet gone concern requirements	-	-	750	0.4%
of which Tier 2 high-trigger CoCos	-	-	-	-
of which Tier 2 low-trigger CoCos [3]	531	0.3%	531	0.3%
of which non-Basel III compliant Tier 1	-	-	-	-
of which non-Basel III compliant Tier 2	-	-	-	-
of which bail-in bonds	-	-	-	-
of which other eligible additional loss-absorbing capital [6]	575	0.3%	575	0.3%
of which state guarantee or similar mechanism	690	0.3%	2,771	1.4%

[1] Zürcher Kantonalbank is not making use of the temporary exemptions in calculating the leverage ratio available until 01.01.2021 under FINMA guidance 02/2020 and 06/2020 "Temporary exemptions for banks due to the COVID-19 crisis". Central bank deposits are therefore included in the total leverage ratio exposure as before.

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

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

[4] Under Article 132, para. 2 CAO, the unweighted requirements for additional loss-absorbing capital (gone concern) are calculated using the total going concern requirement under Article 129 CAO. Based on the transitional provisions in Article 148j CAO, the gross gone concern requirement in 2020 is 0.42% of the leverage ratio exposure measure. This will increase in stages until 2026, when the gross gone concern requirement will be equal to 40 percent of the total going concern requirement for Zürcher Kantonalbank.

[5] In a letter dated 03.09.2019, FINMA increased the unweighted requirements for additional loss-absorbing capital (gone concern) for contingency planning at Zürcher Kantonalbank from 2026 in the same ratio as for the risk-based gone concern requirements. Under the transitional provisions in Art. 148j CAO, this is equivalent to an additional unweighted requirement of 0.22% gross as at 30.06.2020. This results in a total unweighted gone concern requirement of 0.64% gross as at 30.06.2020. The total unweighted gone concern requirement is being increased gradually to 2.75% gross by 2026.

[6] In December 2019, the Board of Directors decided to set aside the full amount of the endowment capital, which had been approved by the Cantonal Parliament in 2014 and has not yet been called on, for the bank's contingency plan (endowment capital reserve in the amount of CHF 575 million). The endowment capital reserve thus qualifies as eligible additional loss-absorbing capital (gone concern). As a result, this amount can now only be called on by order of FINMA or a FINMA-appointed restructuring official.

13 Corporate Governance

In comparison with 31 December 2019, there were no material changes in the corporate governance. For disclosures on corporate governance, please see the corporate governance section of our Annual Report 2019 as well as the information on corporate governance on our website.